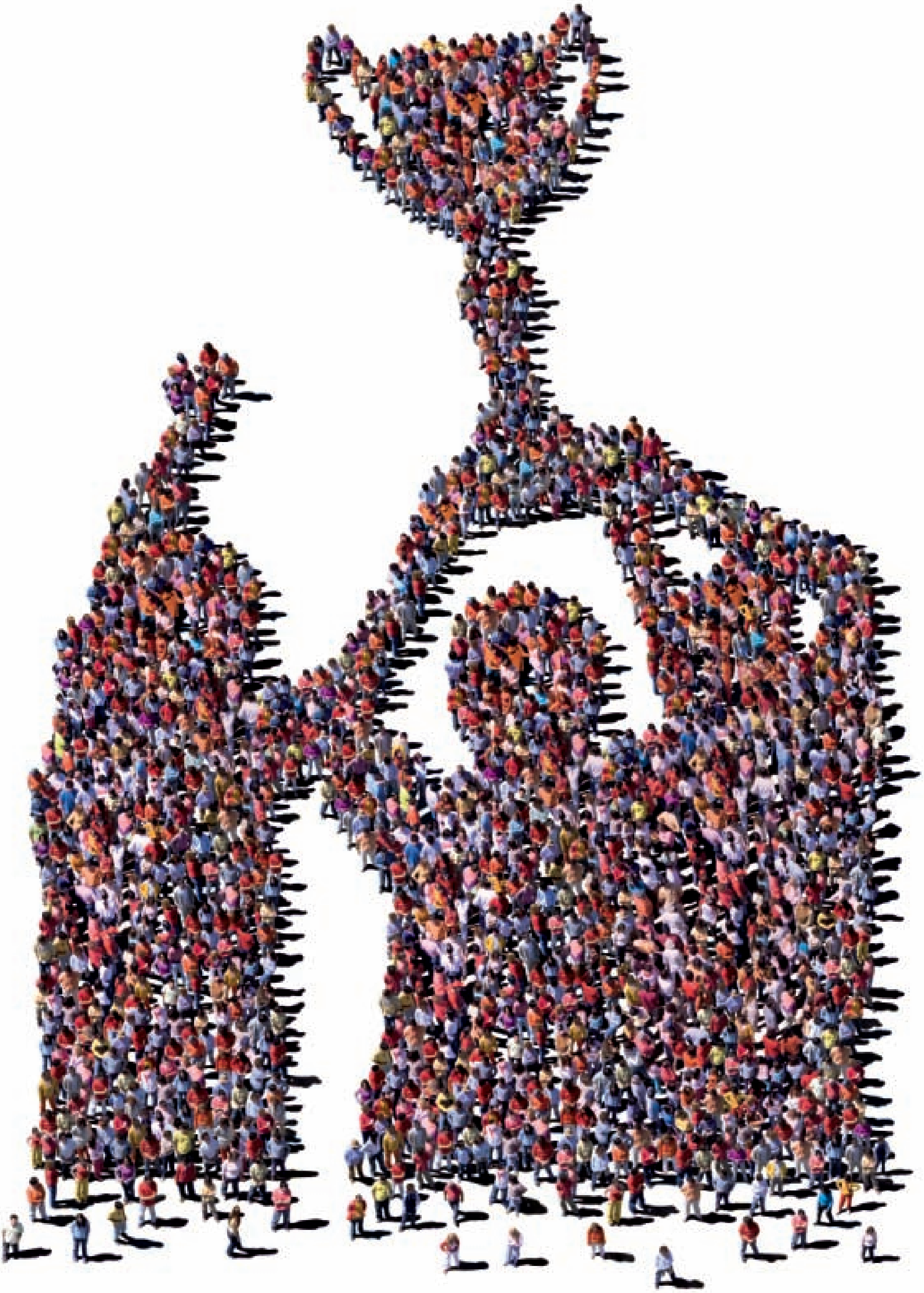
GROUP ANNUAL REPORT 2007

A WINNING TEAM



VIENNA INSURANCE GROUP

Welcome to the family of
VIENNA INSURANCE GROUP

AUSTRIA
- WIENER STÄDTISCHE – Vienna Insurance Group
- Donau – Vienna Insurance Group
- Bank Austria Creditanstalt Versicherung

GERMANY
- InterRisk – Vienna Insurance Group

ITALY BRANCH
- WIENER STÄDTISCHE – Vienna Insurance Group

LIECHTENSTEIN
- VIENNA-LIFE – Vienna Insurance Group

CZECH REPUBLIC
- Kooperativa – Vienna Insurance Group
- ČPP – Vienna Insurance Group

HUNGARY
- UNION BIZTOSÍTÓ – Vienna Insurance Group

SERBIA
- WIENER STÄDTISCHE – Vienna Insurance Group

BELARUS
- КУПАЛА – Vienna Insurance Group
- Victoria – Vienna Insurance Group

SLOVAKIA
- Kooperativa – Vienna Insurance Group
- KOMUNÁLNA poisťovňa – Vienna Insurance Group
- KONTINUITA – Vienna Insurance Group

SLOVENIA BRANCH
- WIENER STÄDTISCHE – Vienna Insurance Group

ALBANIA
- SIGMA – Vienna Insurance Group

MACEDONIA
- SIGMA – Vienna Insurance Group

CROATIA
- KVARNER – Vienna Insurance Group
- Life – Vienna Insurance Group
- OSIGURANJE HELIOS – Vienna Insurance Group

ESTONIA
- SEESAM (in redesign)

LATVIA
- SEESAM (in redesign)

LITHUANIA
- SEESAM (in redesign)

BULGARIA
- BULSTRAD – Vienna Insurance Group
- BULSTRAD Life – Vienna Insurance Group
- BULGARSKI IMOTI – Vienna Insurance Group (in redesign)

UKRAINE
- КНЯЖА – Vienna Insurance Group
- ГЛОБУС – Vienna Insurance Group
- ЮПІТЕР – Vienna Insurance Group
- УКРАЇНСЬКА СТРАХОВА ГРУПА – UKRAINIAN INSURANCE GROUP (in redesign)

ROMANIA
- OMNIASIG – Vienna Insurance Group
- OMNIASIG ASIGURARI DE VIATA – Vienna Insurance Group
- ASIROM – Asigurarea Românească (in redesign)
- UNITA – Vienna Insurance Group
- AGRAS – Vienna Insurance Group

RUSSIA
- Страховая компания МСК-Лайф – Vienna Insurance Group

TURKEY
- RAY SİGORTA (in redesign)

POLAND
- COMPENSA – Vienna Insurance Group
- InterRisk – Vienna Insurance Group
- BENEFIA – Vienna Insurance Group
- ROYAL Polska – Vienna Insurance Group
- PZM TU S.A. – Vienna Insurance Group

GEORGIA
- GPI – Vienna Insurance Group (in redesign)
- IRAO – Vienna Insurance Group (in redesign)

March 2008

KEY FIGURES FOR VIENNA INSURANCE GROUP

		2005	2006	2007
Income statement				
Premiums written	**EUR millions**	**5,007.84**	**5,881.51**	**6,911.93**
Property/Casualty	EUR millions	2,563.32	3,067.15	3,671.17
Life	EUR millions	2,156.43	2,516.46	2,934.16
Health	EUR millions	288.09	297.90	306.60
Premiums written	**EUR millions**	**5,007.84**	**5,881.51**	**6,911.93**
Austria	EUR millions	3,170.97	3,434.73	3,695.37
Czech Republic	EUR millions	891.51	1,048.00	1,130.47
Slovakia	EUR millions	330.94	387.68	494.52
Poland	EUR millions	74.07	335.06	543.14
Romania	EUR millions	136.17	236.89	413.49
Other CEE	EUR millions	127.04	198.37	383.77
Other markets	EUR millions	277.14	240.78	251.17
Investment income	**EUR millions**	**605.43**	**716.45**	**1,002.64**
Profit before taxes	**EUR millions**	**240.34**	**320.97**	**437.30**
Property/Casualty	EUR millions	145.47	175.69	265.07
Life	EUR millions	73.41	132.47	157.20
Health	EUR millions	21.45	12.81	15.03
Profit before taxes	**EUR millions**	**240.34**	**320.97**	**437.30**
Austria	EUR millions	144.52	209.06	286.80
Czech Republic	EUR millions	60.09	59.12	73.81
Slovakia	EUR millions	24.98	27.66	30.30
Poland	EUR millions	1.50	7.73	18.78
Romania	EUR millions	0.54	2.75	4.56
Other CEE	EUR millions	1.16	2.83	10.25
Other markets	EUR millions	7.54	11.82	12.80
Net profit for the period after taxes and minority interest	**EUR millions**	**196.98**	**260.90**	**312.62**
Balance sheet				
Investments	**EUR millions**	**16,924.74**	**19,600.95**	**23,237.37**
Shareholders' equity	**EUR millions**	**2,059.33**	**2,283.21**	**2,615.56**
Underwriting provisions	**EUR millions**	**14,816.16**	**16,867.28**	**20,040.65**
Total assets	**EUR millions**	**19,441.45**	**22,483.45**	**26,745.07**
Share information				
Number of shares	**Shares**	**105,000,000**	**105,000,000**	**105,000,000**
Market capitalisation	**EUR millions**	**5,234.25**	**5,586.00**	**5,775.00**
Average number of shares traded by day	**Shares**	**about 32,600**	**about 107,000**	**about 125,000**
Price as at 31 December	**EUR**	**49.85**	**53.20**	**55.00**
High	**EUR**	**52.20**	**54.27**	**57.90**
Low	**EUR**	**24.65**	**41.26**	**45.01**
Share performance for the year (excluding dividends)	**%**	**105.10**	**6.72**	**3.38**
Dividend per share	**EUR**	**0.66**	**0.82**	**1.10**
Dividend yield	**EUR**	**1.32**	**1.54**	**2.00**
Earnings per share	**EUR**	**2.27**	**2.48**	**2.98**
Price-earnings ratio as at 31 December		**21.96**	**21.45**	**18.46**
Number of employees				
Total		**16,346**	**18,587**	**20,307**
thereof CEE		10,868	12,729	14,057
thereof Austria and Other markets		5,478	5,858	6,250

Calculation differences may arise when rounded amounts and percentages are summed automatically.

HIGHLIGHTS 2007

CONTINUED GROWTH IN CENTRAL AND EASTERN EUROPE

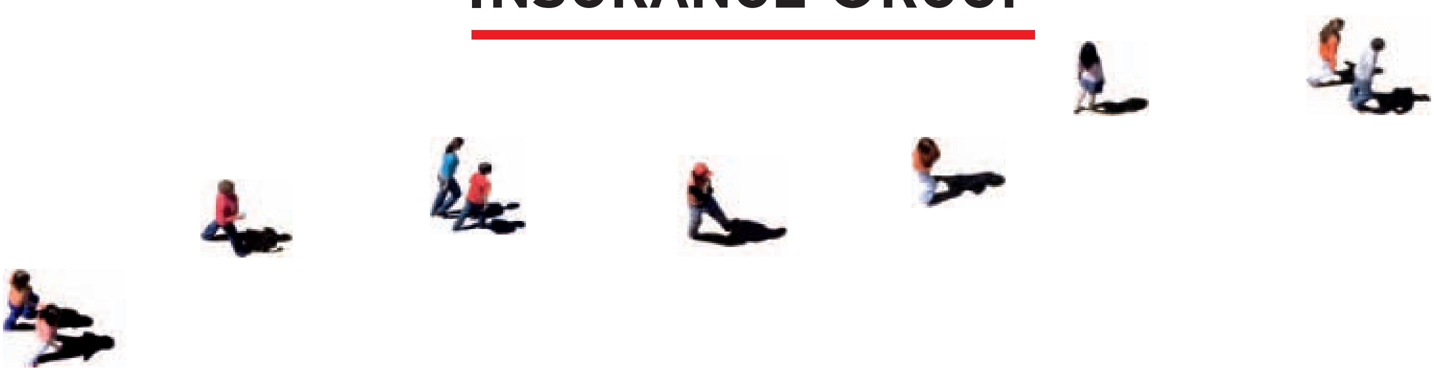
- Share of premiums from the CEE region: Total increased to 42.9%; already 57.7% in the property/casualty business.
- CEE market position*: Number 1 in the non-life business.
- Further geographic expansion: Market entry in Albania, Macedonia, Turkey and the Baltic states.
- A total of seven acquisitions and strong organic growth in 2007.
- Greater integration of subsidiaries into the Vienna Insurance Group family.

RESULT FURTHER INCREASED

- Profit before taxes in 2007: EUR 437.30 million (+36.2%)
- Premium volume reached EUR 6,911.93 million (+17.5%) over the year as a whole.
- Combined ratio of 95.5% significantly below 100% in 2007.

* Market position (Vienna Insurance Group) - Definition CEE: Czech Republic, Slovakia, Poland, Romania, Bulgaria, Croatia and Hungary.

VIENNA
INSURANCE GROUP



VIENNA INSURANCE GROUP
REPORT 2007

Group Annual Report of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP

CONTENTS

A PERFECT TEAM RIGHT FROM THE START

COMPANIES, MARKET AND STRATEGY

LETTER FROM THE CHAIRMAN OF THE MANAGING BOARD

Dear Shareholders,
Dear Madam/Sir!

Dr. Günter Geyer, General Manager

The crisis in the financial markets over the last few months has had a significantly negative impact on many large companies, especially in the financial sector. Precisely in times such as these, it becomes clear that the Vienna Insurance Group is on the right track. We have had no involvement with financial instruments of the sort that have led to substantial losses for other market participants. Rather, we have focussed on solid, steady investments offering stable earnings and hence a high degree of security. This security represents the foundation of our business and justifies the trust that our shareholders, customers and business partners have placed in us.

Security and profitability

Our shareholders expect from us not only security but also regular profitability. In the last few years I have reported to you again and again on our company's new record results – something that I am able to do on this occasion as well:

In fiscal year 2007 we were able to expand our business volume by 17.5%, to almost EUR 7 billion in premiums written. At the same time, we once again strengthened our market position in our core market of Austria, with EUR 3.7 billion in premiums generated. Thus, we have once again met the challenge of expanding our market leadership in Austria. Very much in keeping with our motto: Promises made, promises kept!

However, the major momentum driving the expansion of our business was in the CEE region. With premium volume of approximately EUR 3.0 billion (equal to a gain of 34.4%), this dynamic region already contributed nearly 43% of the Group's premiums, with the property/casualty business even reaching EUR 2.12 billion, i.e., nearly 58%.

With these numbers, we are not just one of the fastest-growing insurance companies in Europe but in our core markets – the countries of the CEE region which have achieved a high degree of economic stability – we are No. 1 among those insurance companies that operate on an international basis.

It is our desire to continue with this gratifying development. Now is precisely the time that the boom in life insurance in the CEE countries is beginning. Our company numbers clearly reflect the growing importance of this segment: With growth rates of about 40%, last year the life insurance business in the CEE region made up about 30% of the Group's total life insurance business. As before in the property/casualty business, we wish to partake vigorously of these dynamics. With new, sustainable and attractive sales channels, we shall carry on and expand our history of success in this business segment.

The earnings trend of the Vienna Insurance Group over the last fiscal year is, to my mind, impressive as well: In 2007, profit before taxes amounted to EUR 437 million, a roughly 40% increase. The strongly growing volume of business in the CEE region – despite the investments that continue to be necessary – has already a positive effect on the profitability of our Group companies.

Business expansion through acquisition

This is to our shareholders' benefit: Because of the welcome trend in profits, the Managing Board of the Vienna Insurance Group will make a recommendation to the Annual General Meeting of Shareholders for a 2007 dividend of EUR 1.10 per share – i.e. more than one third higher than the prior year.

How do we achieve such dynamic numbers? By continually seeking out new business opportunities. Thus, for example, even over the last few months we have once again significantly expanded our sphere of activity through the acquisition of attractive companies.

With Turkey, Albania, Macedonia and the Baltic states of Estonia, Latvia and Lithuania we have recently added on a number of countries in our natural CEE region, thereby continuing down a path which has proven itself for us for nearly two decades. After a long and intensive review of the market situation, we explore new countries with an initial, cautious step through the takeover of smaller, attractive companies whose business fundamentals are a good fit with our own. In so doing we acquire experience in the business practices of these countries, which will later drive further expansion on a secure basis.

This is what we did recently in Romania, for example, where in 2007 we acquired the insurance company Asirom. Thus, we were able to significantly expand our top position in that country, one of the region's fastest growing markets and one in which we now have an almost 30% market share overall. This acquisition was especially important for us because the name Asirom in Romania is virtually synonymous with insurance. This company has roots that run especially deep and wide in the Romanian market – a key component for the continuation of our dynamic growth in the future.

Group-wide integration
However, making acquisitions is not enough to ensure successful expansion of our company over the long term. Steps are also needed to cross-integrate individual countries and companies with which we wish to develop new possibilities. I would like to cite two current examples in this regard:

The management of the Vienna Insurance Group recently decided to form a reinsurance company in the Czech Republic. Over time, our wish is to concentrate the reinsurance activities of all Group companies into this company, first of all in order to design reinsurance agreements and their terms centrally and efficiently. Second, we can thereby place risks on a broader basis throughout the Group, by utilizing VIG's growing capacity to bear risk. This will also give us the opportunity to offer the unique expertise we have acquired in the CEE business to additional business partners in the context of reinsurance.

In the near future we also wish to devote special attention to the employees of our roughly 45 Group companies. With its expansion into a large and fresh area of Europe, our business model should provide dynamic individuals with opportunities for development, something only a few companies offer in this form.

For that reason, we have created the International Human Resource Development department, whose task is to find and foster new management talent. As part of individually tailored programs, employees are deployed globally to give them the opportunity to get to know all facets of the Vienna Insurance Group and to prove themselves in a wide variety of challenging situations.

Over the next few years, I am convinced that in this way we can offer young people outstanding opportunities for development, thereby making us especially attractive as an employer.

People are at the heart of all our success. This success gives our employees the ability to constantly seek out and avail themselves of new opportunities for business expansion.

Employees stand for success
I would like to give special thanks to all employees of the Vienna Insurance Group for their tireless efforts over this past fiscal year on behalf of our customers and business partners. The motivation of our colleagues in all member companies of the Group makes the Vienna Insurance Group a special business enterprise and will also fortify us in the future.

We have set challenging goals for ourselves in coming years.

A look into the future
And we believe in that future. That is why we have once again set new and challenging goals for the coming years. For example, by 2010 we wish to achieve premium volume already significantly above EUR 10 billion. In terms of profit before taxes, we wish to show even stronger growth over the same period and have set the mark for 2010 at EUR 770 million.

This will not take place easily, but we have already proven that we are successfully able to take on new challenges.

Together with you, ladies and gentlemen, with our customers, business partners, shareholders and employees, we will make this happen.

Sincerely,

Günter Geyer

EXECUTIVE BOARD OF THE GROUP OF WIENER STÄDTISCHE VERSICHERUNG AG VIENNA INSURANCE GROUP

Dr. Günter Geyer, General Manager
Chairman of the Managing Board of
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP

Areas of responsibility: Group management, strategic planning, Group matters, public relations, human resource, international human resource development, investor relations, international labour law, Group marketing

Country responsibilities: Slovakia, Czech Republic, Hungary

Dkfm. Karl Fink, General Manager
Member of the Managing Board of
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP

Areas of responsibility: sponsoring, corporate- and large risk-business (underwriting/claims), reinsurance, supervision of companies in which an ownership interest is held through TBIH/Kardan

Mag. Robert Lasshofer, Deputy General Manager
Member of the Managing Board of
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP

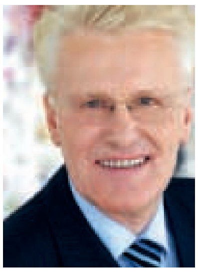
Areas of responsibility: marketing, sales, advertising, provincial head offices and call center of Wiener Städtische AG Austria (incl. branch offices Slovenia and Italy)

Country responsibility: Liechtenstein

Ing. Martin Diviš*, MBA
General Manager of Kooperativa pojišťovna, a.s., VIENNA INSURANCE GROUP, Czech Republic (starting 7 May 2008)

Areas of responsibility (associated): property management Central and Eastern Europe, general liability (underwriting/claims), investments Central and Eastern Europe

Country responsibility: Belarus



Dr. Rudolf Ertl
Member of the Managing Board of
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP

Areas of responsibility: information technology and process optimisation, legal protection (claims), company law, property management

Country responsibility: Serbia

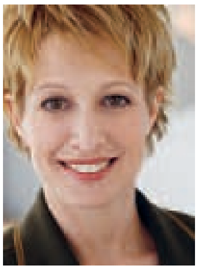
Franz Fuchs
General Manager of
T.U. Compensa S.A. VIENNA INSURANCE GROUP, Poland

Country responsibilities: Bulgaria, Poland

*** Deputy Member of the Managing Board WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP**

Dr. Peter Hagen
Member of the Managing Board of
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP

Areas of responsibility: general liability (underwriting/claims), legal protection (underwriting), motor vehicle insurance (underwriting), non-life insurance (claims/underwriting, excluding legal protection and corporate business)



Dr. Judit Havasi*
Member of the Managing Board of
Union VIENNA INSURANCE GROUP Biztosító, Hungary

Areas of responsibility (associated): international human resource development, international labour law, legal protection (claims), company law Central and Eastern Europe, finance and accounting Central and Eastern Europe

Mag. Peter Höfinger*
Member of the Managing Board of
Donau Versicherung AG VIENNA INSURANCE GROUP, Austria

Areas of responsibility (associated): corporate- and large risk-business (underwriting/claims), reinsurance, non-motor vehicle property insurance (underwriting/claims, excluding legal protection and corporate business)
Country responsibilities: Romania, Russia

Dr. Franz Kosyna
General Manager of
Česká podnikatelská pojišťovna a.s., VIENNA INSURANCE GROUP, Czech Republic
(until 31 March 2008)
Member of the Managing Board of
Donau Versicherung AG VIENNA INSURANCE GROUP, Austria
(since 1 November 2007)

Dr. Martin Simhandl
Member of the Managing Board of
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP

Areas of responsibility: ownership interest management, investments, finance and accounting, life and casualty insurance, health insurance
Country responsibilities: Ukraine, Germany

EXTENDED EXECUTIVE BOARD OF THE GROUP

Mag. Roland Gröll
Group accounting

Mag. Robert Haider
International Group-IT

Dr. Birgit Moosmann
International labour law

Mag. Larysa Winter, MBA
International human resource development

GENERAL SECRETARIAT

Head of department:
Gabor Lehel

* Deputy Member of the Managing Board WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP

VIENNA INSURANCE GROUP

The Vienna Insurance Group is the leading insurance group in Austria and a top player in Central and Eastern Europe (CEE). The Group is a composite insurer that offers its customers innovative products and modern insurance solutions in the property/casualty, life insurance and health insurance business.

The Vienna Insurance Group quickly recognised and took advantage of the growth opportunities in Europe.

Leading Position in the CEE Region

The Vienna Insurance Group was one of the first insurance groups to recognise and quickly take advantage of the growth opportunities offered by a unified Europe. Today, the Group is one of the most important players in the CEE region. The Vienna Insurance Group now participates in 23 markets, extending from Turkey in the south to Estonia in the north, and Vaduz in the west to Vladivostok in the east, thereby achieving broad geographic diversification. The Vienna Insurance Group is one of the market leaders in Austria, the Czech Republic, Slovakia, Romania, Bulgaria, Albania and Georgia. In a comparison with other international insurance groups, the Vienna Insurance Group is No. 1 in the CEE region in non-life insurance, and occupies an outstanding second place in the overall market*.

Pure Play in the CEE Region

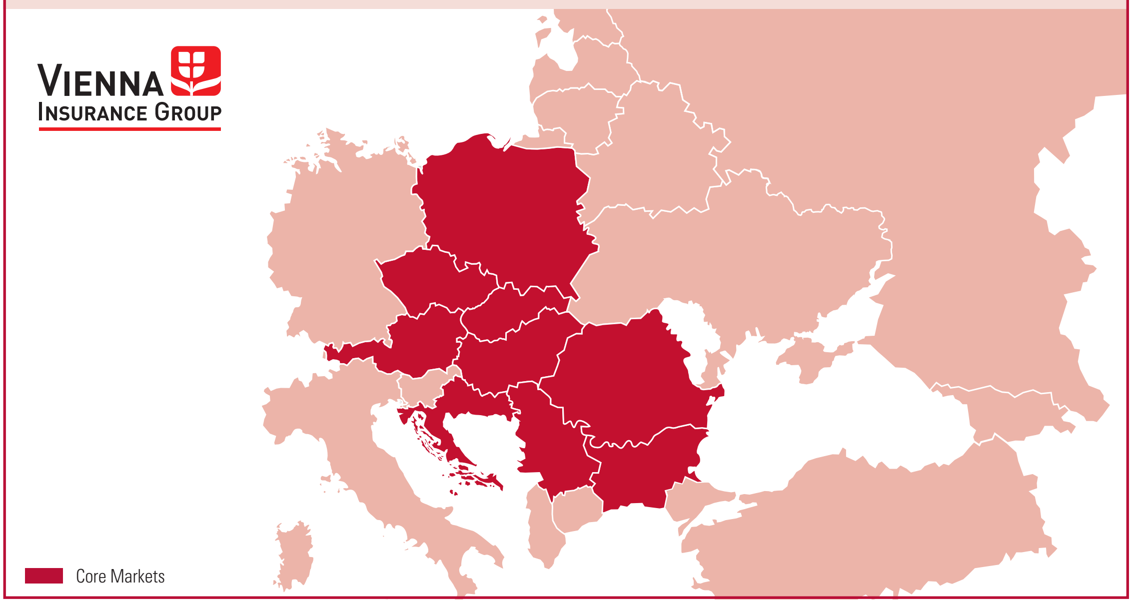
The Vienna Insurance Group is optimally positioned to participate in the increased need for insurance accompanying the rising standard of living in the countries of the CEE region. The proportion of total Group premiums contributed by Group companies in the CEE region already exceeded 40% in 2007, even rising to almost 58% in the property/casualty area. No other international insurance company generates such a high proportion of its premiums in this high-growth region.

Listed in Vienna and Prague

The shares of Vienna Insurance Group have been listed in the Prime Market segment of the Vienna Stock Exchange since 2005 and are part of the leading index ATX. The highly satisfying performance it has achieved in recent years is a reflection of the confidence financial markets have in the company. To further increase its attractiveness for investors and to expand the Group's presence in the capital market in the CEE region, since early February 2008 its shares have also been listed on the Prague Stock Exchange. Since 1 February 2008, the shares have been traded under the international name Vienna Insurance Group (securities symbol VIG).

* Market position (Vienna Insurance Group) – Definition CEE: Czech Republic, Slovakia, Poland, Romania, Bulgaria, Croatia and Hungary.

THE MARKETS OF THE VIENNA INSURANCE GROUP: A STRONG PRESENCE IN 23 COUNTRIES






Vienna Insurance Group by region (Status as of 31 December 2007)

	Premium volume total (EUR ´000)	Life (EUR ´000)	Non-life (EUR ´000)	Market position	Market share	Employees
Austria	**3,695,374**	**1,901,642**	**1,793,732**	**1**	**24.3%**	**6,138**
Czech Republic	**1,130,465**	**292,326**	**838,140**	**2**	**25.9%**	**4,638**
Slovakia	**494,524**	**197,665**	**296,859**	**2**	**29.2%**	**1,697**
Poland	**543,137**	**218,799**	**324,338**	**6**	**4.9%**	**1,359**
Romania	**413,490**	**13,602**	**399,888**	**1**	**27.7%**	**2,767**
Other CEE	**383,770**	**124,916**	**258,854**	**–**	**–**	**3,596**
Bulgaria	83,426	9,051	74,375	1	18.1%	826
Croatia	83,742	40,794	42,948	4	7.6%	865
Serbia	45,253	18,608	26,645	4	7.6%	771
Turkey	48,660	0	48,660	13	2.2%	228
Ukraine	26,032	1,103	24,929	6	2.4%	668
Hungary	96,657	55,360	41,297	9	2.6%	238
Other markets	**251,171**	**185,217**	**65,954**	**–**	**–**	**112**
Germany	121,935	55,981	65,954	–	–	101
Liechtenstein	129,236	129,236	0	–	–	11

The CEE markets of Albania, Estonia, Georgia, Latvia, Lithuania, Macedonia, Russia and Belarus were not yet included in the scope of consolidation in 2007. Branch offices in Italy and Slovenia belong to Wiener Städtische AG.

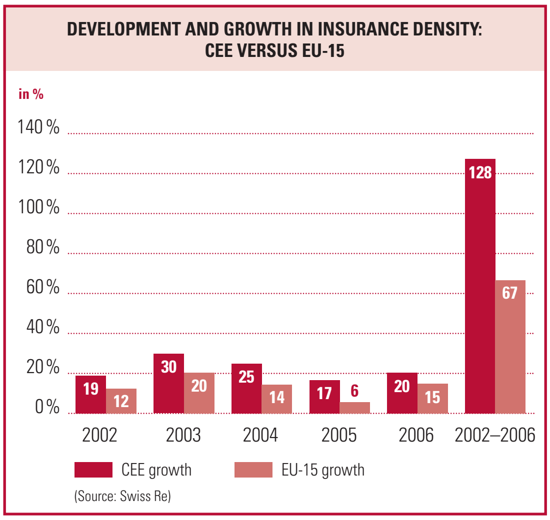
CENTRAL AND EASTERN EUROPE: GROWTH MARKET WITH A FUTURE

The Vienna Insurance Group operates in the CEE region, which offers the insurance industry significant opportunities for growth. The business potential realised by the Vienna Insurance Group's expansion in the CEE countries is primarily based on two factors:

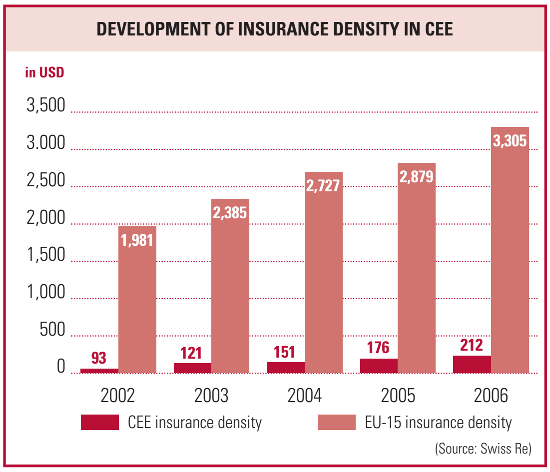
- Insurance density* (per capita premiums) in CEE is considerably below the Western European level, and
- insurance markets exhibit above-average growth rates.

The insurance market in the CEE region shows greater growth potential than the overall economy.

In addition, rapid economic growth and continued integration of the CEE countries into the European Union has significantly increased the prosperity of the population in recent years. The demand for financial services to insure newly created assets and safeguard the standard of living has been growing at an above-average rate. The insurance market of the dynamically growing economy of the the CEE region therefore exhibits high growth potential. These are the factors that make Central and Eastern Europe so attractive for the Vienna Insurance Group.



Significant Catch-up Potential for Insurance Density
The remarkable long-term catch-up potential of the CEE region can be seen in its insurance density. This is used as a key indicator of the state of development of an insurance market. Insurance density indicates how much each inhabitant of a country spends each year for insurance services. The overall insurance density in the CEE region is currently only one-sixteenth of the Western European level. In 2006, premiums per capita averaged USD 212 in the CEE region, compared to an average of USD 3,305 in the EU-15 countries.



In **the non-life insurance business**, the values for the CEE region and the EU-15 countries are currently USD 133 versus USD 1,107, which means that the insurance density in CEE is approximately one-eight of the Western European level in this area. The values in the **life insurance business** are currently USD 79 for the CEE region and USD 2,198 in the EU-15 countries, or a ratio of 1 to 28. These figures show clearly that the CEE region has great catch-up potential in both the life and non-life insurance segments.

This is also shown clearly by the growth recorded in recent years. For example, between 2002 and 2006, the insurance density in CEE rose by approximately 130% in only four years, nearly twice as fast as the approximate 67% growth recorded in the EU-15 countries. In contrast to the EU-15 countries, where growth is primarily due to an increase in private pension products, both life and non-life insurance are booming equally in the CEE region.

*Insurance density (Swiss Re) - Definition CEE: Bulgaria, Croatia, Czech Republik, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia, Ukraine. Insurance density (Swiss Re) - Definition EU-15: Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden.




Regional Differences within CEE

Different stages of development also exist among insurance markets within the CEE region, which can be summarised in terms of two growth areas:

• According to Swiss Re, the insurance densities of USD 520 in the Czech Republic, USD 376 in Hungary, USD 337 in Slovakia, USD 310 in Poland and USD 308 in Croatia are considerably higher than the average insurance density of USD 212 for the CEE region. Due to the great increase in the living standard of the approximately 70 million people living in these markets, life insurance is the main area of above-average growth. As a result, the share of life insurance premiums reaches mostly 30% of total premium volume in these insurance markets. In addition, current or imminent reforms to government pension systems are strengthening the trend toward private pensions.

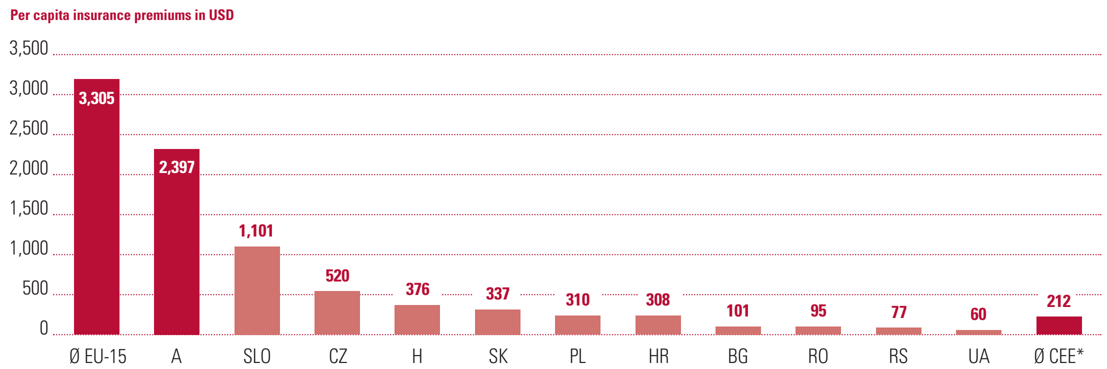
Motor vehicle insurance is the most important business of non-life insurance in this region, although property insurance is also gaining in importance in the household and homeowners' insurance areas due to increasing prosperity. Strong positions in both the life and non-life insurance markets in the Czech Republic, Slovakia, Poland and Croatia put the Vienna Insurance Group in an optimal position to participate in this growth.

• According to Swiss Re, the insurance densities of USD 101 in Bulgaria, USD 95 in Romania, USD 77 in Serbia and USD 60 in Ukraine are lower than the values for the CEE countries mentioned above. As a result, the catch-up potential is still greater here than in the CEE markets mentioned previously. This is shown clearly by annual growth rates of 20–30% in premium volume, with non-life insurance still representing a large percentage of total premium volume.

Due to the lower standard of living in these countries, the life insurance market is less developed, and represents only between 3% to 20% of total premium volume in these insurance markets. This means, however, that the growth potential in these countries is all the higher. The Vienna Insurance Group ensures that it would have an opportunity to participate in the economic growth in Bulgaria, Romania, Serbia and Ukraine, which have a total population of approximately 83 million, by expanding its leading positions through acquisitions and organic growth in these markets in 2007.

In a period of four years, the insurance density in CEE rose nearly twice as fast as the EU-15 countries.

2006 INSURANCE DENSITY: LONG-TERM GROWTH POTENTIAL IN THE CEE MARKETS



* **CEE region:** Slovenia (SLO), Czech Republic (CZ), Hungary (H), Slovakia (SK), Poland (PL), Croatia (HR), Bulgaria (BG), Romania (RO), Serbia (RS) and Ukraine (UA)

(Source: Sigma 4/2007)

The paramount goal is long-term, steady growth in sales and in earnings.

STRATEGY

The paramount goal of the Vienna Insurance Group has remained the same for many years, to achieve long-term, steady growth in sales and earnings. The Group's two core strategies result from its goal of being the leader:

- Further development of the insurance business in Austria, where the Vienna Insurance Group is the leading insurance group in the market, and
- targeted expansion into the dynamic growth markets of the CEE region.

Further Develop the Leading Position in Austria

Organic growth

The Vienna Insurance Group's goal is to further develop its leading position in the Austrian insurance market. In fiscal year 2007, EUR 3,695.37 million or approximately 53.5 % of Group premiums written and EUR 286.80 million or approximately 65.6% of the profit before taxes for the Group as a whole was generated in Austria. This makes the Vienna Insurance Group the market leader in Austria.* Branch offices in Italy and Slovenia also belong to Vienna Insurance Group Austria. Although in principle the Austrian insurance market is already developed, the insurance penetration (Premiums' share of GDP) in the life insurance business is significantly below the average of Western European countries. The conversion of the social system in particular, and the accompanying rise in demand for private pension products in recent years, present new business opportunities for coming years. The Vienna Insurance Group seeks to take advantage of this opportunity to further expand its market share in Austria.

Distribution power

The Vienna Insurance Group has well established distribution channels in Austria and plans to continue expanding them further. The effectiveness of one of the key distribution channels, the Group's field sales force, will be further strengthened by customer-oriented improvements to distribution and settlement processes and increased cross selling. The Vienna Insurance Group works with independent distribution partners in individual classes and for the entire product range. Collaboration with distribution partners will be further expanded using multi-channel distribution. Cooperation agreements with two major financial institutions (Erste Bank Group and Bank Austria Creditanstalt AG) place the Vienna Insurance Group in a very strong position in terms of bank distribution.

Targeted Geographic Expansion in CEE

Strong, broad regional presence

The Vienna Insurance Group currently has insurance companies or branch offices in 23 countries, 19 of which belong to the CEE region.

The Vienna Insurance Group is relying on intensive market observation, with heavy involvement of its existing subsidiaries and their local contacts to expand its activities in this region. Strong growth and further regional expansion, especially in recent years, have moved the Vienna Insurance Group into second position in the market in the CEE region as a whole, and made it the market leader in the non-life business.

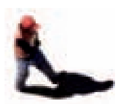
42.9% of the total premiums written by the Vienna Insurance Group in 2007 were generated in the CEE region (37.5% in 2006), which is by far the largest percentage compared to its major competitors in the CEE region.

Achieve a strong market position*

The Vienna Insurance Group aims to be no less than one of the three largest insurance groups in each of its core markets in CEE, and has already achieved a position among the top 3 in the following markets: Czech Republic, Slovakia, Romania, Bulgaria, Albania and Georgia. Further continuous expansion of local positions in CEE will take place by means of organic growth and corporate acquisitions.

* All sources and dates for market share and market ranking data are provided in the glossary. Market position (Vienna Insurance Group) - Definition CEE: Bulgaria, Czech Republic, Croatia, Hungary, Poland, Romania and Slovakia





Management Principles

The core strategies are accompanied by the following management principles, which are intended to ensure optimal access to customers, mutual exploitation of synergies and broad risk diversification throughout the Group:

Think globally – act locally
As a result of the many acquisitions made in recent years, the management of the Vienna Insurance Group has considerable experience in successfully integrating new purchases into the Group. The Group's goal is to combine the local experience of employees with the quality standards of the Group, in order to enable high-quality insurance services to be offered in all markets.

The philosophy of the Vienna Insurance Group includes a multi-brand policy under which newly acquired companies continue to operate using their existing brand names, which are already established locally and known to customers. This allows existing distribution relationships to be maintained and the focus of marketing activities to be placed on the steady development of these companies.

The use of Group-wide synergy effects makes it possible for individual companies to develop products specifically designed for their markets, carry out local marketing campaigns and enter into suitable cooperative distribution agreements for each market. Administrative and cost structures are kept lean through shared use of back office services (shared services) and uniform procurement of services within the Group.

In distribution, the Group relies on a combination of its own sales force, brokers, agents and bank distribution. Multi-channel distribution is used to ensure optimal exploitation of cross-selling potential and to avoid dependency on any one distribution partner.

Anchored in the local market
The great majority of Group companies have their own local management with many years of experience in the market environment prevailing in their countries. Strategic control of the local companies takes place in close cooperation with the Executive Board of the Group.

When there is more than one subsidiary in a country, the smaller subsidiaries are assigned organisationally to the largest subsidiary, which provides direction. In general, profits earned are allowed to remain in the relevant companies and/or countries so as to support further business growth.

Support from headquarters
The local companies receive support from the Group in key business areas, in particular

- a Group-wide reinsurance concept,
- provision of actuarial services by the Group's actuarial department,
- EDP support,
- cross-border support for corporate customers, and
- investment management.

The Vienna Insurance Group believes that this approach provides Group companies with the flexibility needed to optimally adapt themselves to local market conditions while allowing the Group to attain its strategic goals.

Diversification
The Group's constant aim is to keep risks low by broadly diversifying in all segments. This is achieved by geographic diversification and the use of a variety of distribution channels by the Group, which currently operates in 23 countries. As a result, any deterioration of the insurance environment in one market will have only a limited effect on the Group as a whole.

The multi-brand strategy enables the Group to address different target groups and to use a variety of distribution channels in the individual countries. The Group strives to achieve a balance between life and non-life business and between private and corporate customer business in each market.

YOU CAN RELY ON OUR APPROACH

SHARE INFORMATION AND CORPORATE GOVERNANCE

INVESTOR RELATIONS

International Equity Markets
Price movements in international equity markets were highly volatile in 2007. The majority of financial markets nevertheless showed positive performance over the year as a whole.

Equity markets continued their positive trend with hardly a pause at the beginning of the year. A short correction originating from the Shanghai Stock Exchange took place in February. The performance of equity markets was extremely positive during the following months. Driven by outstanding earnings and numerous mergers and acquisitions, most financial markets reached new record highs or highs not seen for many years. Prices declined sharply in the second half of the year, however, due to the crisis in the US mortgage market, which resulted in a reassessment of the risk of real estate holdings. Inflation fears resulting from rising commodity, energy and food prices led to drastic declines in equity markets. Even a change in central bank interest rate policy and an injection of additional liquidity only created short-term relief of stock market tensions.

Despite large price fluctuations, the Dow Jones Industrial Average (in USD) showed an increase of 6.4% in 2007. The Dow Jones EuroSTOXX 50 (in EUR) even recorded a gain of 6.8%. The Nikkei 225 Index (in JPY) recorded a loss of 11.1%.

Stock exchanges in the emerging markets, particularly those in the CEE region, recorded outstanding performance in 2007. An exceptionally dynamic economy allowed them to distance themselves from the events taking place on Western stock exchanges, thereby achieving higher performance. In spite of the turbulence following the US mortgage crisis and increasing investor risk aversion, the CECE Index (calculated in EUR) achieved positive performance of 10.5%.

Vienna Stock Exchange
The Vienna equity market exhibited volatile trading and was up by 1.1% at the close of the year. Performance was outstanding during the first half of the year. On 9 July, the ATX ended trading with a new alltime high of 4,981.87 points. This performance was primarily due to outstanding corporate results. Nevertheless, the market was unable to escape the effects of the international environment, and global stock markets pulled the ATX into a significant correction. Real estate stocks in particular came under pressure on the Vienna Stock Exchange.

The Vienna Stock Exchange recorded despite capital market crisis an increase of 1.1% in 2007.

More than ten billion Euro were raised through initial public offerings and capital increases in 2007, continuing the very high level achieved in the previous year. Trading volume at the Vienna Stock Exchange has increased to an average of EUR 15 billion per month. Market capitalisation climbed to a record high of EUR 157 billion in 2007.

Leading indices (in local currency)	2002	2007	5-year performance
ATX (Austria)	**1,150.05**	**4,512.98**	**+292.4%**
DJIA (USA)	8,341.63	13,264.82	+59.0%
FTSE (England)	3,940.40	6,456.90	+63.9%
CAC 40 (France)	3,063.91	5,614.08	+83.2%
DAX (Germany)	2,892.63	8,067.32	+178.9%
PX (Czech Republic)	460.70	1,815.10	+294.0%
VIG	**EUR 16.57**	**EUR 55.00**	**+231.9%**

VIENNA INSURANCE GROUP SHARE INFORMATION

Key Share Information for 2007

High EUR	EUR 57.90
Low EUR	EUR 45.01
Year-end price EUR	EUR 55.00
Market capitalisation	EUR 5.8 billion
Proposed dividend EUR	EUR 1.10
Average daily stock exchange trading volume EUR	EUR 6.6 million*
Annual performance	3.4%

* using single counting

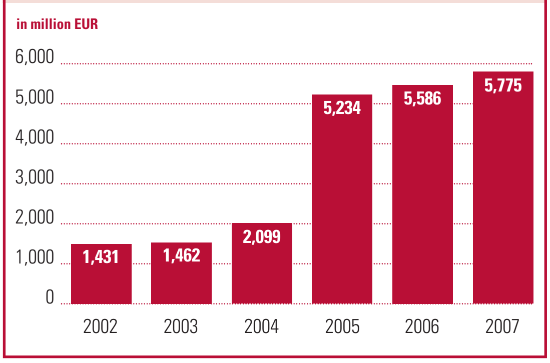
VIG shares greatly outperformed European insurance shares in 2007.

Performance in 2007

2007 was a good year for Vienna Insurance Group shareholders. VIG shares ended the year with a closing price of EUR 55.00, thereby continuing their previous positive performance in 2007 with an increase of 3.4%, and outperforming the European insurance sector (MSCI Insurance Index) by close to 14%. Following price gains at the beginning of 2007, persistent concerns over recession during the summer months sent both international stock exchanges and Vienna Insurance Group shares into a correction. The outstanding business trend achieved by the Vienna Insurance Group and the increase in its business targets helped the shares to distance themselves from the negative capital market environment, leading to a significant increase in value during the final quarter. The performance of over +22% achieved by the shares since 21 November 2007, the day on which the low of EUR 45.01 for the year was reached, shows how highly investors valued the fact that the Vienna Insurance Group was unaffected by the subprime crisis. On 18 December 2007, the shares closed with a high for the year and a new all-time high of EUR 57.90.

Vienna Insurance Group shares were also able to decouple themselves from the negative stock exchange environment in the initial months of 2008. Although the ATX suffered a drop of more than 16%, Vienna Insurance Group shares posted a comparatively small decrease of under 3%.

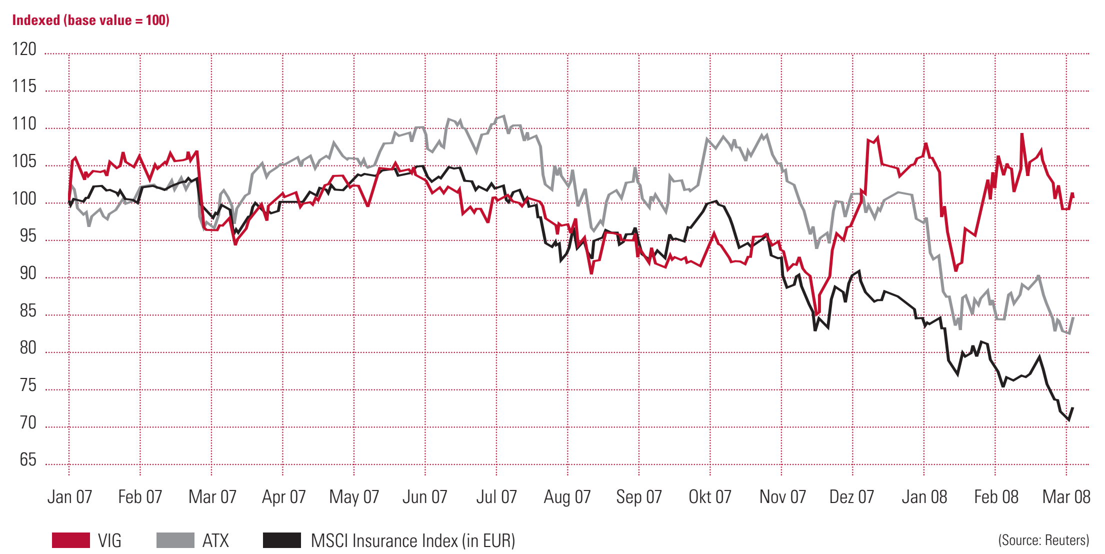
VIENNA INSURANCE GROUP MARKET CAPITALISATION



Liquidity

The annual trading volume of Vienna Insurance Group shares increased significantly over the previous year, reaching 30.9 million shares to set a new record high of EUR 1.62 billion in 2007. This corresponds to an increase

VIENNA INSURANCE GROUP (VIG) COMPARED TO THE ATX AND MSCI INSURANCE INDEX (IN EUR) 1 JANUARY 2007 – 12 MARCH 2008



(Source: Reuters)

of 16.9% over the previous year in the number of shares traded on the stock exchange, and represents an average daily volume of approximately 125,000 shares or EUR 6.6 million with single counting. The share's weighting of 4.28% places it in 8th position in the ATX component ranking.

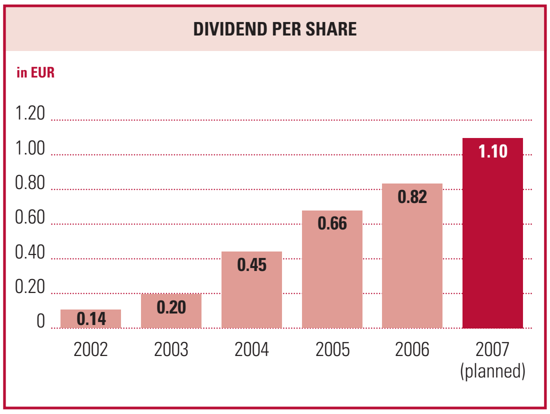
Latest Information on the Vienna Insurance Group Shares

Underscoring the importance of Central and Eastern Europe to the Vienna Insurance Group, an application to list its shares on the Prague Stock Exchange was made in January 2008.

In addition to their Vienna Stock Exchange listing, Vienna Insurance Group shares have also been listed as the sole insurance company in the Main Market of the Prague Stock Exchange since 5 February 2008.

Another step was taken towards internationalising the Group with the introduction of a new trading name for the shares: Vienna Insurance Group. Since 1 February 2008, the shares have been trading in the Prime Market of the Vienna Stock Exchange under the name Vienna Insurance Group (securities symbol VIG).

Following the successful introduction of the name Vienna Insurance Group as the family name to the local given names of the individual Group companies in mid-2006, use of this name as a new trading name now also underscores the Group's growing international significance, and recognises the increasing importance of the contributions made by individual Group companies in Central- and Eastern Europe to the total result of the Vienna Insurance Group.



Vienna Insurance Group shares have also been listed on the Prague Stock Exchange since 5 February 2008.

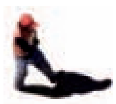
Overview of Vienna Insurance Group Share Information

Initial listing (Vienna)	17 October 1994
Number of common shares	105 million
Free float	approx. 30%
ISIN	AT0000908504
Stock exchange listings	Vienna and Prague
Securities symbol	VIG
Bloomberg	VIG AV
Reuters	VIGR.VI
Rating – Standard & Poor's	A+, stable outlook

Dividend policy

All shareholders should receive a fair share of the company's earnings. The Vienna Insurance Group therefore attempts to distribute at least 30% of its consolidated net income each year, while taking into account the needs of a strongly growing company.

In accordance with the dividend policy of the Vienna Insurance Group, the Managing Board of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP plans to propose a dividend of EUR 1.10 per share for fiscal year 2007 at the Annual General Meeting 2008. This equals an increase of EUR 0.28 or approximately 35% over the previous year.



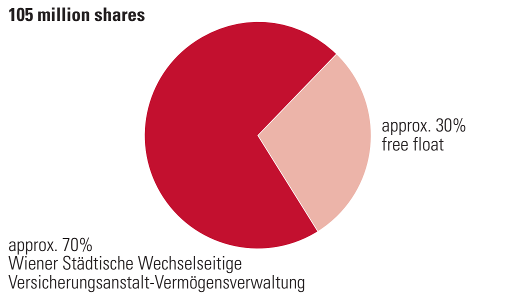
SHARE INFORMATION AND CORPORATE GOVERNANCE

FINANCIAL COMMUNICATIONS

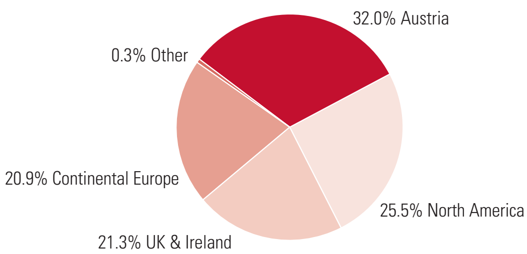
Vienna Insurance Group shares are already being analysed regularly by twelve investment banks.

The Vienna Insurance Group continued to attend a large number of banking conferences in 2007 and took advantage of the opportunity to present the strategy and development of the Group to investors and analysts at a total of twelve events. In addition, the Vienna Insurance Group took part in roadshows to Budapest, London, Edinburgh and New York organised by the Vienna Stock Exchange. Additional roadshows organised by the Vienna Insurance Group also took place. With the assistance of a specialised agency, the management of the Vienna Insurance Group met with investors in Great Britain, the United States of America and Canada. The main focus of the individual meetings with investors was a presentation of the Group and its potential in Central and Eastern Europe.

SHAREHOLDER STRUCTURE OF THE VIENNA INSURANCE GROUP



GEOGRAPHICAL DISTRIBUTION OF FREE FLOAT SHARES



The increase in the number of investment banks publishing regular reports on the Vienna Insurance Group shares was especially gratifying. Credit Suisse, Morgan Stanley and Raiffeisen Centrobank started analysing the Vienna Insurance Group in 2007. Société Générale also made its first analysis of the Group in early February 2008, bringing the total number of investment banks currently reporting on the Vienna Insurance Group to twelve.

The following investment banks publish analyses on Vienna Insurance Group shares*:

- CA Chevreux
- Citigroup
- Credit Suisse
- Erste Bank
- Goldman Sachs
- JP Morgan
- Keefe, Bruyette & Woods
- Morgan Stanley
- Raiffeisen Centrobank
- Sal. Oppenheim
- Société Générale
- UniCredit

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

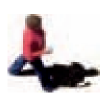
To guarantee equal treatment of all shareholders, the Vienna Insurance Group offers a wide range of information on its company website. Interested parties can also subscribe to an e-mail list to receive investor information as it is made available on the Internet. The efforts to continuously improve the Group´s online information services were also honoured in an Austrian web ranking for 2007, in which the Vienna Insurance Group moved up 16 positions in the ranking to become "climber of the year."

Financial Calendar* of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP

2008 Annual General Meeting	16 April 2008
Ex-dividend day	28 April 2008
Dividend payment date	28 April 2008
Results for the 1st quarter of 2008	20 May 2008
Results for the 1st half of 2008	21 August 2008
Results for the first three quarters of 2008	11 November 2008

* preliminary schedule

Investor Relations
WIENER STÄDTISCHE Versicherung AG
VIENNA INSURANCE GROUP
Investor Relations Team
Schottenring 30
1010 Vienna
Tel.: +43 (0) 50 350-21919
Fax: +43 (0) 50 350 99-21919
E-Mail: investor.relations@staedtische.co.at



CORPORATE GOVERNANCE

Corporate Governance stands for corporate management and control aimed at responsible, long-term creation of value, with a goal of creating maximum transparency for all stakeholders in order to promote the confidence of capital market participants.

Adherence to the Austrian Code of Corporate Governance

WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP adheres to the Austrian Code of Corporate Governance. For years, the company has followed a clear strategy of creating added value for all stakeholders. In this sense, compliance with the rules of the Code to ensure transparency and strengthen investor confidence is an important concern of management.

The total of 80 rules in the Austrian Code of Corporate Governance are divided into three categories:

- Rules based on mandatory legal requirements (legal requirement)
- Rules based on standard international requirements. Non-compliance with these rules must be declared and explained in order to achieve conduct in compliance with the Code (comply or explain)
- Rules of a purely recommended nature. Non-compliance with these rules does not have to be disclosed or explained (recommendation)

The Vienna Insurance Group complies with all "legal requirement" rules in the June 2007 version of the Austrian Code of Corporate Governance as required by law, and only deviates from the Code's recommendations with respect to the three "comply or explain" rules and one "recommendation" rule presented below:

Rules 38 and 57 – Comply or Explain
Rule 38: *The supervisory board shall define a profile for the management board members that takes into account the enterprise's business focus and its situation, and shall use this profile to appoint the management board members in line with a predefined appointment procedure. Furthermore, the supervisory board shall also give due attention to the issue of successor planning. Nominations to the management board for the last time must be made before the age limit defined in the internal rules or in the articles of incorporation is reached.*
Rule 57: *A person holding a position on the management board of a listed company may not hold more than four positions on the supervisory boards (position of chairperson counts double) on the supervisory boards of stock corporations not belonging to the group. Major shareholdings are not considered non-group companies. An appointment as supervisory board member must be made for the last time before the age limit defined in the internal rules or the articles of incorporation is reached.*

Explanation: In the opinion of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP, age cannot be used on its own to justify a general exclusion from holding managing or supervisory board positions. In view of the fact that experience is a very valuable qualification and age a very individual measure, it does not appear reasonable to set such an age limit. Therefore, no upper age limit has been set for the appointment of members to the Managing Board or Supervisory Board of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP. When selecting Managing Board and Supervisory Board members, the greatest value is placed on selecting the individual with the best possible personal and professional qualifications.

Rule 41 – Comply or Explain
The supervisory board shall set up a nomination committee. In cases of supervisory boards with not more than 6 members (including employees' representatives) this function may be exercised by all members jointly. The nomination committee submits proposals to the supervisory board for filling mandates that become free in the management board and deals with issues of successor planning.

Explanation: Because of its extreme importance, the issue of successor planning is handled by the Supervisory Board as a whole. The Supervisory Board of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP has therefore not established a nominating committee.

Rule 31 – Recommendation
The fixed and performance-linked remuneration components are to be disclosed for each individual member of the management board in the annual report.

Explanation: The principles governing the compensation paid to the Managing Board are published, as is the total compensation paid to the Managing Board. Detailed information on the individual compensation received by Managing Board members would have relatively little informational value to investors and is not published in the annual report in the interests of respecting

Managing Board members' rights to privacy.

EXECUTIVE BODIES OF THE VIENNA INSURANCE GROUP

SENIOR ADVISORY BOARD

The Senior Advisory Board is a body composed of individuals with past experience in the management of the Group or Group companies that the Managing Board can call on for advice on Group matters. The Managing Board asks for the Senior Advisory Board's opinion in specific circumstances and reports on its recommendations before the Supervisory Board makes a decision on the issue.

The Senior Advisory Board is composed of the following people:

Dr. Rudolf **Ertl**
Dkfm. Karl **Fink**
Dr. Günter **Geyer**
Ing. Juraj **Lelkes**
Ing. Vladimír **Mráz**
Dkfm. Hans **Raumauf**
Miklós **Zsoldos**

EXECUTIVE BOARD OF THE GROUP

Dynamic expansion of the Vienna Insurance Group in past years has led to challenges with respect to optimal integration and mutual support between the companies of the Group, which now numbers around 45 member companies.

In order to better manage these challenges, the managing board of the holding company has been reinforced with selected members of the managing boards of the Group companies in Austria and the CEE region to form the Group Executive Board, established in March 2007.

The members of the Executive Board and extended Executive Board of the Vienna Insurance Group are listed on pages 10 and 11 of the Group annual report.

SUPERVISORY BOARD

Austrian stock corporation law prescribes a dual board system, and prohibits individuals from holding positions on both the managing board (the managing body) and the supervisory board (the supervisory body).

In addition to supervising the managing board, the supervisory board is also responsible for providing assistance to the managing board in connection with the management of the company, in particular with decisions of fundamental importance.

Members elected during the Annual General Meeting:

President Komm.-Rat Dkfm. Klaus **Stadler** (Chairman)
member since 1992 – appointed until 2010

Komm.-Rat Dr. Karl **Skyba** (Deputy Chairman)
member since 1992 – appointed until 2010

Generalabt Propst Bernhard **Backovsky**
member since 2002 – appointed until 2010

Mag. Alois **Hochegger**
member since 2005 – appointed until 2010

Dipl.-Ing. Guido **Klestil**
member since 1992 – appointed until 2010

Senator Prof. Komm.-Rat Walter **Nettig**
member since 1992 – appointed until 2010

Hofrat Dkfm. Heinz **Öhler**
member since 2002 – appointed until 2010

Mag. Reinhard **Ortner**
member since 25 May 2007 – appointed until 2010

Dr. Johann **Sereinig**
member since 1992 – appointed until 2010

Mag. Dr. Friedrich **Stara**
member since 2002 – appointed until 2010

Employee representatives:

Peter **Grimm**
Heinz **Neuhauser**
Franz **Urban**
Gerd **Wiehart**
Peter **Winkler**

The report of the Supervisory Board is on pages 163.

Supervisory Board Committees

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

Committee for Urgent Issues (Working Committee)

The Working Committee is responsible for making decisions on urgent issues within the company.

Komm.-Rat Dkfm. Klaus **Stadler**
1st substitute: Dr. Johann **Sereinig**
2nd substitute: Mag. Alois **Hochegger**

Komm.-Rat Dr. Karl **Skyba**
1st substitute: Dipl.-Ing. Guido **Klestil**
2nd substitute: Hofrat Dkfm. Heinz **Öhler**

Franz **Urban**
1st substitute: Heinz **Neuhauser**
2nd substitute: Peter **Grimm**

Audit Committee (Accounts Committee)

The Audit Committee is responsible for auditing and making preparations for formal approval of the annual financial statements and management report of the Group and for proposing an allocation of profits.

Komm.-Rat Dkfm. Klaus **Stadler**
1st substitute: Dr. Johann **Sereinig**
2nd substitute: Mag. Alois **Hochegger**

Komm.-Rat Dr. Karl **Skyba**
1st substitute: Dipl.-Ing. Guido **Klestil**
2nd substitute: Hofrat Dkfm. Heinz **Öhler**

Franz **Urban**
1st substitute: Heinz **Neuhauser**
2nd substitute: Peter **Grimm**

Human Resource Committee

The Human Resource Committee deals with Managing Board personnel matters.

Komm.-Rat Dkfm. Klaus **Stadler**
Komm.-Rat Dr. Karl **Skyba**

Strategy Committee

The Strategy Committee is responsible for strategic matters.

Komm.-Rat Dkfm. Klaus **Stadler**
1st substitute: Dr. Johann **Sereinig**
2nd substitute: Mag. Alois **Hochegger**

Komm.-Rat Dr. Karl **Skyba**
1st substitute: Dipl.-Ing. Guido **Klestil**
2nd substitute: Hofrat Dkfm. Heinz **Öhler**

Franz **Urban**
1st substitute: Heinz **Neuhauser**
2nd substitute: Peter **Grimm**

Independence of Supervisory Board Members

All of the members of the Supervisory Board elected by the Annual General Meeting have declared that they satisfy the criteria for independence set down by the Supervisory Board. No member of the Supervisory Board is a shareholder with an interest of more than 10%, or represents the interests of such a shareholder.

Positions in Other Listed Companies

The following Supervisory Board members held supervisory board positions or comparable positions in domestic or foreign listed companies in 2007:

Dipl.-Ing. Guido **Klestil**
Austriamicrosystems AG

Senator Prof. Komm.-Rat Walter **Nettig**
Imperial Hotels Austria AG

Hofrat Dkfm. Heinz **Öhler**
Bank für Tirol und Vorarlberg AG

Dr. Johann **Sereinig**
Österreichische Elektrizitätswirtschafts-AG-Verbund

Komm.-Rat Dr. Karl **Skyba**
Flughafen Wien AG

Mag. Dr. Friedrich **Stara**
Henkel KGaA

Compensation Report

Detailed information on the compensation plan for members of the Managing Board and Supervisory Board is available in the appendix on page 159.

SHAREHOLDERS AND THE ANNUAL GENERAL MEETING

One share – one vote

Vienna Insurance Group shares are listed on the Vienna and Prague Stock Exchanges. There are a total of 105 million voting ordinary shares. All shareholders receive equal treatment in a uniform capital structure according to the principle of "one share – one vote". Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung is the Vienna Insurance Group's principal shareholder, holding approximately 70% of its shares. The remaining 30% of the shares are free float. Since the Annual General Meeting in May 2006, an independent proxy from the Austrian shareholder association *Interessenverband für Anleger* (IVA) has assisted shareholders who are unable to personally attend the Annual General Meeting to exercise their voting rights.

Detailed information on the Group is publicly available on the Vienna Insurance Group website (www.wienerstaedtische.com), providing shareholders and potential investors quick and easy access to the current financial calendar, additional information on the Supervisory Board, regular presentations of results or details of the Annual General Meeting.

Compliance

A compliance officer has been monitoring adherence to internal corporate compliance directives intended to prevent market abuses in Wiener Städtische since 2002. This officer reports directly to the Managing Board of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP.

Employees may view the compliance guidelines online on the intranet. Departments of the Vienna Insurance Group with access to insider information have been defined to be confidential areas. All of the employees in these areas are informed in writing of the legal requirements and the possible consequences of abuse. By signing, they undertake to comply with the regulations and are included in the list of insiders. The compliance officer reminds employees in confidential areas about applicable black-out periods in timely fashion by email before results are published. There have been no violations of applicable compliance directives within Wiener Städtische in the past two years.

Directors' Dealings

In accordance with Rule 70 of the Austrian Code of Corporate Governance, share trades by Wiener Städtische executives are published on the company's website (www.wienerstaedtische.com/en/group/ir/corporate governance/director-s-dealings) by means of a link to the website of the Financial Market Authority.

RISK MANAGEMENT

A Group Chief Investment Officer (CIO) was appointed in 2007 as part of the ongoing integration of Group companies. From the perspective of risk management, increasing integration also increases the transparency, control and structure of investments.

The global reduction of key interest rates in 2000 and 2001 made it easier and easier for borrowers to obtain “cheap” loans. In the US in particular, loans were granted to borrowers with poor credit ratings (subprime loans). In most cases, the loans were secured by overvalued property. International investment banks securitised these mortgages and bundled them into portfolios (tranches), which were given very high ratings (in some cases AAA) based on the collateral and securitisation. Under these circumstances, active trading developed in derivatives of these asset-backed securities.

Once key interest rates started rising again in 2003, loan defaults rose rapidly due to increasing costs. Increased loan costs led to a drop in the demand for housing and foreclosures due to loan defaults. The consequence was a collapse in the US real estate market, resulting primarily in a need for high write-offs in the global financial industry (2007: USD 130 billion). Great uncertainty about whether and to what extent a bank would be affected by write-offs led to a loss of confidence in banks as a whole, a global lending crisis and a significant downturn in equity markets.

Due to its conservative investment guidelines and strict limit system, the Vienna Insurance Group was early to recognise and avoid the excessively high risk of poor quality mortgage-backed securities and their derivatives. The Vienna Insurance Group’s optimised asset allocation reduced the negative effects of the capital market crisis.

European Embedded Value takes into account all relevant risks relating to business activities.

Outlook

The development of Solvency II and related measures and models will be an important factor for 2008. FMA and CEIOPS will carry out the fourth Quantitative Impact Study (QIS). The Vienna Insurance Group stands out for its active participation in these direction-setting surveys, which ensures that the Group is optimally prepared for future solvency requirements.

Ongoing development of the ALM model is one of the top priorities for 2008. The ALM model deals with asset and liabilities simultaneously in great detail to ensure the long-term security of our customers.

The detailed risk report for the Vienna Insurance Group appears in the notes to the consolidated financial statements (pages 99-112).

WE PROMOTE THE FUTURE

RESOURCES AND RESPONSIBILITIES

HUMAN RESOURCES

The Vienna Insurance Group's employees are the key to success.

People form the core of the Vienna Insurance Group. Each employee in the Group contributes to the success of the company. Capable and committed employees are critical to the Vienna Insurance Group's success in achieving its goals. Forward-looking human resources development is therefore essential for successful implementation of the Group's growth strategy.

People Strategy 2007–2010

Using the Vienna Insurance Group strategy as a foundation, a strategy entitled **People Strategy 2007–2010** was developed for the human resources area, addressing the three core strategic areas of human resources development, recruiting, development and loyalty of employees at all levels:

- **Recruiting:** We are an attractive employer in the CEE region that stands out for the efficiency and effectiveness of its recruiting methods.
- **Development:** We promote basic and advanced training of our employees. Personal and professional development programmes of the highest quality are offered to help realise the potential of our employees.
- **Loyalty:** We encourage motivation and workplace satisfaction, and introduce a competitive compensation system. We are also responsible for ensuring equal opportunity, fairness and diversity.

Values

Since it was founded more than 180 years ago, the Company has been profitably managed on the basis of ethical values, which are therefore now deeply entrenched in the corporate culture of the Vienna Insurance Group.

These values are firmly anchored in the vision of the **People Strategy 2007–2010**:

Our corporate behaviour toward employees, customers and shareholders is guided by honesty and sustainability, leadership on matters large and small, customer satisfaction, diversity and equal opportunity.

VALUES

Honesty and Sustainability – we respect…

Honesty and sustainability are our top priority! Each of us is personally responsible for maintaining the highest standards of behaviour, based on honesty and sustainability in every aspect of our work.

Leadership as a company and as individuals – we provide…

Actions speak louder than words. All of our employees work toward the same goals, as is expected of them. We all lead through our expertise, creativity and teamwork.

Customer satisfaction – we deliver ...

We respect our customers, listen to their wishes, and understand their expectations. We aim to provide quality and service that exceeds our customers' expectations.

People and equal opportunity – we value…

We treat each other with respect and are proud of the many benefits that a diversity of employees and ideas brings. In order to continue our success, we need to provide our employees with opportunities for training and development. This helps them grow to meet new responsibilities.

Innovations 2007

The Vienna Insurance Group introduced a large number of standards and programmes for human resources development in 2007. All of the human resources managers in the Vienna Insurance Group worked together in the VIG HR Community network in 2007 to define strategic priorities and guidelines for the Group. In addition to developing common human resources standards for the Group, an active exchange of knowledge and experience was offered. The new standards defined for the human resources area of the Vienna Insurance Group were adjusted to the structures currently in place and introduced by the Group companies. Newly acquired companies were also familiarised with the human resources standards applicable to the Group.

Human Resources for Expansion

Timely development of personnel and successor planning are key elements in the human resources development policy of the Vienna Insurance Group allowing the Group to continue successfully implementing its growth strategy.

Lead@VIG

The successor management programme Lead@VIG was introduced throughout the Group at the end of the year. Lead@VIG was implemented as a strategic tool for realising an active successor policy. The programme offers long-term development prospects to Vienna Insurance Group employees, thereby ensuring a future supply of employees at the management level within the Group.

Employee Development for Further Growth

In October 2007, the Vienna Insurance Group started a new management development programme "**Management Essential"**. The programme is offered internationally in German and English for managing board members and top-level managers of Vienna Insurance Group companies and nationally for second and third level managers, and managers of individual functional areas, such as sales managers.

The programme is closely linked to the strategy of the Vienna Insurance Group, and offers the following contents in three modules to participants:

- Me as a manager
- Me and my team
- Me and my organisation

In addition to the programme, the international participant groups also focus on creating a network of top managers of the Vienna Insurance Group.

The Vienna Insurance Group's Growth Targets Require an Effective Talent Management

The Vienna Insurance Group is pushing Group-wide exchange of employees in order to widen horizons and increase the transfer of knowledge and best practices. For example, the Group has developed the **"Mobile Mind-Job Rotation"** programme that ranges from a quick glimpse into other Company departments to a 10-month exchange within an area inside the Group. Participants are offered a number of "on and off-the-job" training activities during the training programme in Vienna.

To speed up familiarisation and integration into business life at headquarters, each participant is assigned an internal mentor who takes on the role of a training partner. An intercultural training course is also offered.

- Job rotation combines two of the fundamental strengths of the Vienna Insurance Group: the opportunity to benefit both from the headquarters in Vienna as well as from the special features of local companies. Job rotation is therefore a symbol of integration based on knowledge transfer.
- Job rotation promotes the identity and culture of the Vienna Insurance Group.
- Job rotation makes use of existing know-how, and allows it to be exchanged.

Focus on Mobility and Internationalisation

The change of the Vienna Insurance Group from an Austrian insurance company into an international insurance group made up of multiple companies, has resulted in a steady increase in the number of employees on international assignments within the Vienna Insurance Group. The goal is to increase intercompany exchange of the know-how and varied experience that exists within the Group and improve communication in the Vienna Insurance Group.

The number of Vienna Insurance Group employees on international assignments is increasing steadily.

In 2007, it was already possible to find internal employees to fill four out of seven top management positions in the group. The steps taken towards expansion in Central and Eastern Europe and the resulting international collaboration within the Vienna Insurance Group are opening up an increasing number of international career opportunities for our employees.

At the end of the year, 28 employees were on international assignments (expatriates) within the Vienna Insurance Group. The newly developed **international assignment guidelines** now make it possible to create uniform and transparent Group-wide rules for all companies in the Vienna Insurance Group, and a uniform basic framework for all employees who are mobile and searching for challenges outside of their home country.

CORPORATE IDENTITY

The rapid development of the Vienna Insurance Group in recent years made it necessary to develop a clear brand and marketing strategy for the entire Group.

The Wiener Städtische Group began operating under the name Vienna Insurance Group in 2006, and the registered company name of Wiener Städtische AG was changed to WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP. Following this example, the Group subsidiaries also integrated "Vienna Insurance Group" into their company names. The new family name Vienna Insurance Group is intended to demonstrate the shared identity of the insurance companies in the Group. Under the multi-brand strategy that was successfully introduced, these companies continue to operate under the company and brand names they have established in their local markets.

The management of the Vienna Insurance Group believes that proximity to customers provides a crucial competitive advantage. Proximity to customers ensures that the insurance and pension solutions offered optimally address local customer needs. The Vienna Insurance Group retains this local approach when integrating acquired companies into the Group. At the same time, the advantages and strengths of the international Group are integrated into the market image of Group companies.

"We are family" –
Implementation of the Multi-brand Strategy

The Vienna Insurance Group is one big family, in which each Group company bears its own brand as a given name and the Group brand Vienna Insurance Group as a family name. The given name stands for proximity to customers and local competence. The Vienna Insurance Group family name is a symbol that strongly stands for international operations, strength and experience.

Integrating the Vienna Insurance Group family name into local company names and logos further consolidates the strong local brands. In this way, the Vienna Insurance Group perfectly combines the independent brand image and optimal positioning required for local companies with the uniform image of the Group as a whole.

These integration measures taken by the Vienna Insurance Group create added value for the individual Group company brands that will be further expanded and strengthened in the future.

Our Strategic Focus for the Future:
Strong Brands, Proximity to Customers
and Efficiency through Best Practices

The multi-brand strategy incorporating the Vienna Insurance Group family name as an element of added value in local brands is continuing to be pursued. In order to maximise the benefits of this strategy, the Vienna Insurance Group will build upon its previous successes by continuing to rigorously press ahead with the development of its markets while also further strengthening the transfer of know-how between members of the family.

WE ARE FAMILY – our Mission Statement:

The "We are Family" concept is a central component and idea in the new mission statement of the Vienna Insurance Group.

This mission statement is a main theme running through the way the Vienna Insurance Group understands itself, now and in the future.

MISSION STATEMENT

WE are at home in Central and Eastern Europe (CEE).

WE are a leading insurer in CEE.

WE are family.

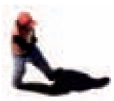
WE care about people especially.

WE are aware of our social responsibility.

WE create value sustainably.

WE want to be the leader.





VIENNA INSURANCE GROUP – Mission Statement

WE are at home in Central and Eastern Europe (CEE).
The CEE region offers an enormous potential for our development. Our leading distribution network in CEE provides financial security, insurance services and solutions close to our clients and their needs.

Millions of customers, thousands of employees, and thousands of brokers, agents and shareholders put their trust in the Vienna Insurance Group.

The Vienna Insurance Group has considerable financial strength to maintain its independence in the future, and to continue sustainable growth in Central and Eastern Europe.

WE are a leading insurer in CEE.
It is our passion to safeguard people's life, property and financial values. Therefore it is our business to provide leading and innovative insurance services in the life, property, casualty and health sectors today and tomorrow in Central and Eastern Europe.

WE are family.
Each company of the Vienna Insurance Group is a "family member" and has a first and a family name.

Our excellently established local brands are our first names; familiar and close to our customers, symbolizing local understanding and the specific identity of each company within the Group. Vienna Insurance Group is our family name; a symbol of more than 180 years of history and development, experience and competence, our financial power and leadership strength. This family strategy is unique and ensures excellent understanding of our customers' needs and the provision of the best services in all markets we operate in.

WE care about people especially.
Our business is built on people. We are dedicated to fairness, partnership, mutual respect, transparency and sustainable relations. It is our ambition to create the most attractive bus iness and working environment to ensure our success.

WE are aware of our social responsibility.
Building and protection of wealth as well as increasing standard of living are core issues of our insurance business. The Vienna Insurance Group has a long-standing tradition of active social engagement. Therefore we initiate, and engage in, social programs and projects dedicated to those less fortunate in life and to those who will be our future – our children.

WE create value sustainably.
We use our pole position in Central and Eastern Europe to create sustainable value for our future success, based on four pillars of strength:

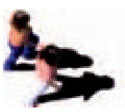
Region
We are at home in Central and Eastern Europe. Therefore we have experienced local management in our markets being able to best identify and service the needs of our potential customers. We offer the excellent Vienna Insurance Group quality across borders by accompanying our customers into all our markets.

People
Our success is built by and on people. We focus on people and on their need for financial security in various areas and situations in life. By creating sustainable value for the Vienna Insurance Group we create value and security for our customers, employees, brokers, agents and shareholders.

Financial Strength
We are distinctly orientated towards sustainable and profitable growth, to further increase our financial strength.

Best Solutions
We keep getting closer to the customer than others. Doing so we count on intensified Best Practice programs in various sectors of our business. These Best Practice programs ensure the highest level of client-oriented and innovative services coupled with cost efficiency.

WE want to be the leader.
The Vienna Insurance Group aims to be the Leader in all markets in Central and Eastern Europe and in its services and solutions. The ambition to be the leader motivates our employees to competitively contribute to our success in all markets – for the benefit of our clients, partners, shareholders and society; and towards a prosperous, safe and sound future in Central and Eastern Europe.



CORPORATE SOCIAL RESPONSIBILITY

Customer and service orientation are top priorities for the Vienna Insurance Group.

More than ever before, companies are expected to be not only commercially successful, but also socially and environmentally responsible. The Vienna Insurance Group underscores its social responsibility by providing transparency and a readiness for dialogue. Open communication with all interest groups increases confidence in the Company. The Company's interest groups include shareholders, customers, employees, business partners, as well as the capital market and the public.

Included in Several Sustainability Indices

VÖNIX

Vienna Insurance Group shares have been a component of VÖNIX since the middle of 2005. The VÖNIX Sustainability Index created by the VBV Austrian Pension Fund is a share index of Austrian listed companies. The index selects Austrian listed companies that are leaders in the areas of social and environmental achievement. Inclusion in the VÖNIX documents the sustainable orientation of the Vienna Insurance Group.

FTSE4Good

In mid-2007, Vienna Insurance Group shares were also included in the FTSE4Good index series. This global index for sustainable investments was founded in 2001, and includes companies that meet selected international environmental, human rights and social standards.

Doing Business Successfully – Act with Responsibility

The core competence of insurance companies lies in thinking and acting for the long-term. The Company does, after all, make long-term commitments to its customers.

Consistent customer orientation

The Vienna Insurance Group places the focus on customers. It consistently custom-tailors its products to the individual needs of the customer, offering coverage for the consequences of damage, assistance in times of illness, and the possibility of maintaining their standard of living during old age. Clear descriptions of benefits and detailed advice create clarity as to the risks that are covered and the benefits that are guaranteed in the event of a loss.

Customer satisfaction has many aspects. To the Vienna Insurance Group it means first-class, fairly priced products at transparent terms that satisfy customer needs. Above all, the Vienna Insurance Group requires a lasting relationship of trust be created and maintained with the customer.

Continuous Improvement Processes

The Vienna Insurance Group's complaint management system ensures that complaints are promptly investigated by the appropriate departments with the aim of providing service to the customer and brought to a conclusion satisfying all of the parties concerned in accordance with the circumstances. Suggestions are welcomed and passed on to the appropriate departments.

Our readiness for dialogue is made especially apparent by our quick, competent service to customers with complaints. The Vienna Insurance Group takes customer complaints seriously and sees its complaint management system as an important tool for quality assurance.

Ecological responsibility

An insurance group has a relatively small impact on the environment compared to an industrial company. The Vienna Insurance Group nevertheless strives to also make a contribution in this area.

In addition to offering many products that promote environmental thinking, customers of the Vienna Insurance Group are also given the opportunity to insure against environmental damage. For example, fire, household and homeowner insurance policies include “environmental packages” that ensure environmentally appropriate disposal of hazardous waste in the event of a loss.

Social commitment

The Vienna Insurance Group uses the term social commitment to include both its relationships with its employees as well as its commitments to society.

Treating each other fairly

The Vienna Insurance Group offers equal opportunity to all employees. As an international group of companies, the Vienna Insurance Group is concerned primarily with promoting cooperation across borders and cultural groups, thereby making a contribution to mutual understanding and tolerance. Sexual equality in particular is not just a catchword, but an everyday reality in the Vienna Insurance Group. Equal opportunity is understood to mean not only the availability of family-friendly facilities, such as a company kindergarten for Group companies in Vienna, or ready opportunities for part-time work, but also true equal opportunity for the sexes in terms of career opportunities. Positions are filled solely on the basis of a candidate’s qualifications, with no consideration given to sex.

Vienna Insurance Group Kids Camp 2007

From 28 July to 12 August 2007, 450 children from throughout Central and Eastern Europe participated in the Vienna Insurance Group’s Kids Camp 2007 in Austria. As part of a company-wide painting competition, the children of Vienna Insurance Group employees had the opportunity to qualify for two adventure-filled weeks at an international vacation camp in Austria. Through activities such as tennis, soccer, beach volleyball and swimming, along with climbing, kayaking and rafting, they were able to have unique experiences in an international setting. But during the numerous excursions offered, the children were also able to form intercultural friendships regardless of language and culture in the spirit of the growing and successful Vienna Insurance Group family.

The Vienna Insurance Group offers equal opportunity to all employees.

Information and pictures from Kids Camp 2007 can be found at www.vigkidscamp.com. Once again, the children of Vienna Insurance Group employees are already busily painting and drawing in order to be able to take part in the Summer 2008 Kids Camp.

Winter Sports Festival of the Vienna Insurance Group

Employees from Austria, the Czech Republic and Slovakia have been participating jointly for several years in Vienna Insurance Group's Winter Sports Festival.

In order to further strengthen cross-border contacts and personal relations within the Group family, this year employees from Croatia, Slovenia and Hungary were also invited to the Winter Sports Festival. Thus

many employees of Vienna Insurance Group were given the opportunity to get to know each other across national boundaries and to establish contacts in a relaxed atmosphere.

Group Football Championship

Another intercultural event, bonding employees of Vienna Insurance Group who are football fans is the Group's annual international football tournament. After Croatia the year before, the tournament took place in September 2007 in Constanta, Romania. Fourteen teams from nearly as many countries of the Vienna Insurance Group took part in this football competition. The defending champion, the Romanian team from Omniasig, won the tournament. The Wiener Städtische AG team from Austria managed to earn an excellent second place. The football enthusiastic employees of Kvarner from Croatia achieved the third place.

> ***The Vienna Insurance Group is particularly heavily involved in social sponsorship.***

Selected sponsoring activities

The Company has an especially strong commitment to social sponsoring. The Vienna Insurance Group and its principal shareholder, Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung, have been long-time supporters of numerous projects and initiatives carried out by a number of relief organisations.

• *Help for the Children of Chernobyl*

As the largest Austrian insurance group in Central and Eastern Europe, the Vienna Insurance Group concerns itself with the general need for security of the people in this region. The most important place to begin is with those in the greatest need of protection, the children. For this reason, the company gives its support to campaigns for the street children of Central and Eastern Europe and initiatives for children in the surrounding area of Chernobyl.

The "Children of Chernobyl" initiative regularly brings children, the majority suffering from Leukaemia, from Belarus and the Ukraine to recover in Austria. Right from the start of this initiative more than 20 years ago, Wiener Städtische has provided the health insurance needed for these trips. The children were also invited to attend special afternoon programmes. The employees of the Company were asked to collect toys and clothing that could be given to the children during their stay in Austria.

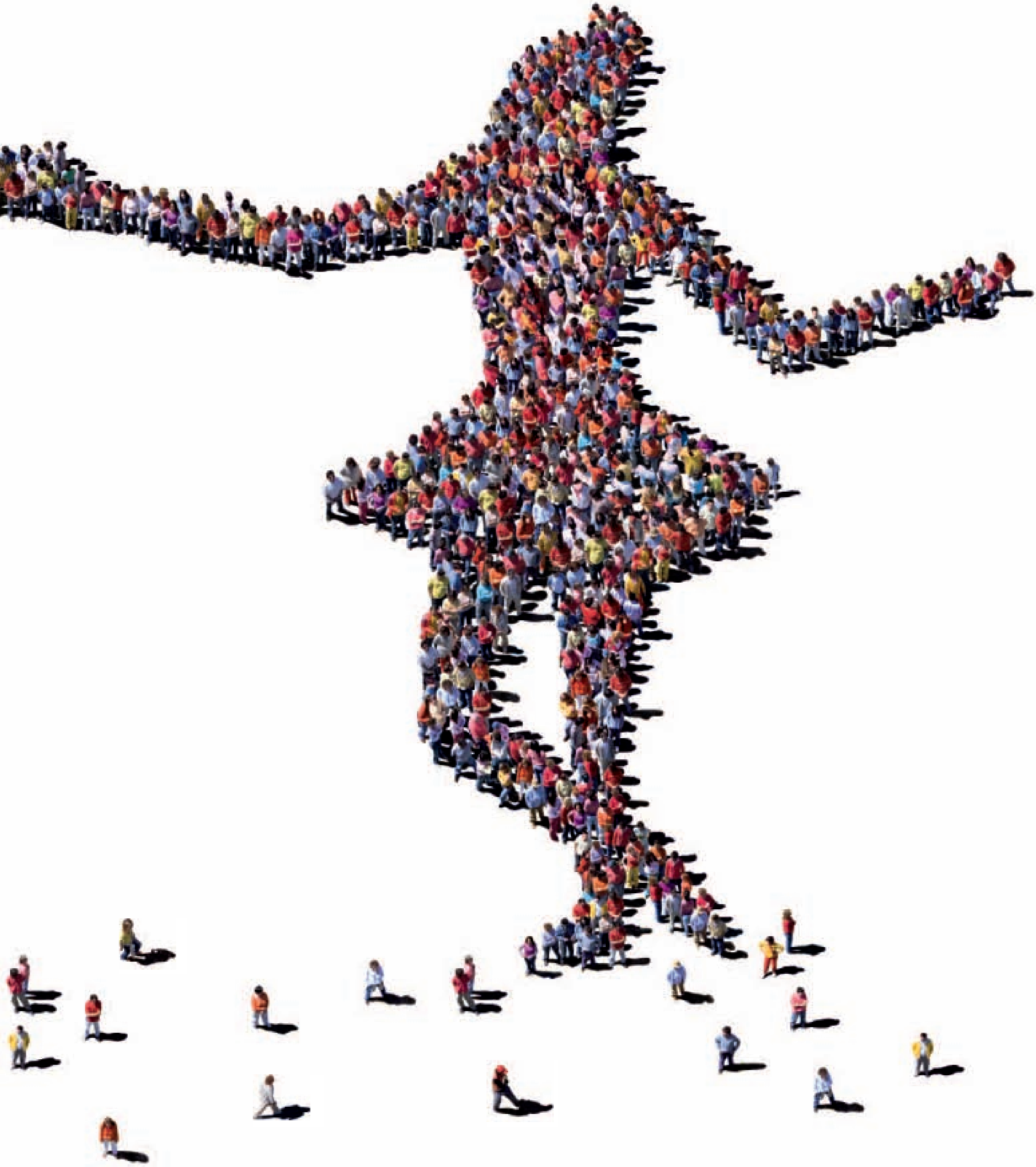
• *Caritas campaign for street children in Eastern Europe*

But the insurance company also supports the Caritas campaign for street children in Eastern Europe. By this initiative, the Vienna Insurance Group is contributing to the establishment of orphanages, day care centres and soup kitchens in Eastern Europe. There, street children receive not only food and shelter, but even more importantly care and concern.

• *International Safety Tour for kids*

Right from the start, Wiener Städtische has supported the children's safety Olympics, "Safety Tour", in which, because of their great success, not only Austrian school children but school classes from the Czech Republic and Slovakia as well now are participating. As part of the "Safety Tour," games are used to teach children how to deal with dangerous situations properly, making them more aware of the topic of "safety".

WE THANK OUR CUSTOMERS



SUCCESSES

TARGETED EXPANSION

The figures from recent years confirm that the Vienna Insurance Group is successfully putting its strategy into practice. In so doing, the average growth in premiums of 19.0% per year over the time period 2004 – 2007 was even exceeded by the profit before taxes, which grew on average by 41.0% per year in the same period. The Vienna Insurance Group thereby clearly exceeded its projections.

In 2007, the Vienna Insurance Group fortified its excellent position in Central and Eastern Europe through significant acquisitions, now being active in 23 countries. Following its entry into the insurance markets of Albania, Macedonia and Turkey at the beginning of 2007, since December of 2007 the three EU countries of Estonia, Latvia, and Lithuania have also now become part of the Vienna Insurance Group's markets.

The following companies became recently members of the Vienna Insurance Group:

- **TU Polski Związek Motorowy S.A. VIENNA INSURANCE GROUP (TU PZM)**
  Acquisition of more than 90% of the Polish non-life insurer

- **Sigma Sh.a.**
  Simultaneous entry into the Albanian and Macedonian insurance markets through a purchase of over 75%

- **Ray Sigorta A.Ş.**
  Entry into the Turkish insurance market through an approximately 74% purchase

- **SC Asigurarea Romaneasca Asirom S.A.**
  Acquisition of approximately 98% of one of the leading Romanian insurance companies

- **Ukrainska Strakhova Grupa (USG)**
  Expansion of activities in Ukraine through a 62% purchase

- **Seesam Life Insurance SE**
  Entry into the three Baltic markets of Estonia, Latvia and Lithuania through a 100% acquisition

- **FinLife TUnZ S.A.***
  Strengthening of life insurance in Poland through a 100% acquisition

* subject to approval of authorities

Increased stake in TBIH

Since April 2007, the Vienna Insurance Group has held a direct share of 60.00% in TBIH Financial Services Group N.V. (TBIH), thus converting its previous 40.00% stake in Kardan Financial Services B.V. (KFS). TBIH is a financial services group specializing in Central and Eastern Europe, headquartered in Amsterdam. As part of the share increase, TBIH was restructured and now focuses exclusively on the insurance and pension fund business.

As of the closing date of the financial statements, TBIH holds ownership interests mainly in the following insurance companies:

- Bulgaria: Bulstrad Group
  (Bulstrad 96.83%, Bulstrad Life 93.94%)
- Croatia: Helios (100.00%)
- Romania: Omniasig Life (49.99%)
- Turkey: Ray Sigorta A.Ş. (74.26%)
- Albania: Sigma Sh.a. (>75.00%)
- Georgia: GPIH (50.00%), IRAO (75.00%)

Kardan Financial Services B.V. holds a minority interest of 40.00% in TBIH. The Vienna Insurance Group is continuing to manage TBIH in close cooperation with the Kardan Group.

Founding: Group-owned reinsurance

In 2008, the Vienna Insurance Group will establish a Group-owned reinsurance company with headquarters in Prague. With this step, the Vienna Insurance Group is sending a clear signal that the region of Central and Eastern Europe is a core market for the company, with outstanding growth potential. The reinsurance company will have equity capital of EUR 100 million and should achieve a premium volume of about EUR 300 million over the next two to three years.

Supported by the Vienna Insurance Group's many years of experience in setting up and co-developing local insurance markets in the CEE region, the new reinsurance company intends to offer options in addition to the product offerings of traditional reinsurers. These will involve partnered reinsurance solutions offered even to companies not part of the Vienna Insurance Group.

Austria

Merger of UNION Versicherungs-AG and BA-CA Versicherung AG

In March 2007, the shareholders of UNION Versicherungs-AG and BA-CA Versicherung AG agreed to merge the two companies. The Vienna Insurance Group assumed control of the merged insurance company.

Ownership interests in the merged company, bearing the name Bank Austria Creditanstalt Versicherung Aktiengesellschaft, are as follows:

- WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP: 60.54%
- ERGO International AG: 29.46%
- Bank Austria Creditanstalt AG: 10.00%

Czech Republic

Increase in authorised capital of Kooperativa

In October 2007, an extraordinary meeting of the shareholders of Kooperativa pojišťovna, a.s., Vienna Insurance Group (Kooperativa) passed a unanimous resolution to increase authorised capital by CZK 200 million (ca. EUR 7.3 million). In consequence, Kooperativa's authorised capital is equal to CZK 3 billion (ca. EUR 109 million).

Poland

Acquisition of a majority interest in TU Polski Związek Motorowy S.A. VIENNA INSURANCE GROUP (TU PZM)

The Vienna Insurance Group subscribed to shares of the Polish Non-Life insurer TU Polski Związek Motorowy S.A. VIENNA INSURANCE GROUP (TU PZM), as part of a capital increase at the end of March 2007. The Vienna Insurance Group now owns 91.30% of this insurer. The remaining shares are held by the former majority shareholder, the Polish Automobile Association (PZM).

From seven offices with nearly 100 employees, TU PZM handles more than 20,000 customers in Poland, with almost 70% of the customers being serviced by the company's sales employees in the field.

Expansion of life insurance through acquisition of FinLife TUnZ S.A.*

The Vienna Insurance Group acquired 100% of the shares of FinLife TUnZ S.A. (FinLife) from the Suomi Mutual Life Assurance Company.

FinLife, headquartered in Warsaw, was founded in 1996 and specializes in group and term life insurance policies. With around 90 employees and 15 offices throughout the country, FinLife TUnZ S.A has built up a very extensive independent distribution network, as well as cooperative arrangements in the bank sector.

* subject to approval of authorities

Romania

Acquisition of majority interest in Asirom

In order to expand its activities in Romania, the Vienna Insurance Group acquired 98.46% of the Romanian SC Asigurarea Romaneasca Asirom S.A. (Asirom) in three steps. In the first step, as early as July 2007, 30.00% of the shares were obtained. A majority interest was achieved in November 2007 through acquisition of an additional 20.20% of Asirom. Through a take over process and further share purchases, the majority interest was boosted to around 98.46%.

Asirom is one of the leading insurance companies in Romania and has approximately 2,200 employees. Asirom has a nationwide presence with its dense distribution network of 49 regional head offices and 160 branches.

Albania

Acquisition of majority interest in Sigma Sh.a. completed

The Vienna Insurance Group successfully completed its entry into the Albanian insurance market in mid-September 2007. After all official approvals were obtained, the TBIH Financial Services Group N.V. (TBIH) obtained a majority interest of 75.00% plus one share of Sigma. In addition, a contractual agreement was reached with the remaining minority shareholders, under which they will have the right to sell 12.50% of the shares to TBIH in the first half of 2011 and the remaining shares in the first half of 2012.




Sigma, founded in Tirana in 1998, is active in the property insurance business. The company has a subsidiary in Macedonia, a branch office in Kosovo, and has about 160 employees in total.

Estonia, Latvia and Lithuania

Acquisition of Seesam Life Insurance SE

In December 2007, the Vienna Insurance Group entered the Baltic insurance markets through the signing of a purchase agreement for acquisition of 100.00% of Seesam Life Insurance SE (Seesam). The seller was the Finnish Suomi Mutual Life Assurance Company. The Seesam Life Insurance SE, with headquarters in the Estonian capital Tallinn, was established in 1993. Its life insurance business subsequently expanded into the Latvian (1999) and Lithuanian (2001) markets.

Seesam has more than ten branch offices in these three countries, with about 200 employees. Besides classical life insurance, it also offers unit-linked policies and term insurance.

Turkey

Acquisition of majority interest in Ray Sigorta A.Ş.

When the purchase by TBIH Financial Services N.V. (TBIH) of 58.20% of the shares of Ray Sigorta A.Ş. closed in early June 2007, the Vienna Insurance Group successfully completed its entry into the Turkish insurance market. The shares were acquired from the former majority owner, Turkish company Doğan Şirketler Grubu Holding A.Ş. (Doğan), which continues to hold around 20% of the shares of Ray Sigorta A.Ş. Furthermore, TBIH made a public takeover offer (valid: 6–20 August) for around 22% of the shares of Ray Sigorta A.Ş. in circulation in August, and now owns around 74.26% of the company.

Ray Sigorta A.Ş. is a listed Turkish insurer based in Istanbul. The company, which was founded in 1958, is active in the non-life insurance segment, with an emphasis on motor vehicle insurance.

Ukraine

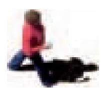
Expansion of market position through purchase of Ukrainska Strakhova Grupa

The Vienna Insurance Group also significantly expanded its involvement with the Ukrainian insurance market, thereby continuing its course of expansion in Central and Eastern Europe. In November 2007, TBIH Financial Services Group N.V. (TBIH) signed a contract to purchase 62.00% of the share capital of Ukrainska Strakhova Grupa (USG).

USG, which is headquartered in the capital Kiev, has been active on the Ukrainian insurance market since 2002. Of its approximately 460 employees, around 360 are active in sales. With 50 branches and an additional 20 regional sales offices, the USG is represented throughout the country. Along with motor vehicle liability insurance, it also focuses on sales in the rapidly growing motor third party liability insurance segment.

More shares acquired in the Ukrainian company Kniazha

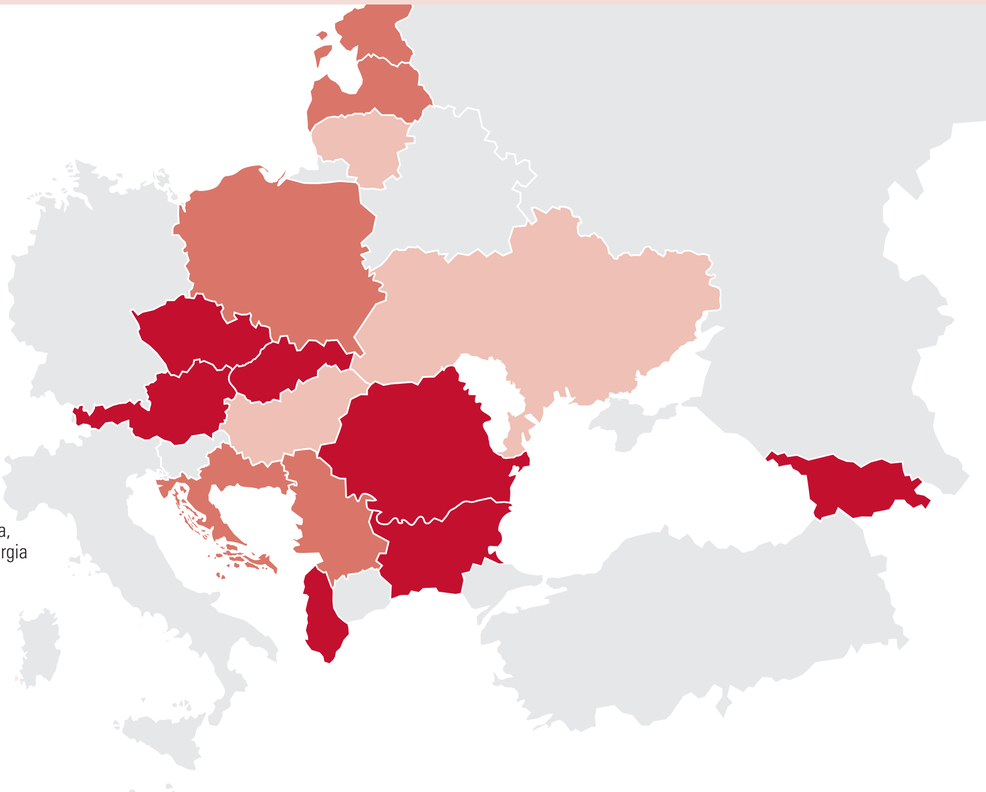
As part of a capital increase, the Vienna Insurance Group intensified its activities in the Ukrainian insurance market and boosted its interest in Kniazha from the previous just above 50.01% to 80.00%.



STRENGTHENING OF MARKET POSITION* IN AUSTRIA AND CEE

The Vienna Insurance Group has kept the promise it made to shareholders, on the occasion of its capital increase two years ago, to expand its position in Austria and in the CEE growth market: In Austria, its market leadership was further broadened, and the Vienna Insurance Group is clearly Number 1 on the market. In the CEE region, through targeted acquisitions and explosive organic growth, the Vienna Insurance Group has climbed to the Number 1 spot in non-life insurance. In the process, the Group has taken the lead over well-known international competitors. Each and every company belonging to the Vienna Insurance Group has made a valuable contribution to this history of success, as is shown in the next section from the example of selected countries. With its over 21.000 employees in 23 countries, the Vienna Insurance Group is thereby taking impressive advantage of the opportunities and large growth potential presented by a united Europe. The ambition to rise to the position of Number 1 overall in the CEE region is both our motivation and objective for the future.

TOP POSITIONS OF THE VIENNA INSURANCE GROUP IN CEE



In the top 3
Austria, Czech Republic, Slovakia, Romania, Bulgaria, Albania, Georgia

In the top 5
Croatia, Poland[1], Serbia, Estonia[2], Latvia[2]

In the top 10
Hungary, Ukraine, Lithuania[2]

[1] in non-life insurance
[2] in life insurance

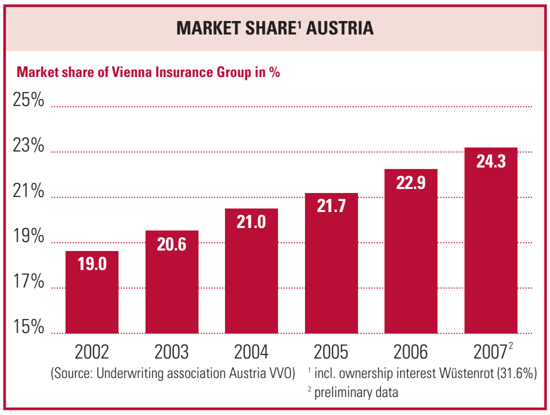
* All sources of information regarding market shares and rankings and the status thereof can be found in the glossary.
Market position (Vienna Insurance Group) - Definition: CEE: Czech Republic, Slovakia, Poland, Romania, Bulgaria, Croatia and Hungary.

Strengthening of market position in Austria and CEE

SUCCESSES

Austria

In 2007, the Vienna Insurance Group strengthened its leadership of the market and, with its latest market share of 24.3%, is the clear Number 1 in Austria. Furthermore, the Vienna Insurance Group unequivocally occupies the leading market position in property/casualty and life insurance as well.

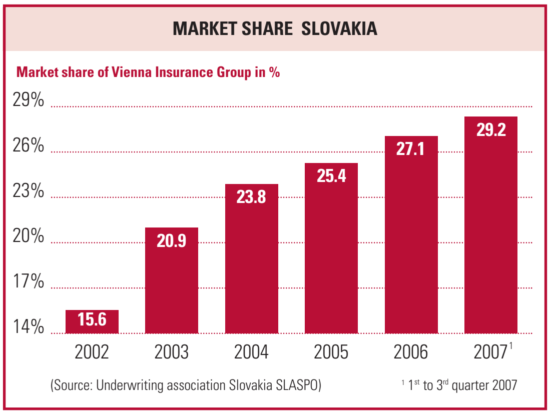


MARKET SHARE[1] AUSTRIA

(Source: Underwriting association Austria VVO) [1] incl. ownership interest Wüstenrot (31.6%) [2] preliminary data

Slovakia

In Slovakia too, the Vienna Insurance Group increased its latest market share to 29.2%, compared to 27.1% in 2006, thereby strengthening second place. In motor vehicle insurance, the Vienna Insurance Group rose to a position of market leadership by expanding its market share to 40.4%.

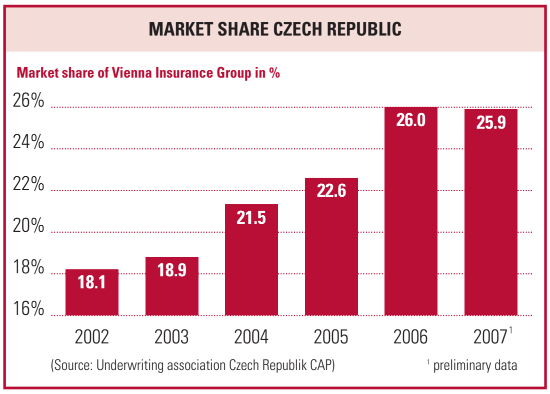


MARKET SHARE SLOVAKIA

(Source: Underwriting association Slovakia SLASPO) [1] 1st to 3rd quarter 2007

Czech Republic

With a market share of 25.9%, the Vienna Insurance Group holds an outstanding second place ranking in the Czech Republic. Through successful organic growth, the market share in non-life insurance rose from 33.4% in 2006 to 33.6% in 2007. Hence the Vienna Insurance Group ranks second in this segment as well. In addition, every third automobile in the Czech Republic already is insured with Vienna Insurance Group.

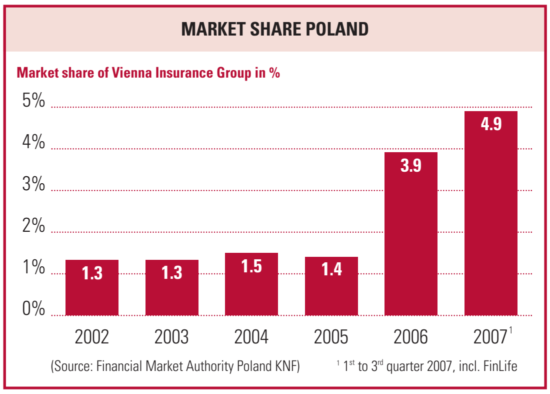


MARKET SHARE CZECH REPUBLIC

(Source: Underwriting association Czech Republik CAP) [1] preliminary data

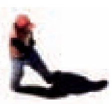
Poland

In 2007, the Polish companies posted strong organic growth, and their market presence was further strengthened with the purchase of TU PZM and FinLife. The latest market share of the Vienna Insurance Group grew to 4.9%, as against 3.9% in 2006. In motor vehicle insurance, the Vienna Insurance Group occupies an excellent fourth place position, with a market share of 6.8%.



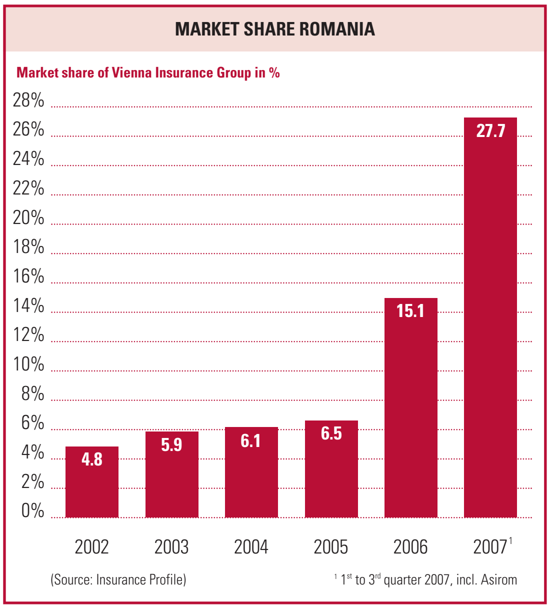
MARKET SHARE POLAND

(Source: Financial Market Authority Poland KNF) [1] 1st to 3rd quarter 2007, incl. FinLife

Romania

Through organic growth and the acquisition of Asirom, one of the leading Romanian insurance companies, the Vienna Insurance Group significantly strengthened its market leadership in Romania and increased its latest market share to 27.7%.



Albania

Through the acquisition of Sigma, the Vienna Insurance Group entered the Albanian market and, with a market share of 16.8%, ranks an impressive third on the market. In motor vehicle insurance, the Vienna Insurance Group is already Number 2, with a market share of 21.1%.

Baltic states

With the acquisition of Seesam, the Vienna Insurance Group established itself in the Baltic states of Estonia, Latvia and Lithuania recently and now ranks sixth in this region in the life insurance segment, with a market share of 5.1%.

Bulgaria

Through high organic premium growth, the Vienna Insurance Group rose to a clear position of market leadership in Bulgaria in 2007. The Bulstrad and Bulgarski Imoti companies jointly boosted their market share to 18.1%.

Georgia

The Georgian companies of the Vienna Insurance Group, GPIH and IRAO, together have an excellent second-place market ranking, with a market share of 33.0%.

Serbia

Through high organic growth, the Vienna Insurance Group increased its market share in Serbia to 7.6%, compared to 6.4% in 2006. In life insurance, the Serbian company already holds a third of the market with a 30.6% market share.

Turkey

Through the purchase of Ray Sigorta, the Vienna Insurance Group succeeded in entering the Turkish insurance market. With a market share of 2.7%, the Vienna Insurance Group ranks twelfth in non-life insurance.

Ukraine

Through the additional purchase of USG and the strong premium growth of the companies previously acquired, the Vienna Insurance Group rose to Number 6 on the Ukrainian market.

Hungary

In Hungary, the Vienna Insurance Group achieved high organic growth in 2007, expanding its market share from 2.1% to 2.6% and thereby coming in ninth.




SUCCESSFUL COOPERATIVE AGREEMENTS

Cooperation with the Erste Bank Group

The cooperation between the Vienna Insurance Group and the Erste Bank Group is very successful in Austria as well as in Central and Eastern Europe. For years the subsidiaries of the Vienna Insurance Group have been cooperating with the banks belonging to the Erste Bank Group for example in Austria, Czech Republik, Slovakia, Romania, Croatia, and Hungary. In 2007 this excellent collaboration was able to be continued. Insurance from the non-life segment is sold through the branch offices of the Erste Bank Group. In return, the companies of the Vienna Insurance Group offer selected products of Erste Bank Group through its own distribution network.

Vienna Insurance Group and OMV are taking advantage of joint strengths in the CEE region

Marketing cooperation between the Vienna Insurance Group and Central Europe's leading oil and natural gas company, OMV, began in the summer of 2007, encompassing ten countries: Austria, the Czech Republic, Slovakia, Romania, Bulgaria, Croatia, Serbia, Slovenia, Hungary and Germany. Depending on the country, cooperation includes, inter alia, the sale of motor vehicle insurance directly at OMV service station, the setting up of special Service Corners, participation of the Vienna Insurance Group in various customer loyalty programs of OMV, and joint participation at various automotive trade fairs.

The marketing cooperation between OMV and Vienna Insurance Group encompasses ten european countries.

Cooperation in Austria
Since December 2007, the Vienna Insurance Group and OMV cooperate in advertising and marketing. Things got going with a sign campaign at the more than 400 OMV service stations throughout Austria, with the Wiener Städtische slogan "Worries don't make good passengers" and the OMV slogan "Safely under way with OMV." In addition, 10,000 new motor vehicle customers of Wiener Städtische received, along with their policy, an OMV voucher for a car wash and a drink, redeemable at any service station in Austria.

Cooperation in Central and Eastern Europe
The Vienna Insurance Group and OMV are taking advantage of their joint strengths in the countries of Central and Eastern Europe by close cooperation there. Both companies offer their customers combined products and service packages. At selected service stations incentive programs are conducted and insurance information is offered.

The launch involved an international summer promotion for automobile drivers, during which 400,000 free "holiday packages" were given out to travellers at selected border crossings in Central and Eastern Europe. These contained a road map indicating all OMV service stations and Vienna Insurance Group branches in Central and Eastern Europe, a voucher for a Vienna Insurance Group travel guide, with useful travel and service information – redeemable at OMV service stations – as well as small refreshments.

In addition to this summer promotion, locally customized cooperative programs were launched in individual countries, such as providing information about insurance products at selected OMV service stations, loyalty programs and games as well as direct mailings and promotions.

Long-term cooperation
After the successful start, this cooperation will be continued in 2008 with joint voucher initiatives, direct marketing campaigns and special servicing provided to OMV customers by the Vienna Insurance Group.

CONSISTENT INNOVATION

Also in 2007, in the area of Group marketing for Austria and Central and Eastern Europe, the Vienna Insurance Group implemented many new and innovative approaches to internal communications, know-how transfer within the Group and international collaboration. A goal of these innovations is to develop new products to address customer needs.

VIG-Live
A rapid, innovative electronic platform ensures optimal cooperation and exchange of information in the area of product development, marketing and communication within the Vienna Insurance Group. The page provides current data for authorized employees and eases the process of establishing contact and comparing notes for employees from all countries in which the Vienna Insurance Group operates. The group's companies have the option of adding best practices examples from their countries to the page.

Particularly in the area of product development, the site has proven itself to be highly successful. It can be used to introduce the best and most interesting products internationally. The site was presented and refined at several international meetings.

International meetings
Apart from the successful cooperation enabled by this communication platform, experience and know-how are exchanged at regularly scheduled international company meetings conducted at the expert level. At these special forums, experts from different countries from the most widely varied technical areas have the opportunity to think out Group-wide solutions and product innovations through presentations followed by discussions.

Ketchup – Best Practice
A successful example of best practices from the Vienna Insurance Group is the TV advertisement "Ketchup." This ad for motor vehicle insurance was developed for Kooperativa in Slovakia. At the Méribel Central Europe Cristal Awards festival in Warsaw, the Slovakian advertising agency MUW Saatchi & Saatchi received an award for it, the only Slovakian agency to be given one. In addition, in Slovakia the spot was awarded the "Golden Nail" (Zlatý klinec), the most prestigious Slovakian advertising prize. The ad was used not only in the country of origin, Slovakia, but also, in partially revised versions, in Austria, Bulgaria, Croatia, Poland, Romania, Serbia and Ukraine. The spot was highly touted by experts. The commercial was praised most of all for being memorable and product-oriented – an all-around best practices success story.

Numerous new and innovative products have contributed to the success of the Vienna Insurance Group.

NUMEROUS AWARDS

In 2007 the companies of the Vienna Insurance Group again received a number of significant awards. These prove that the company's importance and successes are being recognised and honoured both by the industry and by the public at large.

VIENNA INSURANCE GROUP

Vienna Insurance Group – "King of growth" in the Prime Market of the Vienna Stock Exchange

In a ranking given by *Wirtschaftsblatt*, one of the principal Austrian business dailies, the Vienna Insurance Group was chosen as the "King of growth" among all companies listed in the ATX Prime Market of the Vienna Stock Exchange and Austrian companies listed on foreign exchanges. In view of the economic dynamism of the companies, the average annual growth rates for the last five years (2001–2006) were calculated and compared. The Vienna Insurance Group achieved first place, with an annual average growth of 20.0% in premium income, 72.4% in profit before taxes, and 37.5% in the number of employees.

Vienna Insurance Group as "King of growth" in the Prime Market of the Vienna Stock Exchange.

Austria

Wiener Städtische – Number 2 in the Austrian Responsibility Index

In an online survey of NGO or NPO employees regarding the social commitment of the 22 companies comprising the ATX, the Wiener Städtische achieved an outstanding second place. The responsibility index evaluates ATX companies according to their social responsibility and how they implement it. The survey was commissioned by the Centre for Corporate Citizenship in Austria.

Wiener Städtische – Awards for a successful advertising line

The advertising line of the Wiener Städtische received many awards in 2007 as a result of its popularity with jurors and the public. In 2007, the Wiener Städtische won the Golden Kurier advertising award for the slogan "I am not a pension fund." Altogether, 600 advertising themes were up for evaluation and selection by experts and Kurier readers.

The Wiener Städtische also did very well in a competition of the country's most popular commercials, the Top Spot-Gala, an event sponsored by the ORF (Austrian Television). TV viewers ranked Wiener Städtische's "chocolate finger" ad about pension premiums in third place.

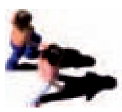
Czech Republic

Kooperativa Prague – Prize for best life insurance product of 2007

The "Perspektiva" unit-linked life insurance offered by Kooperativa Prag received the award "life insurance policy of the year 2007." This prestigious award is made annually in connection with the "MasterCard bank of the year" competition. Perspektiva's tremendous success is indicated by the fact that it has already sold 59,000 policies. In 2007, an outstanding increase of 220% was achieved.

Kooperativa Prague – "Best Czech 100" 2007

Kooperativa Prag, the largest subsidiary of Vienna Insurance Group, ranked an outstanding third in a highly regarded survey of business people and companies. Kooperativa is thus one of the top three companies in the Czech Republic. Furthermore, Vladimír Mráz, general director of Kooperativa, was selected as one of the most recognized personalities of the Czech Republic and received the honorary title "Gentleman pro 2007."



Numerous awards

Slovakia

Kooperativa Bratislava –
"2007 insurance company of the year"
Kooperativa Bratislava won first prize in the "Poisťovňa roka 2007" (insurance company of the year 2007) awards given by the respected Slovakian economic magazine "Trend." Some 17 insurance companies qualified for the competition.

Romania

Vienna Insurance Group –
"Investor of the Year" in Romania
The Vienna Insurance Group received the "Investor of the Year" award from the "Romanian Insurance Market Awards" competition for its acquisition of Asirom, one of the leading Romanian insurance companies. At the same time, the distinction is also recognition of the contribution made by the Vienna Insurance Group to the professionalization of the Romanian insurance market. Furthermore, the know-how and expertise brought in by the Vienna Insurance Group was highlighted.

Omniasig –
"Non-life Insurer of the Year 2007"
Like last year, the Romanian Omniasig non-life was named non-life insurance company of 2007 by UNISCAR (Romanian Association of Insurance Brokers) and Media XPRIMM, a publishing group which speceializes in reporting on insurance. Reasons for the selection of Omniasig were the insurance company's professional dealings with its partners, the quality of its services and its business development.

Omniasig –
"Award for Regional Development"
Dumitru Nicolae Pepici, Omniasig's regional manager, was honoured by Media XPRIMM for his efforts and commitment to the "National Insurance Coverage Program". The Omniasig service centre he directs in Arad, in the western part of the country, is distinguished by its innovation, the high quality of its customer service and its strong customer orientation. It serves as a model for the Romanian insurance industry.

Bulgaria

Bulstrad –
"Insurer of the Year 2007 in Bulgaria"
Bulgarian subsidiary Bulstrad was selected as "Insurer of the Year 2007" by the largest Romanian publishing group Media XPRIMM, which also spezializes in reporting on insurance and operates in Central and Eastern Europe. Bulstrad was recognized for its strong home market presence and outstanding financial results in the non-life segment.

In 2007 the companies of the Vienna Insurance Group received significant awards.

Hungary

Union Biztosító –
Award for "The best workplace"
The Hungarian Union Biztosító won an excellent third-place ranking in a competition for the best employer in the financial services sector. The study was conducted by the consulting firm Hewitt, which specializes in human resources. The employees' satisfaction and above-average commitment are also reflected in the success of the company.

Germany

InterRisk extends its leading position as "Best broker insurer"
Once again the CHARTA Quality Barometer gave recognition to the best insurance companies. In the Casualty insurance category, InterRisk Versicherungs-AG achieved first place for the third time in a row – with an outstanding 96 out of a total of 100 points.



MOVING INTO THE FUTURE WITH A STRONG TEAM

PERFORMANCE IN 2007

MANAGEMENT REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

The Vienna Insurance Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They cover fiscal year 2007 (1 January 2007 to 31 December 2007) and provide a comparison with fiscal year 2006.

A total of 70 companies are included in the consolidated financial statements. Subsidiaries that were not essential for a fair presentation of the Vienna Insurance Group's net assets, financial position and results of operations due to their size were not included in the consolidation.

Changes in the scope of consolidation

The previously proportionally consolidated UNION Versicherungs-AG, Vienna, was fully consolidated in the first quarter since the ERGO Versicherungsgruppe renounced its intervention rights. Subsequently, the Bank Austria Creditanstalt Versicherung AG, Vienna, merged with the UNION Versicherungs-AG, Vienna, with the latter as the absorbing entity. The absorbing entity was renamed as Bank Austria Creditanstalt Versicherung AG, Vienna. Following completion of the merger, the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP has a 60.5% stake in shares of Bank Austria Creditanstalt Versicherung AG. In the 2nd quarter of 2007, all of the shares in COUNTRY INN VIC Hotelerrichtungs- und Betriebsgesellschaft m.b.H., Vienna, were sold to a company not included in the consolidated financial statements. The company was therefore deconsolidated. In the 3rd quarter of 2007, Celetná 25, s.r.o., Prague, was merged into Kooperativa pojišt'ovna, a.s., Prague.

The following insurance companies were fully added to the consolidated group for the first time in 2007:

- STDV Globus
- CJSC Life Insurance Jupiter VIENNA INSURANCE GROUP
- CJS UIC Kniazha

Companies that are jointly managed by the Vienna Insurance Group and TBIH Financial Services Group N.V. are proportionally consolidated, with 60% of the operating investees included directly. This is because TBIH is a pure holding company, which means that its operating business is performed by its investees. Four companies (Bulstrad Life, Bulstrad Non-Life, Helios and for the first time Ray Sigorta) were proportionally included in the 2007 consolidated financial statements.

The following three non-profit housing development companies were also added to the consolidated group for the first time in 2007:

- GIWOG Gemeinnützige Industrie-Wohnungs-AG
- GEMYSAG Gemeinnützige Mürz-Ybbs-Siedlungsanlagen-GmbH
- "Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH

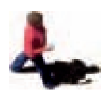
These newly added companies generated a profit before taxes of EUR 15.278 million in fiscal year 2007. The annual profit of non-profit housing development companies is subject to statutory restrictions on distribution in Austria, and there is only limited access to the assets of such companies.

The management report initially provides a detailed description of business development and the results of operations of the Vienna Insurance Group. This is followed by an overview of the individual geographical segments of the Vienna Insurance Group. The geographical segment report for the Group is divided into

- Austria (incl. branch offices in Italy and Slovenia)
- Czech Republic
- Slovakia
- Poland
- Romania
- Other CEE markets (Bulgaria, Croatia, Serbia, Turkey, Ukraine and Hungary)
- Other markets (Germany, Liechtenstein)

The companies in Albania, Estonia, Georgia, Latvia, Lithuania, Macedonia, Russia and Belarus are not included in the consolidated group. The subsidiaries in Ukraine and Turkey were added to the consolidated group for the first time.





BUSINESS DEVELOPMENT OF THE GROUP IN 2007

The Vienna Insurance Group is a successful composite insurer operating in the property/casualty, life insurance and health insurance segments. The Group's area of activity extends over 23 countries and is divided into the following seven geographic segments: Austria, Czech Republic, Slovakia, Poland, Romania, Other CEE markets, and Other markets.

Premiums grow to EUR 6.91 billion

The Vienna Insurance Group generated an outstanding premium volume of EUR 6,911.93 million, representing an increase of EUR 1,030.42 million or 17.5% over the previous year. EUR 6,068.60 million of the gross premiums written were retained by Vienna Insurance Group and EUR 843.34 million were ceded to reinsurance companies. Major contributions to this premium growth came especially from the outstanding rates of increase in the new segments Poland (+62.1%) and Romania (+74.5%), added in 2007.

Net earned premiums rose from EUR 5,038.68 million in 2006 to EUR 5,941.69 million in 2007, representing an increase of 17.9%. Deferred premiums were EUR 139.44 million, and deferred reinsurance cessions amounted to EUR 830.80 million.

Change in premium volume

in million EUR	2005	2006	2007
Gross premiums written	5,007.84	5,881.51	6,911.93
Net earned premiums	4,240.87	5,038.68	5,941.69

Expenses for claims and insurance benefits

Not including the EUR 492.03 million allocated to reinsurance companies, expenses for claims and insurance benefits were EUR 5,031.51 million in 2007. This represents an increase of EUR 818.19 million, or 19.4%, in the expenses for claims and insurance benefits incurred by the Vienna Insurance Group.

The increase in expenses for claims and insurance benefits is primarily due to the expansion of the scope of consolidation and an increase in storm losses in 2007.

Operating expenses

After including commissions and other acquisition expenses and deducting reinsurance commissions received, 2007 operating expenses for all consolidated companies of the Vienna Insurance Group amounted to EUR 1,345.11 million, representing a moderate increase of 18.4% over the previous year. Commissions and other acquisition expenses were EUR 1,194.07 million in 2007.

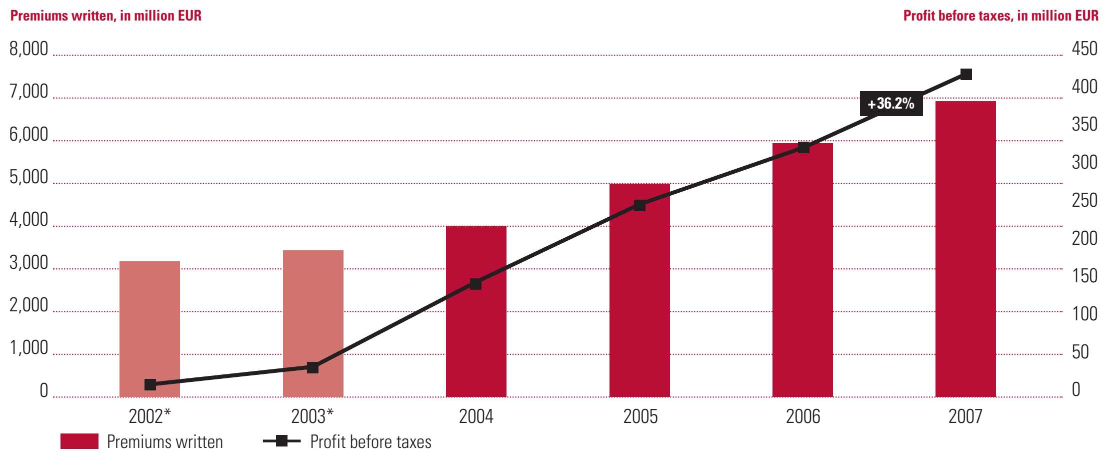
Profit before taxes rises 36.2%

The Vienna Insurance Group earned a profit before taxes of EUR 437.30 million in 2007. This result was a remarkable 36.2% increase compared to the year before, that is, EUR 116.33 million above the profit before taxes earned in 2006. All three of the Group's business areas and all seven geographic segments of the Vienna Insurance Group made positive contributions to this result.

Earnings per share

The earnings per share, representing the ratio of consolidated net profit afterminorities to the average number of shares outstanding, rose to EUR 2.98 in 2007. The

THE VIENNA INSURANCE GROUP'S PATH OF SUCCESS



* UGB consolidated financial statements

PERFORMANCE IN 2007

increase in net profit thus caused earnings per share to increase sharply, by 20.2% (2006: EUR 2.48).

Combined ratio significantly below 100%

The combined ratio, a classification figure of the property/casualty insurance, representing the ratio of operating expenses and insurance payments to earned premiums, was significantly below 100% in 2007. To be precise, the combined ratio of the Group after reinsurance (not including investment income) was 95.5% in 2007. This is a considerable achievement, even when compared with other insurance groups, particularly in view of the many natural catastrophes throughout all of Europe (primarily storms and flooding in 2007).

Financial result

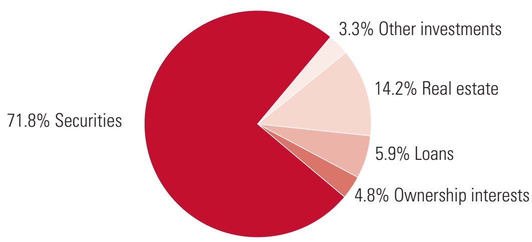
The Vienna Insurance Group had a financial result of EUR 1,002.64 million in 2007. The growth of 39.9%, or EUR 286.20 million, in the financial result validates the conservative investment policy followed by the Vienna Insurance Group. Changes in investment structure to adjust for current capital market developments and maintenance of discipline in the investment process both contributed to this growth in the financial result.

Investments already over EUR 20 billion

The Vienna Insurance Group had total investments of EUR 20,171.39 million as at 31 December 2007. This represents an increase of EUR 2,911.02 million, or 16.9%, compared to the previous year. These investments include all Vienna Insurance Group land and buildings, all shares in affiliated and associated companies and all financial instruments. They do not include investments for unit-linked and index-linked life insurance, which rose by 31.0% from EUR 2,340.58 million to EUR 3,065.99 million.

Investments reached EUR 3,253.43 million (–16.5%) in the property/casualty area, and an increase of 29.4% from EUR 12,398.13 million to EUR 16,047.24 million was recorded in the life insurance area. Vienna Insurance Group investments were EUR 870.74 million (–9.7%) in the health insurance area as at 31 December 2007. The slight decrease in investments in the property/casualty and health insurance segments is due to a regrouping of free assets.

STRUCTURE OF INVESTMENTS



Shareholders' equity

The Vienna Insurance Group's capital base was strengthened by 14.6% to EUR 2,615.56 million in 2007 (2006: EUR 2,283.21 million).

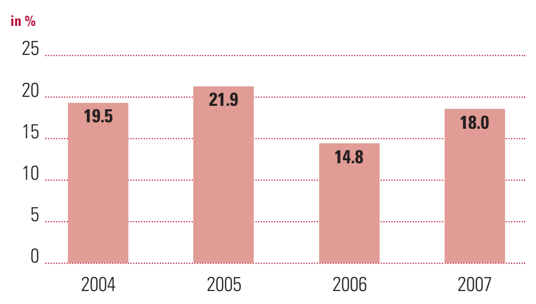
Underwriting provisions

Underwriting provisions of EUR 17,092.13 million existed as at 31 December 2007. The level of underwriting provisions for the Vienna Insurance Group at the end of 2007 was therefore 16.8% higher than the level of EUR 14,628.42 million as at 31 December 2006. Underwriting provisions in the property/casualty area increased 17.4% over 2006, to EUR 3,738.67 million, while underwriting provisions in the life insurance area rose 17.3% over the previous year, to EUR 12,585.46 million, as at 31 December 2007. Underwriting provisions for unit-linked and index-linked insurance were also increased by 31.7%, from EUR 2,238.86 million in 2006 to EUR 2,948.52 million.

RoE (Return on Equity)

In spite of the capital increase carried out in 2005, return on equity was an outstanding 18.0% in 2007 (2006: 14.8%). The RoE equals consolidated profit divided by the average total shareholders' equity of the Vienna Insurance Group.

OUTSTANDING RETURN ON EQUITY (ROE)



Cash Flow

Cash Flow from operating activities rose by EUR 375.62 million, or 22.8%, to EUR 2,020.98 million in 2007. The Vienna Insurance Group's Cash Flow from investing activities was EUR –1,959.04 million in 2007 (2006: EUR –1,474.79 million). The largest items in the Cash Flow from investing activities resulted from the acquisition of available for sale securities and the acquisition of affiliated and associated companies. The Vienna Insurance Group's financing activities produced a Cash Flow of EUR –62.80 million as compared to EUR –247.32 million in 2006.

The Vienna Insurance Group had cash and cash equivalents of EUR 277.70 million at the end of 2007. This represents a net increase of 22.6% in cash and cash equivalents over the balance of EUR 226.44 million at the beginning of the reporting period. The Vienna Insurance Group received a total of EUR 763.91 million in interest and dividends in 2007.

BUSINESS DEVELOPMENT IN DETAIL

Premium revenue

In 2007, the life insurance area contributed 42.5% of total Group premiums, the property/casualty area 53.1% and health insurance 4.4%.

Gross premiums written by business segment

in million EUR	2005	2006	2007
Property/casualty	2,563.32	3,067.15	3,671.17
Life	2,156.43	2,516.46	2,934.17
Health	288.09	297.90	306.60
Total	**5,007.84**	**5,881.51**	**6,911.93**

Gross premiums written by geographical segment

in million EUR	2005	2006	2007
Austria	3,170.97	3,434.73	3,695.37
Czech Republic	891.51	1,048.00	1,130.47
Slovakia	330.94	387.68	494.52
Poland	74.07	335.06	543.14
Romania	136.17	236.89	413.49
Other CEE*	127.04	198.37	383.77
Other markets**	277.14	240.78	251.17
Total	**5,007.84**	**5,881.51**	**6,911.93**

* Other CEE: Bulgaria, Croatia, Serbia, Turkey, Ukraine and Hungary
** Other markets: Germany, Liechtenstein

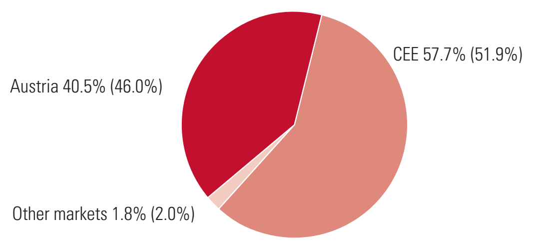
Property/casualty insurance

The Group companies of the Vienna Insurance Group generated EUR 3,671.17 million in premiums in the property/casualty area in 2007 (2006: EUR 3,067.15 million), an increase of 19.7%.

The main contributions to this rise in premiums came from Vienna Insurance Group companies in Slovakia (+20.4%), Poland (+50.4%) and Other CEE markets

PERFORMANCE IN 2007

PERCENTAGE OF PREMIUMS IN PROPERTY/CASUALTY IN 2007



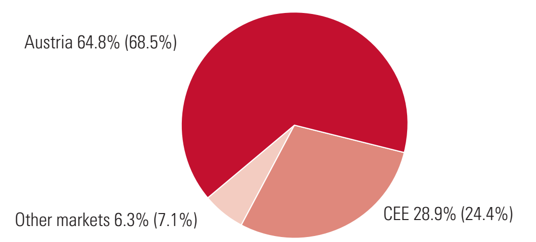
Values for 2006 in parentheses

segment (+119.9%).The percentage of premiums generated in CEE has already reached 57.7% in the property/casualty area, as compared to only 51.9% in 2006.

Double-digit premium growth in life insurance

The Group companies of the Vienna Insurance Group wrote total premiums of EUR 2,934.17 million in the life insurance area, equal to an increase of 16.6% compared to the previous year. Of this amount, premium revenues of EUR 847.31 million were accounted for by Group companies in the CEE region, representing an outstanding 38.3% increase. This means that the percentage of premiums generated in the CEE region by insurance companies in the life insurance class has grown to nearly 29%.

PERCENTAGE OF PREMIUMS IN LIFE INSURANCE IN 2007



Values for 2006 in parentheses

Already EUR 292.33 million of the premiums written in the life insurance area were coming from the Czech Republic.

Health insurance premiums increase by 2.9%

Even in the health insurance business, only carried on in Austria to a relevant extent by Wiener Städtische AG, a leading health insurer, premiums written by the Vienna Insurance Group increased by 2.9%, to EUR 306.60 million.

Profit before taxes

Profit before taxes by business segment

in million EUR	2005	2006	2007
Property/casualty	145.47	175.69	265.07
Life	73.41	132.47	157.20
Health	21.45	12.81	15.03
Total	**240.34**	**320.97**	**437.30**

Profit before taxes by geographical segment

in million EUR	2005	2006	2007
Austria	144.52	209.06	286.80
Czech Republic	60.09	59.12	73.81
Slovakia	24.98	27.66	30.30
Poland	1.50	7.73	18.78
Romania	0.54	2.75	4.56
Other CEE*	1.16	2.83	10.25
Other markets**	7.54	11.82	12.80
Total	**240.34**	**320.97**	**437.30**

* Other CEE: Bulgaria, Croatia, Serbia, Turkey, Ukraine and Hungary
** Other markets: Germany, Liechtenstein

All of the insurance classes in which the Vienna Insurance Group is active made solid contributions to the outstanding growth in Group profit. Profit before taxes reached EUR 437.30 million in 2007, representing an increase of 36.2% compared to the previous year.

Growth driven by property/casualty insurance in 2007

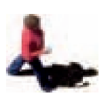
The portion of the profit before taxes of the Vienna Insurance Group that came from the property/casualty insurance area rose by EUR 89.38 million, or 50.9% greater than 2006, to EUR 265.07 million.

Life insurance at nearly EUR 160 million

The portion of the total profit of the Vienna Insurance Group contributed by the life insurance area also rose by an outstanding 18.7%, to EUR 157.20 million.

Profit growth of 17.3% in the health insurance area

The health insurance area contributed EUR 15.03 million to the total profit of the Vienna Insurance Group.



Average 2007 exchange rates used to prepare the IFRS financial statements:

Country	Currency	Name	2007 average exchange rate
			1 EUR ≙
Albania	ALL	Albanian lek	123.6300
Bulgaria	BGN	Bulgarian lew	1.9558
Estonia	EEK	Estonian kroon	15.6466
Georgia	GEL	Georgian lari	2.2928
Great Britain	GBP	British pound	0.6843
Croatia	HRK	Croatian kuna	7.3376
Liechtenstein	CHF	Swiss franc	1.6427
Poland	PLN	Polish zloty	3.7837
Romania	RON	Romanian lei	3.3353
Russia	RUB	Russian rouble	35.0183
Serbia	RSD	Serbian dinar	80.0858
Slovakia	SKK	Slovak koruna	33.7745
Czech Republic	CZK	Czech koruna	27.7656
Turkey	TRY	Turkish new lira	1.7865
Ukraine	UAH	Ukraine hryvnia	6.9590
Hungary	HUF	Hungarian forint	251.3520
USA	USD	US dollar	1.3705
Belarus	BYR	Belarusian rouble	2,956.7583

Employees

Each of the 20,307 employees in the Vienna Insurance Group shares in the responsibility for the outstanding business development achieved by the Group.

Employees	2005	2006	2007
Austria	5,366	5,747	6,138
Czech Republic	4,485	4,565	4,638
Slovakia	1,378	1,586	1,697
Poland	1,109	1,385	1,359
Romania	2,660	2,657	2,767
Other CEE	1,236	2,536	3,596
Other markets	112	111	112
Total	**16,346**	**18,587**	**20,307**





Investments

The following companies became new members of the Vienna Insurance Group in 2007:

- Poland:
  TU Polski Związek Motorowy S.A. (TU PZM),
  FinLife TUnZ S.A. (FinLife)
- Albania (Macedonian branch office): Sigma Sh.a.
- Turkey: Ray Sigorta A.Ş.
- Romania: Asirom S.A.
- Ukraine: Ukrainska Strakhova Grupa (USG)
- Baltic states (Estonia, Latvia, Lithuania):
  Seesam Life Insurance SE

For the moment, only one of these companies has been added to the consolidated Group of companies for the Vienna Insurance Group, namely, Ray Sigorta A.S., which was acquired at the beginning of 2007. The other new acquisitions have not yet been added to the consolidated group.

Risk Management

The detailed risk report for the Vienna Insurance Group is in the notes to the consolidated financial statements (page 99–112).


GEOGRAPHIC SEGMENT REPORTING

AUSTRIA

The Vienna Insurance Group is represented by three companies in Austria, Wiener Städtische AG, the parent company of the Group, Donau and BA-CA Versicherung.

- **Premium increase** of 7.6%.
- **Record profit** of EUR 286.80 million.
- **BA-CA Versicherung** fully consolidated for the first time.

WIENER STÄDTISCHE Versicherung AG
VIENNA INSURANCE GROUP
Wiener Städtische AG is an operating insurance company (life, property/casualty, health) as well as the parent company of the Vienna Insurance Group. In addition to its operations in Austria, Wiener Städtische AG also has branch offices in Italy and Slovenia.

The Vienna Insurance Group is number 1 in the Austrian market.

Wiener Städtische AG is the largest insurance company in Austria. The company, whose roots go back to the year 1824, has around 2,000 counsellors in approximately 170 offices. Wiener Städtische AG is the leading company in the market, both in the corporate customer segment, which consists primarily of a large number of dynamic small and medium-sized businesses in Austria, as well as in the private customer segment.

In addition to its own sales employees in the field, who form the main channel of distribution, brokers, insurance agents and collaboration with banks also play an important role in Wiener Städtische AG's distribution strategy. Dialogue with customers is also very important to the management board, for it allows the company to follow current issues and react to the needs of the market. In local advisory board meetings, for example, representatives of major customers and members of the management board regularly discuss regional and international issues.

Donau Versicherung AG
VIENNA INSURANCE GROUP
Donau Versicherung AG is the most important Austrian insurance holding in the Group. The company operates in both the life insurance and property/casualty segments. In 2007, Donau Versicherung AG successfully expanded its position as a knowledgeable and flexible partner for brokers and non-exclusive agents in Italy as well.

Donau Versicherung AG is one of the top 10 insurance companies in Austria, and is represented by approximately 60 service and business offices in all provinces of Austria. Donau Versicherung AG's flexible, custom-tailored business solutions have made it one of the market leaders in the area of company pension plans.

With the aid of its approximately 1,300 employees and successful cooperation with the savings bank sector in Austria, Donau Versicherung AG has intensively developed its market position in recent years, particularly in life insurance, and offers modern, innovative products to the market.

BA-CA Versicherung AG
BA-CA Versicherung AG is active almost exclusively in the life insurance business, rounding off its product range with products from the casualty insurance business, and uses the branches of the Bank Austria Creditanstalt AG as its primary channel of distribution.

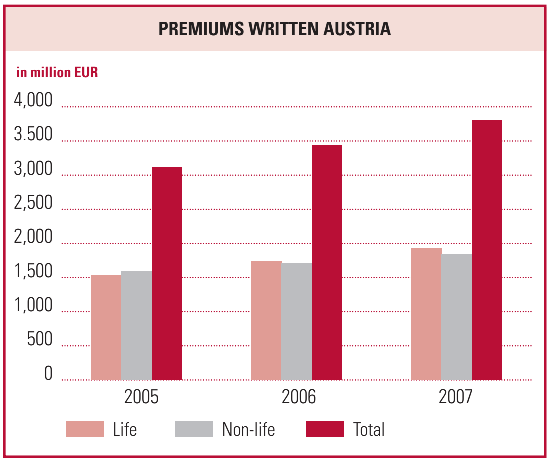
BA-CA Versicherung AG was formed in 2007 from a merger of UNION Versicherungs-AG and BA-CA Versicherung AG. This merger created the fifth largest life insurance company in Austria. BA-CA Versicherung AG's main distribution partner is Bank Austria Creditanstalt, with just under 400 offices in Austria. The innovative range of products offered by BA-CA Versicherung AG includes successful investments products (e.g., Best Europe Garant, FOKUSLife, etc.).




Business development in Austria in 2007

Strong growth in premiums

The companies in the Vienna Insurance Group wrote gross premiums of EUR 3,695.37 million in Austria in 2007, representing an increase of EUR 260.64 million, or 7.6%, over the previous year. Donau Versicherung AG's outstanding premium growth of 4.6% made a strong contribution to this increase. Net earned premiums rose from EUR 3,100.39 million in 2006 to EUR 3,304.49 million in 2007, representing an increase of 6.6%.



EUR 1,487.13 million, or 40.2% of total premiums, were written in the property/casualty area. This represented an increase of 5.3% compared to 2006. The non-motor vehicle classes in the Austrian companies generated particularly large increases in premium volume in this area. Life insurance generated EUR 1,901.64 million, or 51.5% of total premium volume, with the Vienna Insurance Group recording a 10.2% increase in premiums in Austria, despite high volatility in the single-premium area. Health insurance generated EUR 306.60 million, representing an increase of 2.9% over the previous year (2006: EUR 297.90 million).

Expenses for insurance claims

Expenses for insurance claims were EUR 3,258.25 million in 2007. This meant a moderate increase of EUR 362.76 million, or 12.5%, in expenses for the insurance claims allocated to the Vienna Insurance Group in Austria, in spite of the large number of storms recorded in 2007. The Vienna Insurance Group in Austria has demonstrated that it is a reliable partner in the case of storms by providing exceedingly fast claims processing. It was also possible to report claims over the Internet (www.wienerstaedtische.at and www.donauversicherung.at).

Operating expenses

After including commissions and other acquisition costs and deducting reinsurance commissions received, the three consolidated Austrian companies of the Vienna Insurance Group had operating expenses of EUR 577.93 million in 2007, representing a moderate increase of 0.3% over the previous year.

The Vienna Insurance Group's profit before taxes in Austria rose by 37.2% over the previous year.

Financial result rises above EUR 244 million

The Austrian companies of the Vienna Insurance Group generated a financial result of EUR 848.34. This represents an impressive increase of EUR 244.60 million, or 40.5%, in the financial result compared to the previous year.

Record profits of EUR 286.8 million

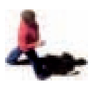
The Vienna Insurance Group in Austria reported a growth in profit before tax of 37.2%, an increase of EUR 77.75 million, compared to 2006.

Combined ratio of 93.8%

The combined ratio – a key insurance industry indicator – for the Austrian portion of the Vienna Insurance Group was once again well below 100%. To be precise, the combined ratio of the Austrian companies after reinsurance (not including investment income) was 93.8% in 2007 (2006: 96.1%). This positive result was largely due to preventative measures implemented by the Group that led to a reduction of losses.

The Vienna Insurance Group in Austria

in million EUR	2005	2006	2007
Premiums written	3,170.97	3,434.73	3,695.37
Life	1,537.85	1,725.00	1,901.64
Non-life	1,633.12	1,709.73	1,793.73
Profit before taxes	144.52	209.06	286.80


CZECH REPUBLIC

The Vienna Insurance Group is represented by Kooperativa and ČPP in the Czech Republic.

- **16.4% of the total premium volume** generated by the Vienna Insurance Group comes from the Czech Republic.
- **Profit before taxes** reaches a record high of EUR 73.81 million (+24.8%) in the Czech Republic.
- **Every third automobile** in the Czech Republic is insured with the Vienna Insurance Group.

Kooperativa pojišťovna a.s.,
VIENNA INSURANCE GROUP

Kooperativa is a composite insurer offering both life and non-life insurance in the Czech Republic. Kooperativa is the largest member company of the Vienna Insurance Group outside of Austria.

Kooperativa is the second largest insurance company in the Czech Republic and is represented nationwide by more than 300 offices. Kooperativa has more than 3,700 employees serving in excess of two million customers. Every fifth person in the Czech Republic is one of Kooperativa's customers.

Kooperativa is the largest member company of the Vienna Insurance Group outside of Austria.

Kooperativa is number 1 in industrial and business insurance on the Czech insurance market. The company is also very successful in the area of unit-linked life insurance. The product Perspektiva was highly popular with Kooperativa's customers in 2007, posting an increase of more than 220% over the previous year. The success of this award-winning product is due in part to active management of the portfolio. The fund changes the ratio of equities to bonds depending on current market conditions.

Kooperativa also successfully entered the health care area in 2007. It has been the majority owner of the Mělník Hospital in the vicinity of Prague since 1 January 2008. The hospital is to be converted into a modern health care centre that will provide patient care in a pleasant environment with a high standard of technical equipment.

Česká podnikatelská pojišťovna, a.s.,
VIENNA INSURANCE GROUP

Die Česká podnikatelská pojišťovna (ČPP) has been a member of the Vienna Insurance Group since 2005, and has operated as a composite insurer in both the life and non-life insurance markets in the Czech Republic for more than 10 years.

At the end of 2007, the company had over 900 employees in approximately 290 service centres attending to the needs of 600,000 customers. ČPP concentrates mainly on the area of motor vehicle insurance, although life insurance is increasingly gaining in importance. Life insurance already accounts for 25% of total premium volume.

In addition to providing knowledgeable, detailed advice to assist in the selection of insurance coverage, ČPP also places great weight on providing the fastest, easiest customer service possible in the event of a loss. A new service hotline was introduced for this reason.

In addition to expanding collaboration with external distribution partners in the coming year, particular attention will be given to further expansion of the internal distribution network. A merger between a number of departments in ČPP and departments of Kooperativa began in 2006 and was continued in 2007. A high level of synergy can be achieved by combining back office areas.

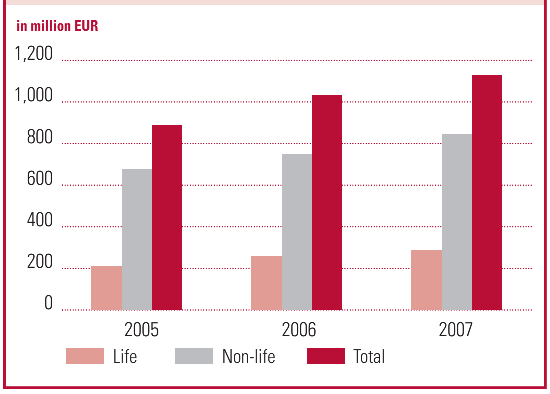



Business development in the Czech Republic in 2007

Outstanding premium increase of 7.9%

The Czech insurance companies in the Vienna Insurance Group wrote a total of EUR 1,130.47 million in premiums in 2007 (2006: EUR 1,047.99 million), thereby achieving an increase of 7.9%. This led to earned premiums of EUR 918.96 million, corresponding to an 11.0% increase.

PREMIUMS WRITTEN CZECH REPUBLIC



Premium volume in the non-life area was EUR 838.14 million for the year 2007 (2006: EUR 788.48 million), corresponding to an increase of 6.3% over the previous year. Kooperativa contributed EUR 712.06 million of this amount and ČPP EUR 126.08 million, with Kooperativa increasing its premiums by 5.7% over the previous year and ČPP even managing to achieve an increase of 9.5% in its non-life insurance premiums.

In the life insurance area, Vienna Insurance Group premium revenues in the Czech Republic rose 12.6% in 2007, from EUR 259.51 million to EUR 292.33 million. The two Czech companies achieved outstanding increases in premiums in the single-premium product area in particular. Innovative products in the unit-linked life insurance area also helped contribute to this increase.

Expenses for insurance claims

The Czech companies in the Vienna Insurance Group incurred EUR 631.35 million in expenses for insurance claims in 2007 (2006: EUR 595.84 million). This represented an increase in expenses for insurance claims (less reinsurance) of EUR 35.51 million, or 6.0%. The Vienna Insurance Group processed 553,000 loss events in the Czech Republic in 2007. Hurricane Kyrill in particular led to a large number of incidents of loss at the beginning of 2007.

The 7.9% increase in premiums achieved by Kooperativa and ČPP contributed around one sixth of the profit earned by the Group.

Operating expenses

After including commissions and other acquisition costs and deducting reinsurance commissions received, the two Czech companies in the Vienna Insurance Group had operating expenses of EUR 218.88 million in 2007, representing an increase of 15.1% over the EUR 190.1 million recorded the year before.

Financial result

The Vienna Insurance Group achieved a financial result of EUR 44.66 million in the Czech Republic, including profits from shares in affiliated and associated companies, representing an increase of 8.6% over the financial result of EUR 41.13 million in the previous year.

Czech Republic already contributing EUR 73.81 million to Group profits

The Vienna Insurance Group earned a profit before taxes of EUR 73.81 million in the Czech Republic in 2007, representing a noteworthy increase of 24.8%, or EUR 14.69 million, over the profit before taxes in 2006.

Combined ratio of 93.7%

The combined ratio of the Czech portion of the Vienna Insurance Group was well below 100% in 2007. To be precise, the combined ratio of the companies in the Czech Republic after reinsurance (not including investment income) was 93.7% in 2007 (2006: 97.3%).

The Vienna Insurance Group in the Czech Republic

in million EUR	2005*	2006	2007
Premiums written	891.51	1,048.00	1,130.47
Life	218.96	259.51	292.33
Non-life	672.54	788.48	838.14
Profit before taxes	60.09	59.12	73.81

* ČPP starting as of 1 July 2005

SLOVAKIA

The Vienna Insurance Group is represented by three companies operating on the Slovakian insurance market: Kooperativa, Komunalna and Kontinuita.

- **Already more than 7% of the Group's premiums** come from Slovakia.
- **6.9% of the Group's profit** is generated in Slovakia.
- The **Combined Ratio** was well below 100% in 2007.

Kooperativa poisťovňa, a.s,
VIENNA INSURANCE GROUP
Since being founded in 1990, Kooperativa has operated in both the non-life insurance and life-insurance businesses. Kooperativa ranks second among insurance companies operating in Slovakia.

The increase in market shares in the Slovakian insurance market is based on organic growth.

A nationwide network of branches, with more than 400 offices, guarantees good access to advice and support. More than 1,200 employees guarantee comprehensive services to their customers.

Kooperativa's network encompasses a strong employee sales force. In addition, Kooperativa cooperates successfully with the largest Slovakian bank. A member of the Erste Bank Group, Slovenská sporiteľňă serves more than 2.5 million customers in Slovakia. Furthermore, Kooperativa works in conjunction with numerous brokers.

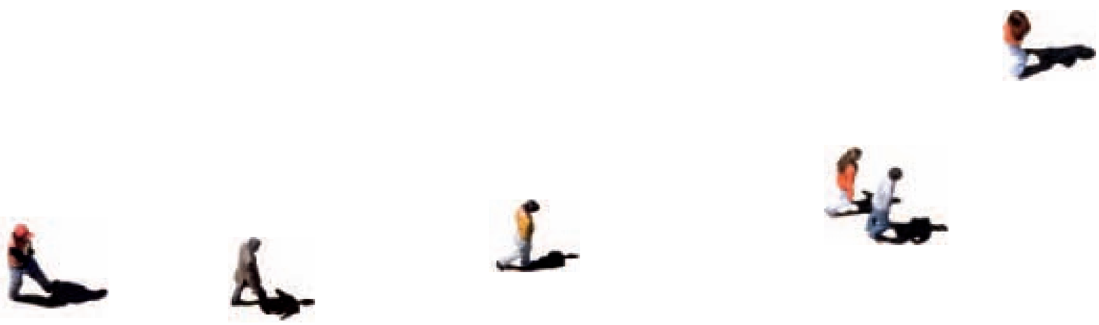
Komunálna poisťovňa, a.s.,
VIENNA INSURANCE GROUP
Komunálna, operating in both the non-life and life insurance segments, is 95.72% owned by Kooperativa. Dexia banka Slovensko, with which a distribution agreement exists, holds a 4.09% interest.

Almost 300 employees contributed to the success of Komunálna in 2007. In its 47 offices, Komunálna is primarily engaged in the sale of motor vehicle insurance, specializing in covering the insurance requirements of local authorities and corporations. From numerous cooperation agreements with car dealers and garages, customers further benefit from favourable terms and conditions and from faster processing in the event of loss.

Komunálna has also been very successful in the life insurance area with a new product on the Slovakian market. "Školák", a life insurance policy for 3- to 15-year-old children, offers comprehensive protection for minimal premiums, with a 5-year time limit.

Kontinuita poisťovňa, a.s.,
VIENNA INSURANCE GROUP
The third member of the Vienna Insurance Group is Kontinuita, which has operated successfully in the Slovakian life insurance market for more than 10 years.

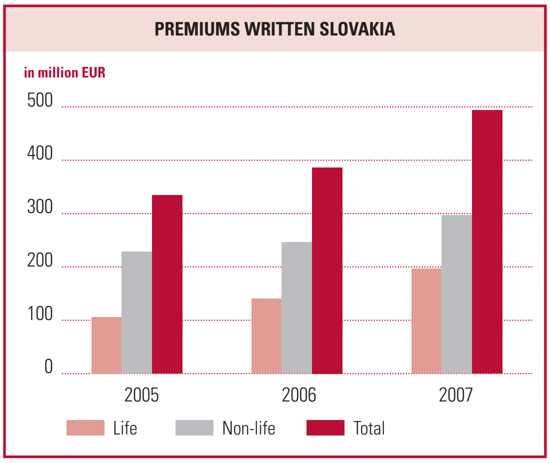
Kontinuita is represented throughout Slovakia by over 50 offices and approximately 230 employees. Sales of life insurance products are sold through brokers and multi-level marketing, but also through the sales force in the field. Kontinuita is benefiting most of all from the growing awareness among Slovakians of the need to make private pension arrangements for old age. In this area, Kontinuita scored points in 2007 primarily with the index-linked life insurance product "Family Garant."



Business development

Premium growth in Slovakia in 2007

In Slovakia in 2007, Vienna Insurance Group generated total written premiums of EUR 494.52 million (2006: EUR 387.68 million), representing an increase of 27.6%.



In the non-life insurance segment, premium volume in Slovakia totalled EUR 296.86 million in 2007 (2006: EUR 246.47 million). This amounted to a growth of 20.4% compared to the year before. In this area Kooperativa did well, above all by a premium growth rate of 22.1%. Komunalna too achieved a growth rate of 12.5%.

In 2007 in the life insurance area, premium revenues of the Slovakian companies of the Vienna Insurance Group were able to rise by 40.0%, to EUR 197.66 million (2006: EUR 141.22 million). It was, above all, the new, innovative product solutions of the Vienna Insurance Group which were responsible for this. Komunálna und Kontinuita managed to increase premiums in the area of life insurance by more than 50%.

Expenses for insurance claims

In Slovakia in 2007, expenses for claims amounted to EUR 279.59 million (2006: EUR 190.10 million). This represents an increase in claims expenses (excluding reinsurance) for the Slovakian portion of the Vienna Insurance Group of EUR 89.49 million, or 47.1%. The effects of Hurricane Kyrill were felt in Slovakia as well.

Operating expenses

In 2007, the Vienna Insurance Group had operating expenses of EUR 84.33 million (2006: EUR 70.07 million). These expenses include commissions and other acquisition costs less reinsurance commissions received, showing a 20.4% growth compared to the year before. Hence, the growth in operating expenses of Slovakian companies of the Vienna Insurance Group is less than the growth in premium volume in Slovakia.

Slovakian companies contributed EUR 30.30 million to profit before taxes

In 2007 the three Slovakian companies of the Vienna Insurance Group generated a profit before taxes of EUR 30.30 million. Compared to 2006, this represents an increase of 9.5%. Hence it was possible to beat the prior year's profit before taxes of EUR 27.66 million by EUR 2.64 million.

Combined Ratio at 92.9%

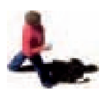
In Slovakia the combined ratio of the Vienna Insurance Group, as in previous years, was held at well below 100%. In 2007 the combined ratio was 92.9% (2006: 89.4%).

Vienna Insurance Group in Slovakia

in million EUR	2005	2006	2007
Premiums written	330.94	387.68	494.52
Life	105.27	141.22	197.66
Non-life	225.68	246.47	296.86
Profit before taxes	24.98	27.66	30.30

With premium growth of 27.6%, nearly EUR 500 million of the group's premium volume is already coming from Slovakia.




POLAND

In Poland the Vienna Insurance Group now operates with six different brands. In 2007, the size of Compensa, InterRisk, Benefia, Royal Polska, TU PZM and FinLife for the first time made Poland a separate geographic segment on the consolidated financial statements of the Vienna Insurance Group.

- **7.9% of the consolidated premiums** of the Vienna Insurance Group are generated in Poland.
- **The Vienna Insurance Group** in Poland achieved premium growth of 62.1% in 2007.
- **Strengthened market presence** in Poland through the purchase of life insurer FinLife.

TU Compensa S.A.,
VIENNA INSURANCE GROUP
TU na Życie Compensa S.A.,
VIENNA INSURANCE GROUP

Compensa Non-Life and Compensa Life provide service to the Polish market with a nationwide distribution network of more than 140 branches and more than 2,600 agents.

In Poland the Vienna Insurance Group is now represented by six different brands.

Compensa Non-Life is one of the top 10 insurers in Poland in both motor vehicle liability and motor vehicle collision insurance. In cooperation with leasing companies, banks, brokers and agents, Compensa Non-Life also promotes household, homeowner and credit insurance. Compensa Life above all markets traditional and index-linked life insurance with regular premium payments. Moreover the company is continuing to concentrate on the expansion of single-premium products through bank distribution channels.

Benefia TU Majątkowych S.A.,
VIENNA INSURANCE GROUP
Benefia TU na Życie S.A.
VIENNA INSURANCE GROUP

Benefia Non-Life and Life have been part of the Vienna Insurance Group since 2005. Both companies cooperate closely through the use of joint offices.

Benefia Non-Life primarily operates in the motor vehicle insurance class. This insurer specializes in distributing its products through cooperative arrangements with a large number of car dealers. Benefia Leben distributes traditional life insurance products with regular premium payments as well as single premium policies. The company does so by means of cooperative agreements with a number of regional banks. Benefia Life also offers company financial security plans in the form of group life insurance policies.

Royal Polska TU na Życie S.A.,
VIENNA INSURANCE GROUP

Royal Polska is a successful life insurance company, concentrating, in addition to traditional life insurance, on index-linked life insurance products in both the individual and group insurance segments. The company is represented throughout Poland by the Royal Dystrybucja distribution company and its approximately 300 agents.

TU InterRisk S.A.
Since February 2008, the Polish non-life insurer TUiR Cigna STU S.A. has been operating in the Polish insurance market under the new company name TU InterRisk S.A.

As a non-life insurer focussing on non-motor vehicle classes, the company optimally complements the Vienna Insurance Group's portfolio. Driving growth are household, homeowner, credit and casualty insurance.

TU Polski Związek Motorowy S.A.,
VIENNA INSURANCE GROUP
In March 2007, the Vienna Insurance Group acquired a majority interest in TU Polski Związek Motorowy S.A. (TU PZM). By doing so, the Vienna Insurance Group made a significant expansion of its distribution capacity in Poland. The Polish Automobile Association (PZM) possesses a sizable network of business offices, bureaus and repair shops throughout Poland. This will enable the Vienna Insurance Group to intensively exploit the great market potential.

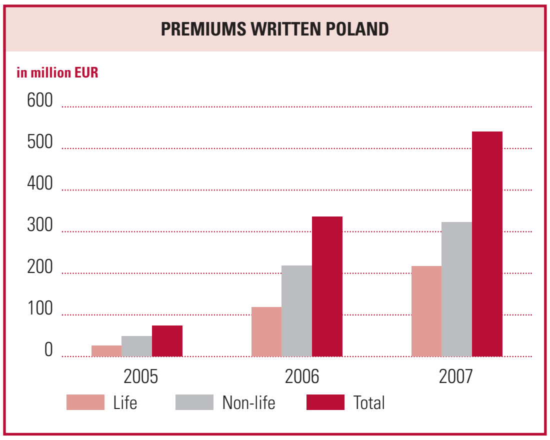
FinLife TUnZ S.A.
At the end of 2007, the Vienna Insurance Group acquired a 100% interest in life insurer FinLife TUnZ S.A. (FinLife)*. With the acquisition of FinLife, the Vienna Insurance Group will be able to strengthen its distribution network in Poland and further exploit its market potential in life insurance as well.

* subject to approval of authorities

Business development in Poland in 2007

Premium growth

On the Polish market in 2007, the Vienna Insurance Group generated total written premiums of EUR 543.14 million (2006: EUR 335.06 million), representing an increase of 62.1%. In 2007, net earned premiums totalled EUR 483.90 million, a year-on-year increase of 84.1%.



In 2007, the non-life insurance segment generated premium volume of EUR 324.34 million (2006: EUR 215.72 million). That represents growth of 50.4% as compared to the previous year. In particular, InterRisk provided considerable premium contribution of EUR 160.75 million, an increase of 72.2% in this area.

In the life insurance area in 2007, premium revenues of the Polish companies of the Vienna Insurance Group were able to rise 83.3%, to EUR 218.80 million (2006: EUR 119.34 million). Royal Polska was responsible for generating almost the half of the life insurance premiums.

Expenses for insurance claims

In Poland in 2007, claims expenses came out to EUR 269.57 million (2006: EUR 134.50 million). This represents a rise in expenses for claims (excluding reinsurance) for the Vienna Insurance Group in Poland of EUR 135.07 million, or 100.4%.

Vienna Insurance Group's growth in Poland beats the market in 2007 as well.

Operating expenses

In 2007, the Polish companies had operating expenses of EUR 207.04 million (2006: 135.78 million). These expenses include commissions and other acquisition costs less reinsurance commissions received. Operating expenses rose by 52.5% from the prior year.

Financial result

The financial result of the Vienna Insurance Group in Poland went up from EUR 18.08 million to EUR 22.10 million, corresponding to an increase of 22.2%.

Polish companies contributed EUR 18.78 million to profit before taxes

In 2007, the seven companies in Poland generated a profit before taxes of EUR 18.78 million. Compared to 2006, this represents growth in profit before taxes of 143,0%, or an increase of EUR 11.05 million.

Combined ratio at 99.2%

The combined ratio in Poland amounted to 99.2% (2006: 103.1%) and it was possible for this to be held significantly below 100% this year.

Vienna Insurance Group in Poland

in million EUR	2005*	2006*	2007*
Premiums written	74.07	335.06	543.14
Life	23.69	119.34	218.80
Non-life	50.38	215.72	324.34
Profit before taxes	1.50	7.73	18.78

* PZM and FinLife not included in 2007. InterRisk included since April 2006. Benefia Life and Non-Life as well as Royal Polska included since 2006; Compensa Non-Life included from January to September 2005 up to 50% and since October 2005 up to 100%.

ROMANIA

The Vienna Insurance Group operates in the Romanian market through five companies. In addition to Omniasig Non-Life and Life, Unita and Agras, since 2007 Asirom has been a part of the Vienna Insurance Group.

- **The Romanian companies** generated about 6% of Group premiums.
- **The Vienna Insurance Group** is Number 1 in Romania.
- **Market leadership** further strengthened in 2007 through the purchase of composite insurer Asirom.

Omniasig
VIENNA INSURANCE GROUP S.A.
Omniasig Asigurari de Viata
The Omniasig Group in Romania includes Omniasig Non-Life and Life.

Asirom, a leading Romanian insurer, has been part of the Vienna Insurance Group since 2007.

With its more than 250 business offices, Omniasig Non-Life serves more than 800,000 customers in the property insurance area, primarily in the motor vehicle segment. The company is also one of the leading insurers of large customers, with well-known industrial and commercial concerns among its customers. Omniasig Non-Life has a very extensive distribution network of agents and brokers, as well as excellent distribution alliances with banks and leasing companies. In the area of bank distribution, Omniasig works in cooperation with Banca Comerciala Romana, a member of the Erste Bank Group.

Omniasig Life is one of the top 10 life insurers in Romania. The life insurance products of Omniasig Life are primarily distributed through agents.

Unita VIENNA INSURANCE GROUP S.A.
Unita is a pure non-life insurance company, with a focus on motor vehicle insurance. The company serves the market with more than 40 branch offices and 110 agencies. Along with its field sales force, the company makes use of brokers, leasing companies and banks to distribute its insurance products. In 2007 Unita was already serving more than 300,000 customers.

Agras VIENNA INSURANCE GROUP S.A.
Agras, the leading insurance company in the agricultural sector, also makes use of the extensive sales organisation of the Omniasig Group and of Unita so as to realise significant cross-selling potentials and synergies.

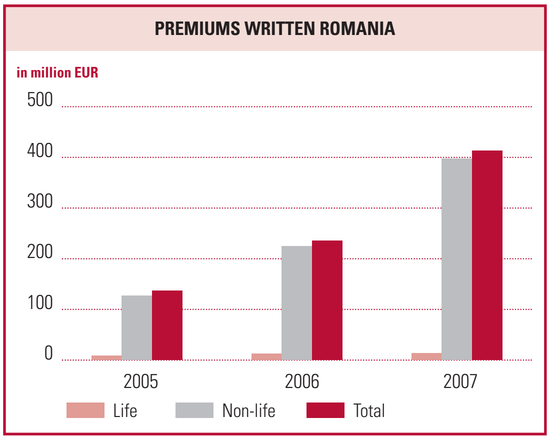
SC Asigurarea Romaneasca Asirom S.A.
In November 2007, the Vienna Insurance Group acquired a majority interest in SC Asigurarea Romaneasca Asirom S.A. (Asirom), thereby strongly expanding its clear position of market leadership in Romania.

Asirom operates in the non-life and life segments of the Romanian insurance market. Asirom, which is counted among the leading insurance companies in Romania, has about 2,200 employees. With its dense distribution network consisting of 49 provincial head offices and 160 business offices, Asirom has a nationwide presence. As of 2007, Asirom had not yet been included within the Vienna Insurance Group's scope of consolidation.




Business development in Romania in 2007

Premium growth
In Romania in 2007, the Vienna Insurance Group generated total written premiums of EUR 413.49 million (2006: EUR 236.89 million), representing growth of 74.5%. The earned premium volume in 2007 totalled EUR 314.94 million, a year-on-year increase of 62.7%.



In 2007 the non-life segment generated premium volume of EUR 399.89 million (2006: EUR 224.80 million), a growth of 77.9% compared to the year before. Both Omniasig Non-Life (+73.5%) and Unita (+95.5%) contributed to this increase.

In 2007, in the life insurance area the Romanian companies of the Vienna Insurance Group were able to increase premium revenues by 12.5%, to EUR 13.60 million (2006: EUR 12.09 million).

Expenses for insurance claims
In 2007, claims expenses for the Romanian companies amounted to EUR 208.51 million (2006: EUR 117.30 million). The Vienna Insurance Group thereby recorded an increase in claims expenses (excluding reinsurance) in Romania of EUR 91.21 million, or 77.8%.

Operating expenses
In 2007 the Romanian companies had operating expenses (including commissions and other acquisition costs, less reinsurance commissions received) of EUR 113.91 million (2006: 71.34 million). Operating expenses thus rose by 59.7% from the prior year.

Financial result
The financial result of the Vienna Insurance Group in Romania rose by 118.7%, from EUR 6.29 million to EUR 13.76 million. The increase in the financial result is attributable to a successful investment strategy and the use of synergies among the companies.

The Romanian companies of the Vienna Insurance Group increased their premium volume by 74.5%.

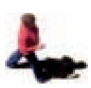
Profit before taxes in Romania increased by 65.6%
In 2007 the companies in Romania generated profit before taxes of EUR 4.56 million. Compared to the prior year, this represents a rise in profit before taxes of 65.6%, or an increase of EUR 1.81 million.

Combined Ratio at 100.9%
The combined ratio in Romania is 100.9% (2006: 99.7%) and it was thus slightly above 100% in this year.

Vienna Insurance Group in Romania

in million EUR	2005*	2006	2007*
Premiums written	136.17	236.89	413.49
Life	9.45	12.09	13.60
Non-life	126.72	224.80	399.89
Profit before taxes	0.54	2.75	4.56

* Omniasig Life and Non-Life 100% included from 1 August 2005. Asirom had not yet been added to the scope of consolidation for 2007.

OTHER CEE MARKETS

The segment Other CEE markets includes Bulgaria, Croatia, Serbia, Turkey, Ukraine and Hungary. Companies in the CEE countries – Albania, Belarus, Estonia, Georgia, Latvia, Lithuania, Macedonia and Russia – have not yet been added to the scope of consolidation of the Vienna Insurance Group.

- **Dramatic expansion** of premium volume by 93.5%.
- **Profit before taxes** rose by 262.3%.
- **Turkey and Ukraine** included within the scope of consolidation.

Bulgaria
The Vienna Insurance Group is represented on the Bulgarian insurance market by Bulstrad Insurance & Reinsurance JSC, Bulstrad Life Insurance JSC, Bulgarski Imoti Non-Life Insurance Company and Bulgarski Imoti Life Insurance Company. With almost 500 employees and 89 offices, Bulstrad Non-Life is the second largest non-life insurance company in Bulgaria. Bulstrad Life focusses on traditional life insurance as well as on casualty and health insurance products. The Bulgarski Imoti companies successfully market both non-life and life insurance products.

The segment ”Other CEE markets“ includes Bulgaria, Croatia, Serbia, Turkey, Ukraine and Hungary.

Croatia
The companies of the Vienna Insurance Group in Croatia are Kvarner VIENNA INSURANCE GROUP d.d., Cosmopolitan Life VIENNA INSURANCE GROUP d.d. za osiguranje and Osiguranje Helios d.d.

Kvarner, the largest Croatian company of the Vienna Insurance Group, is a composite insurer with a strong sales force in the field. Cosmopolitan Life has been operating successfully in the Croatian life insurance market since 1989. The composite insurer Helios belongs to the Vienna Insurance Group through TBIH.

Serbia
Since 2003 the Vienna Insurance Group has been represented in the Serbian market by Wiener Städtische osiguranje a.d.o. Belgrade. The company, which was founded five years ago now, already has more than 700 employees in 35 business offices. The field sales force is responsible for more than 70% of sales.

Turkey
With TBIH's acquisition of a 74.26% ownership interest in Ray Sigorta A.Ş the Vienna Insurance Group is now active on the Turkish insurance market as well. Ray Sigorta A.Ş founded in 1958 and with more than 130 employees in 8 offices, operates in the non-life insurance area, focussing on motor vehicle insurance. Almost 500 agents and more than 30 brokers successfully work in cooperation with Ray Sigorta.

Ukraine
The Vienna Insurance Group operates in Ukraine with four companies. They are CJS UIC Kniazha, STDV Globus and CJSC Life Insurance Jupiter VIENNA INSURANCE GROUP. CJSC Ukrainska Strakhova Grupa (USG) also recently joined the Vienna Insurance Group.

As successful non-life insurance companies, Kniazha and Globus, founded in 1997 and 1994 respectively, focus on motor vehicle insurance in the Ukrainian market. USG, which ranks among the top 10 motor vehicle insurance providers in Ukraine, further enhances Vienna Insurance Group's position in motor vehicle insurance. As a life insurer, Jupiter is profiting above all from the growth in demand for life insurance on the Ukrainian market.

Hungary
The Vienna Insurance Group is represented in Hungary by the composite insurance company Union VIENNA INSURANCE GROUP Biztosító. With 235 employees in 22 offices, the company offers comprehensive insurance solutions for both individual and corporate customers.



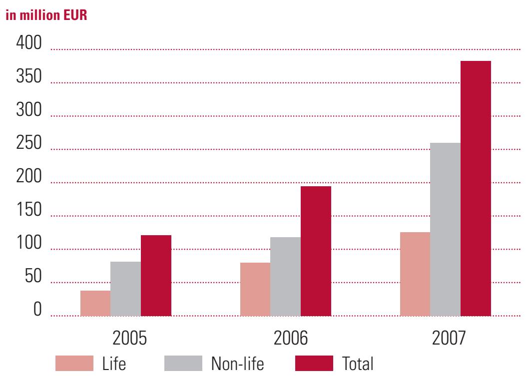


Business development in 2007 in the Other CEE markets segment

Premium growth

In 2007 in the Other CEE markets segment, the Vienna Insurance Group generated total premiums of EUR 383.77 million (2006: EUR 198.37 million). The member companies were thereby able to achieve growth of 93.5%. Earned premiums totalled EUR 300.32 million (2006: EUR 161.43 million), representing an 86.0% increase over 2006.

WRITTEN PREMIUMS OTHER CEE MARKETS



In the non-life area in 2007, Other CEE markets generated premium volumes of EUR 258.85 million (2006: EUR 117.69 million), representing an increase of 119.9% over the year before. It was above all the Bulgarian companies in the Vienna Insurance Group which contributed to this increase.

In life insurance in 2007, premium revenues generated by the companies belonging to the Other CEE markets segment of the Vienna Insurance Group were able to rise by 54.8%, to EUR 124.92 million (2006: EUR 80.68 million). Hungary and Serbia, with increases of 66.9% and 62.3% respectively, jointly contributed to this result.

Expenses for insurance claims

In 2007, claims expenses in Other CEE markets amounted to EUR 199.78 million (2006: EUR 103.03 million). This represents an increase in claims expenses (excluding reinsurance) of EUR 96.75 million, or 93.9%, for the Vienna Insurance Group in Bulgaria, Croatia, Serbia, Turkey, Ukraine and Hungary.

The companies from Turkey and Ukraine were included within the scope of consolidation period.

Operating expenses

In 2007 in the Other CEE markets segment, the Vienna Insurance Group had operating expenses of EUR 114.22 million (2006: EUR 64.20 million). These expenses, which include commissions and other acquisition costs less reinsurance commissions received, represent a year-to-year increase of 77.9%.

Financial result

The financial result of the companies belonging to the Other CEE markets segment of the Vienna Insurance Group, including earnings from shares of affiliated and associated companies, reached EUR 28.60 million. Hence, the financial result rose by 163.2%, up from EUR 10.87 million in the prior year.

Other CEE markets made a positive contribution to profits

In the Other CEE markets segment in 2007, the companies of the Vienna Insurance Group generated profit before taxes of EUR 10.25 million, representing a 262.3% growth over the year before. It was thus possible to increase 2006 profit before taxes of EUR 2.83 million by EUR 7.42 million.

Combined ratio at 102.8%

In the Other CEE markets segment, the combined ratio of Vienna Insurance Group is currently still above 100%. The combined ratio in 2007 was 102.8% (2006: 102.3%).

Vienna Insurance Group in Other CEE markets

in million EUR	2005*	2006*	2007
Premiums written	127.04	198.37	383.77
Life	42.65	80.68	124.92
Non-life	84.39	117.69	258.85
Profit before taxes	1.16	2.83	10.25

* Information about the scope of consolidation was published in the 2005 and 2006 annual reports of the Vienna Insurance Group.

OTHER MARKETS

The Other markets segment includes the Vienna Insurance Group's companies in Germany and Liechtenstein.

- 4.3% **increase in premium volume.**
- **Profit before taxes** reached EUR 12.80 million in 2007.
- **Financial result** higher by nearly 5%.

The Vienna Insurance Group in Germany and Liechtenstein are still on a path of growth.

Germany

The Vienna Insurance Group is represented by two companies in the German insurance market, InterRisk Insurance AG VIENNA INSURANCE GROUP and InterRisk Life Insurance AG VIENNA INSURANCE GROUP. Both companies are on a path of growth, with excellent products and service standards. They also set themselves apart in the insurance market through product differentiation and comprehensive customer service. As a pure broker insurer, InterRisk relies on almost 10,000 independent sales partners to provide service to around 400,000 customers. Its broad range of products encompasses insurance products for private and commercial customers. InterRisk Non-Life specializes primarily in casualty insurance and selected property insurance products. The offer to meet all of a customer's needs in one contract in exchange for allowance of a discount has met with a very positive response. InterRisk Non-Life, which has received the highest marks in the area of private casualty insurance from independent experts for years, introduced a markedly improved system of progressive benefits in the early part of 2007. InterRisk Life focuses on term life and occupational disability insurance. InterRisk Life can ensure against death through term life, whole life, or death benefit insurance.

Liechtenstein

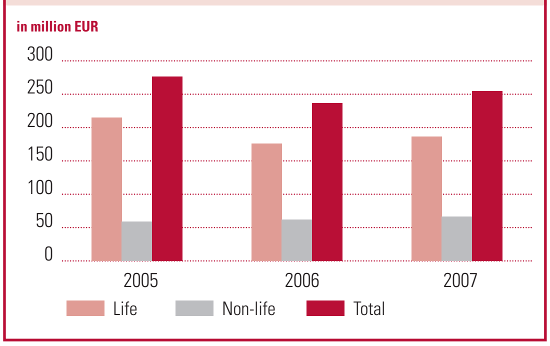
The Vienna Insurance Group is represented in Liechtenstein by Vienna-Life AG VIENNA INSURANCE GROUP, which operates exclusively in the life insurance segment and concentrates primarily on sales of unit-linked life insurance. In the forefront here are innovative products custom-tailored to the individual needs of each customer. The complete reform of German insurance contract law (Insurance Contract Act 2008 – VVG) adopted in November 2007 represented a significant focus of the company's activities towards the end of the year. The necessary rate adjustments, primarily with respect to cost distribution and increased transparency of product preparation and advisory services, were implemented at Vienna Life.

Business development in the Other markets segment

Premium growth

In the Other markets segment in 2007, the Vienna Insurance Group generated gross written premiums of EUR 251.17 million (2006: EUR 240.78 million). Thus, the companies from Germany and Liechtenstein were able to achieve 4.3% growth. Earned premiums amounted to EUR 220.34 million (2006: EUR 211.59 million), representing 4.1% growth from 2006.

WRITTEN PREMIUMS OTHER MARKETS



In the non-life insurance segment, the premium volume generated in 2007 just by InterRisk in Germany amounted to EUR 65.95 million (2006: EUR 62.16 million), representing growth of 6.1% over the previous year.

In 2007 in life insurance, the premium revenues of the Vienna Insurance Group in Germany and Liechtenstein rose by 3.7%, to EUR 185.22 million (2006: EUR 178.61 million). Vienna Life contributed EUR 129.24 million (+3.8%), while InterRisk added EUR 55.98 million (+3.4%).

Expenses for insurance claims

In the Other markets segment in 2007, claims expenses totalled EUR 184.45 million. Compared to 2006, with claims expenses (excluding reinsurance) of EUR 177.05 million, this represents an increase of 4.2%.

Profit before taxes in the Other markets segment rose by 8.3%.

Operating expenses

In the Other markets segment in 2007, the Vienna Insurance Group had operating expenses of EUR 28.79 million (2006: 28.90 million). These expenses included commissions and other acquisition costs. Reinsurance commissions received were deducted. This amounted to a decline in operating expenses of 0.4% from the prior year.

Financial result

In 2007 the Other markets segment generated a financial result of EUR 18.70 million. Thus, the 2006 financial result of EUR 17.87 million was exceeded by 4.7%.

Other markets contributed to profits

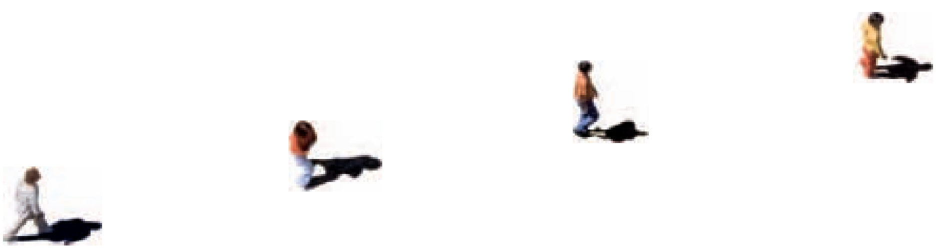
In the Other markets segment in 2007, the companies of the Vienna Insurance Group generated profit before taxes of EUR 12.80 million, representing a one-year increase of 8.3%, or EUR 0.98 million.

Combined ratio at 88.4%

In 2007 the combined ratio of InterRisk Insurance was below 100%, as in previous years and was 88.4% (2006: 90.4%).

Vienna Insurance Group Other markets

in million EUR	2005	2006	2007
Premiums written	277.14	240.78	251.17
Life	218.56	178.61	185.22
Non-life	58.59	62.16	65.95
Profit before taxes	7.54	11.82	12.80



EVERYONE PULLING TOGETHER THE WHOLE YEAR LONG

OUTLOOK

EXPECTED ECONOMIC GROWTH IN 2008

Austria

According to the Austrian Institute of Economic Research (WIFO), gross domestic product (GDP) is expected to grow by 2.2% in 2008. This rate of growth is below the level of the previous year due to the instability in financial markets caused by the US real estate crisis and the strong appreciation of the Euro. In an international comparison, the Austrian economy is expected to continue growing more strongly than the rest of the Eurozone.

The CEE region is one of the largest and most dynamic economic areas for the insurance industry.

WIFO projects an annual inflation rate of 2.6% for all of 2008 (2.2% in 2007). Higher energy and food prices are the main factors responsible for the increase in infla-tion. In contrast, the unemployment rate is expected to remain constant at approximately 4.2% (as defined by the EU). Domestic consumption is also expected to remain unchanged versus the previous year, based on WIFO's projected growth rate of 1.9% for 2008.

Central and Eastern Europe

The International Monetary Fund (IMF) is projecting a slight slowdown in economic growth in Central and Eastern Europe. The US subprime crisis is not having a negative effect on economic development as measured by the GDP in the CEE region. The IMF expects growth of 4.6% for the region, which is considerably above the rate expected for Western Europe. Economic growth in the CEE region is mainly driven by strong domestic demand, as well as rising exports resulting from recent EU accessions.

Inflation is increasing in the growth markets of Central and Eastern Europe due to strong increases in oil and food prices. The European Central Bank (ECB) projects that prices in CEE countries will rise by more than 4% in 2008. The inflation rate is not expected to decrease until 2009.

The solid growth recorded in the CEE region in past years was primarily due to strong growth in personal income, leading to a steady increase in the prosperity of the population in Eastern European countries. According to a study by RegioData Research, average household purchasing power increased by EUR 400 in 2007. This trend is resulting in a rise in personal consumption, which is also associated with an increase in the demand for insurance.

THE INSURANCE MARKET 2008

Austria

According to data from the Austrian Association of Insurance Companies (Verband der Versicherungsunternehmen Österreichs – VVO), the Austrian insurance market grew by 1.9% in 2007. The relatively small increase in premiums last year was due to weak growth in the life and motor vehicle insurance segments. Volatility in single-premium products led to a drop in premium growth in the life insurance segment and increased competition in the motor vehicle insurance segment led to a reduction in premium revenues.

According to an analysis by the VVO, the rate of growth in premiums is expected to increase by a total of 1.9% in 2008. The VVO is projecting a premium increase of 1% in the life insurance area in 2008. The low rate of growth for life insurance is based on the volatility of income from single-premium products. Regular premiums are expected to increase by 4.6% in 2008. Annual growth rates of 5.5% are expected to return between 2008 and 2011.

Property/casualty insurance grew by 3.1% in 2007 according to the VVO, and an increase of 2.4% is expected for 2008.

The VVO projects premium growth of 3.1% in the health insurance area in 2008 (3.2% in 2007).

Central and Eastern Europe

The markets in Central and Eastern Europe, along with other emerging markets, form one of the most important and most dynamic economic areas for the insurance sector. They continue to offer enormous growth potential, as reflected by the GDP growth in these markets, which has been far above the EU-15 average in recent years. The highly dynamic economies and continued strong economic growth of countries in this region are creating a general increase in prosperity, and the development of a consumption-oriented middle class with an increasing need for insurance services.

Insurance density is used as a key indicator of the state of development of an insurance market. It indicates how much each person in a country spends each year on insurance services. In 2006, average per capita expenditures for insurance were USD 212 in the CEE countries, of which USD 132 was for non-life insurance and USD 80 for life insurance. In comparison, insurance density in the EU-15 countries was USD 3,305, with each person paying USD 1,107 for non-life insurance and USD 2,198 for life insurance.

The economies of the Eastern European countries are growing quickly, and this strong economic growth opens up the prospect of high growth rates for insurance in coming years. There is a great need for insurance services. Based on economic growth and the good position held by the company in the CEE region, the Vienna Insurance Group expects that it will be able to continue on its profitable growth path in 2008 as well.

VIENNA INSURANCE GROUP GOALS FOR 2008

The Vienna Insurance Group is on course for success

In 2007, the Vienna Insurance Group considerably strengthened its position as the leading insurance group in Austria and a top player in Central and Eastern Europe. By rigorously implementing its strategy of targeted acquisitions and organic growth, and identifying and reacting in timely fashion to current trends and developments in the CEE markets, the Group rose to become number 1 in the CEE region in the non-life insurance area. The goal is to become the overall number 1 in this region. The companies in the Vienna Insurance Group are recording a high rate of growth in premiums in all CEE markets that is significantly above the level of the market.

The Vienna Insurance Group increases its presence in the CEE

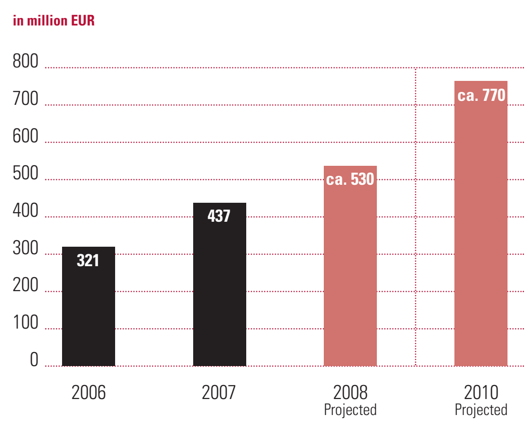
The Vienna Insurance Group further expanded its geographical presence in Central and Eastern Europe in 2007 by entering into the markets of Turkey, Albania, Macedonia, and the three Baltic states of Estonia, Latvia and Lithuania. The highly dynamic economies in these new markets open up further potential for growth. As one of the leading insurers in the CEE region, the Vienna Insurance Group has a great deal of integration and market know-how in this region. Selective follow-up acquisitions are possible in 2008. Existing market positions will be developed further through organic growth, and new distribution channels will be used to create a stimulus for additional growth.

Profit before taxes is expected to grow at an annual rate of 21% per year, thereby continuing to surpass the rate of growth in premiums.

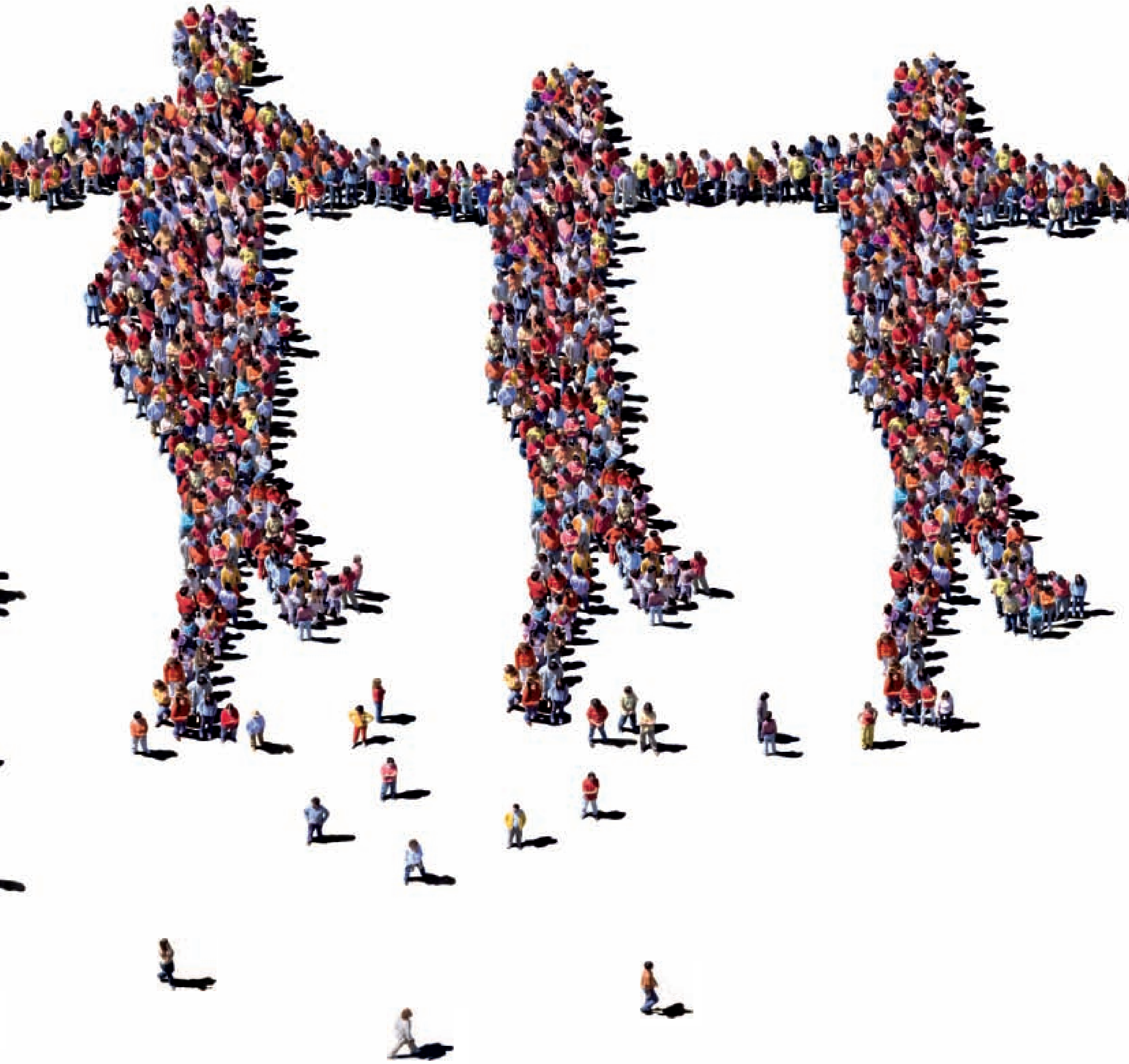
Financial targets of the Vienna Insurance Group

The Vienna Insurance Group has ambitious plans for the coming years. By consistently adhering to its strategy, the Vienna Insurance Group aims to achieve a premium volume of EUR 10 billion in 2010. This corresponds to an annual increase of approximately 14% when compared to the current level. Profit before taxes is expected to grow at an average annual rate of approximately 21%, thereby continuing to surpass the rate of growth in premiums. Profit before taxes is expected to reach EUR 770 million by 2010.

VIENNA INSURANCE GROUP: PROFIT BEFORE TAXES UNTIL 2010



TOGETHER WE'RE SUCCESSFUL



CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

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WIENER STÄDTISCHE VERSICHERUNG AG VIENNA INSURANCE GROUP

Consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) 31 December 2007

Reporting period	1.1.2007–31.12.2007
Balance sheet comparison date	31.12.2006
Income statement comparison period	1.1.2006–31.12.2006
Currency	EUR

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2007

ASSETS	Notes	31.12.2007	31.12.2006
in EUR '000			
A. Intangible assets	**1**		
I. Goodwill		422,300	339,576
II. Purchased insurance portfolios		30,629	49,022
III. Other intangible assets		71,576	72,849
Total intangible assets		**524,505**	**461,447**
B. Investments			
I. Land and buildings	**2**	2,868,725	2,175,573
II. Ownership interests*	**3 + 4**	970,770	532,223
III. Financial investments		16,331,894	14,552,572
a) Loans and other investments	**5**	1,858,350	1,601,828
b) Other securities	**6**	14,473,544	12,950,744
Financial investments held to maturity		373,273	306,234
Financial investments available for sale		12,958,608	11,760,935
Trading assets**		1,141,663	883,575
Total investments		**20,171,389**	**17,260,368**
C. Investments of unit- and index-linked life insurance	**7**	**3,065,985**	**2,340,578**
D. Reinsurers' share in underwriting provisions	**8**	**1,186,664**	**963,314**
E. Receivables	**9**	**1,200,283**	**983,703**
F. Deferred tax assets	**11**	**33,861**	**23,543**
G. Other assets	**12**	**284,686**	**224,058**
H. Cash and cash equivalents	**10**	**277,700**	**226,443**
Total ASSETS		**26,745,073**	**22,483,454**

* including affiliated companies, associated companies and other ownership interests
** including financial investments at fair value through profit and loss

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2007

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31.12.2007	31.12.2006
in EUR '000			
A. Shareholders' equity	**13**		
I. Share capital		109,009	109,009
II. Capital reserves		1,035,029	1,035,029
III. Retained earnings		1,057,693	775,701
IV. Other reserves		136,374	292,670
V. Minority interests		277,458	70,799
Total shareholders' equity		**2,615,563**	**2,283,208**
B. Subordinated liabilities	**14**	**442,910**	**413,200**
C. Underwriting provisions			
I. Unearned premiums	**15**	960,354	765,602
II. Mathematical reserve	**16**	12,502,836	10,477,880
III. Provision for outstanding insurance claims	**17**	3,008,951	2,644,255
IV. Provision for profit-independent premium refunds	**18**	43,126	36,792
V. Provision for profit-dependent premium refunds	**18**	557,762	687,725
VI. Other underwriting provisions	**19**	19,100	16,167
Total underwriting provisions		**17,092,129**	**14,628,421**
D. Underwriting provisions of unit- and index-linked life insurance	**20**	**2,948,522**	**2,238,861**
E. Non-underwriting provisions			
I. Provisions for pensions and similar obligations	**21**	404,618	526,384
II. Provision for taxes	**22**	126,029	76,859
III. Other provisions	**23**	264,155	232,391
Total non-underwriting provisions		**794,802**	**835,634**
F. Liabilities	**24**	**2,688,674**	**1,856,439**
G. Deferred tax liabilities	**11**	**80,765**	**121,528**
H. Other liabilities	**25**	**81,708**	**106,163**
Total LIABILITIES AND SHAREHOLDERS' EQUITY		**26,745,073**	**22,483,454**

CONSOLIDATED SHAREHOLDERS´ EQUITY

Change in consolidated shareholders´ equity in fiscal years 2006 and 2007

in EUR '000	Share capital	Capital reserves	Retained earnings	Unrealised gains and losses	Currency translation and other reserves	Share-holders' equity before minority interest	Minority-interests	Share holders' equity
As of 1 January 2006	**109,009**	**1,035,029**	**446,790**	**385,912**	**24,752**	**2,001,492**	**57,840**	**2,059,332**
Exchange rate	0	0	0	0	22,790	22,790	1,690	24,480
Change in scope of consolidation/ ownership interests	0	0	137,309	–147,230	0	–9,921	12,961	3,040
Unrealised gains and losses from financial investments available for sale	0	0	0	6,446	0	6,446	–1,964	4,482
Profit for the period	0	0	260,902	0	0	260,902	3,419	264,321
Dividend payment	0	0	–69,300	0	0	–69,300	–3,147	–72,447
As of 31 December 2006	**109,009**	**1,035,029**	**775,701**	**245,128**	**47,542**	**2,212,409**	**70,799**	**2,283,208**

in EUR '000	Share capital	Capital reserves	Retained earnings	Unrealised gains and losses	Currency translation and other reserves	Share-holders' equity before minority interest	Minority-interests	Share holders' equity
As of 1 January 2007	**109,009**	**1,035,029**	**775,701**	**245,128**	**47,542**	**2,212,409**	**70,799**	**2,283,208**
Exchange rate	0	0	0	0	10,686	10,686	–1,960	8,726
Change in scope of consolidation/ ownership interests	0	0	55,474	9,680	0	65,154	194,141	259,295
Unrealised gains and losses from financial investments available for sale	0	0	0	-176,662	0	–176,662	–6,020	–182,682
Profit for the period	0	0	312,618	0	0	312,618	36,253	348,871
Dividend payment	0	0	–86,100	0	0	–86,100	–15,755	–101,855
As of 31 December 2007	**109,009**	**1,035,029**	**1,057,693**	**78,146**	**58,228**	**2,338,105**	**277,458**	**2,615,563**

Unrealised gains and losses as of 31.12.2007 are equal to a gross amount of EUR 191.634 million (EUR 763.111 million) less deferred taxes of EUR 24.643 million (EUR 84.110 million), less deferred profit participation of EUR 91.910 million (EUR 430.918 million), less minority interests of EUR 3.065 million (EUR 2.955 million).

The change in the shareholders' equity of associated companies is EUR 5.086 million (EUR 4.321 million).

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY 2007 TO 31 DECEMBER 2007

	Notes	2007	2006
in EUR '000			
Premiums	**27**		
Premiums written – Gross		**6,911,931**	**5,881,510**
Premiums written – Reinsurers' share		–843,335	–792,859
Premiums written – Retention		**6,068,596**	**5,088,651**
Change due to provisions for premiums – Gross		–139,443	–59,528
Change due to provisions for premiums – Reinsurers' share		12,540	9,555
Net earned premiums		**5,941,693**	**5,038,678**
Financial Result	**29**		
Investment income		1,439,900	1,046,583
Investment and interest expenses		–444,126	–335,135
Total financial result		**995,774**	**711,448**
Other income	**30**	**51,960**	**61,412**
Claims and insurance benefits	**31**		
Expenses for claims and insurance benefits – Gross		–5,523,539	–4,661,011
Expenses for claims and insurance benefits – Reinsurers' share		492,032	447,691
Total expenses for claims and insurance benefits		**–5,031,507**	**–4,213,320**
Operating expenses	**32**		
Commission and other acquisition expenses		–1,194,072	–1,026,090
Adminstrative expenses		–334,223	–293,798
Reinsurance commissions		183,185	183,488
Total operating expenses		**–1,345,110**	**–1,136,400**
Other expenses	**33**	**–182,384**	**–145,852**
Result from shares in affiliated and associated companies	**28**	**6,870**	**5,001**
Profit before taxes		**437,296**	**320,967**
Tax expenses	**34**	**–88,425**	**–56,646**
Profit for the period		**348,871**	**264,321**
Attributable to Wiener Städtische shareholders		312,618	260,902
Minority interests in net income for the period	**13**	36,253	3,419
Earnings per Share	**13**		
basic = diluted earnings per share (in EUR)		2.98	2.48

CONSOLIDATED CASH FLOW STATEMENT FROM 1 JANUARY 2007 TO 31 DECEMBER 2007

	2007	2006
in EUR '000		
Profit for the period less minority interest	312,618	260,902
Minority interest	36,253	3,419
Profit for the period before minority interest	**348,871**	**264,321**
Net change in other underwriting provisions	2,063,411	1,837,184
Changes in underwriting receivables and payables	–66,060	–132.724
Changes in deposit receivables and payables, as well as in invoice receivables and payables	42,789	–15,023
Changes in other receivables and payables	150,612	128,351
Changes in financial investments held for trading	–151,992	–221,867
Realised gains and losses of investments	–327,816	–162,304
Write up/down of all other investments	113,109	89,255
Changes in provisions for pension, severance pay, and other personnel expenses	–135,428	–64,776
Changes in deferred tax assets/liabilities, excl, tax provisions	11,100	25,059
Changes in other balance sheet items	–57,386	2,214
Changes in goodwill and intangible assets	–4,977	–21,429
Other income and expenses affecting cash flow, and adjustments to net income for the period	34,744	–82,903
Cash Flow from operating activities	**2,020,978**	**1,645,358**
Cash proceeds from the sale of affiliated and associated companies	5,125	434
Payments for the acquisition of affiliated and associated companies	–58,384	–139,848
Cash proceeds from the sale of other ownership interests	38,640	35,012
Payments for the acquisition of other ownership interests	–457,783	–125,195
Cash proceeds from the sale of available for sale securities	2,923,822	2,905,305
Payments for the acquisition of available for sale securities	–3,390,242	–4,169,853
Cash proceeds from the sale of securities held to maturity	47,555	30,429
Payments for the acquisition of securities held to maturity	–99,123	–74,455
Cash proceeds from the sale of land and buildings	84,668	39,519
Payments for the acquisition of land and buildings	–242,448	–211,678
Changes in unit- and index-linked life insurance items	–608,243	–544,965
Changes in other investments	–202,624	780,506
Cash Flow from investing activities	**–1,959,038**	**–1,474,789**
Minority interest in capital increase	5,952	0
Increase in subordinated liabilities	9,463	0
Dividend payments	–101,855	–72,447
Cash proceeds from and payments for other financing activities	23,639	–174,870
Cash Flow from financing activities	**–62,801**	**–247,317**
Net change in cash and cash eqivalents	**–861**	**–76,748**
Cash and cash equivalents at beginning of period	**226,443**	**290,347**
Cash and cash equivalents at end of period	**277,700**	**226,443**
Including non-profit housing development corporations	*54,294*	*12,916*
Change in scope of consolidation	**49,117**	**18,449**
Foreign exchange differences in cash and cash equivalents	**3,001**	**–5,605**

Additional information

interest received	621,289	495,643
dividends received	142,619	130,780
interest paid	121,734	81,531
dividends paid	101,855	72,447
income taxes paid	59,007	55,730

SEGMENT REPORTING

CONSOLIDATED BALANCE SHEET BY PRIMARY SEGMENTS (LINES OF BUSINESS)

ASSETS	Property/Casualty		Life		Health		Total	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
in EUR '000								
A. Intangible assets	493,996	432,037	23,519	22,425	6,990	6,985	524,505	461,447
B. Investments	3,253,425	3,897,850	16,047,231	12,398,131	870,733	964,387	20,171,389	17,260,368
C. Investments of unit- and index-linked life insurance	0	0	3,065,985	2,340,578	0	0	3,065,985	2,340,578
D. Reinsurers' share of underwriting provisions	952,499	846,265	232,078	115,074	2,087	1,975	1,186,664	963,314
E. Receivables	759,713	652,908	420,574	314,774	19,996	16,021	1,200,283	983,703
G. Other assets	191,071	157,131	91,504	66,129	2,111	798	284,686	224,058
H. Cash and cash equivalents	159,522	180,774	111,800	43,884	6,378	1,785	277,700	226,443
Subtotal	**5,810,226**	**6,166,965**	**19,992,691**	**15,300,995**	**908,295**	**991,951**	**26,711,212**	**22,459,911**
Consolidated deferred tax assets							33,861	23,543
Total ASSETS							**26,745,073**	**22,483,454**

LIABILITIES AND SHAREHOLDERS' EQUITY	Property/Casualty		Life		Health		Total	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
in EUR '000								
B. Subordinated liabilities	190,751	184,600	252,159	228,600	0	0	442,910	413,200
C. Underwriting provisions	3,738,667	3,184,577	12,585,461	10,725,843	768,001	718,001	17,092,129	14,628,421
D. Underwriting provisions of unit- and index-linked insurance	0	0	2,948,522	2,238,861	0	0	2,948,522	2,238,861
E. Non-underwriting provisions	449,832	565,999	300,365	184,171	44,605	85,464	794,802	835,634
F. Liabilities	605,458	1,317,591	1,861,729	336,598	221,487	202,250	2,688,674	1,856,439
H. Other liabilities	75,701	94,722	5,755	11,336	252	105	81,708	106,163
Subtotal	**5,060,409**	**5,347,489**	**17,953,991**	**13,725,409**	**1,034,345**	**1,005,820**	**24,048,745**	**20,078,718**
Consolidated deferred tax liabilities							80,765	121,528
Consolidated shareholders' equity							2,615,563	2,283,208
Total LIABILITIES AND SHAREHOLDERS' EQUITY							**26,745,073**	**22,483,454**

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.

SEGMENT REPORTING

CONSOLIDATED INCOME STATEMENT BY SEGMENT

LINES OF BUSINESS	Property/Casualty		Life		Health		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
in EUR '000								
Premiums written – Gross	3,671,168	3,067,151	2,934,166	2,516,459	306,597	297,900	**6,911,931**	**5,881,510**
Net earned premiums	2,746,753	2,264,704	2,889,442	2,477,454	305,498	296,520	**5,941,693**	**5,038,678**
Net investment income, not incl. affiliated and associated companies	147,789	113,926	831,679	583,481	16,306	14,041	**995,774**	**711,448**
Other income	35,262	39,761	16,663	21,349	35	302	**51,960**	**61,412**
Claims and insurance benefits	–1,764,361	–1,517,786	–3,000,226	–2,434,563	–266,920	–260,971	**–-5,031,507**	**–4,213,320**
Operating expenses	–774,998	–625,762	–531,420	–474,555	–38,692	–36,083	**–1,345,110**	**–1,136,400**
Other expenses	–126,045	–99,492	–55,301	–45,352	–1,038	–1,008	**–182,384**	**–145,852**
Result from shares in affiliated and associated companies	670	340	6,364	4,655	–164	6	**6,870**	**5,001**
Profit before taxes	265,070	175,691	157,201	132,469	15,025	12,807	**437,296**	**320,967**

REGIONS	Austria		Czech Republic		Slovakia		Poland	
	2007	2006	2007	2006	2007	2006	2007	2006
in EUR '000								
Premiums written – Gross	3,695,374	3,434,731	1,130,465	1,047,998	494,524	387,683	543,137	335,058
Net earned premiums	3,304,487	3,100,390	918,955	827,572	398,756	281,397	483,902	262,776
Net investment income, not incl. affiliated and associated companies	840,812	600,095	46,002	40,057	26,094	17,979	21,805	18,200
Other income	13,784	12,999	13,616	23,937	2,084	3,411	2,922	5,889
Claims and insurance benefits	–3,258,253	–2,895,490	–631,354	–595,844	–279,592	–190,100	–269,573	–134,504
Operating expenses	–577,929	–576,013	–218,883	–190,098	–84,333	–70,066	–207,040	–135,783
Other expenses	–43,665	–36,613	–53,186	–47,578	–33,060	–15,415	–13,531	–8,725
Result from shares in affiliated and associated companies	7,565	3,687	–1,340	1,075	347	456	298	–123
Profit before taxes	286,801	209,055	73,810	59,121	30,296	27,662	18,783	7,730

	Romania		Other CEE		Other markets		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
in EUR '000								
Premiums written – Gross	413,490	236,891	383,770	198,373	251,171	240,776	**6,911,931**	**5,881,510**
Net earned premiums	314,936	193,524	300,317	161,428	220,340	211,591	**5,941,693**	**5,038,678**
Net investment income, not incl. affiliated and associated companies	13,756	6,290	28,603	10,960	18,702	17,867	**995,774**	**711,448**
Other income	9,751	4,863	5,729	4,431	4,074	5,882	**51,960**	**61,412**
Claims and insurance benefits	–208,509	–117,301	–199,780	–103,028	–184,446	–177,053	**–5,031,507**	**–4,213,320**
Operating expenses	–113,912	–71,335	–114,224	–64,201	–28,789	–28,904	**–1,345,110**	**–1,136,400**
Other expenses	–11,461	–13,287	–10,399	–6,668	–17,082	–17,566	**–182,384**	**–145,852**
Result from shares in affiliated and associated companies	0	0	0	–94	0	0	**6,870**	**5,001**
Profit before taxes	4,561	2,754	10,246	2,828	12,799	11,817	**437,296**	**320,967**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

The WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP is the leading Austrian insurance company in Central and Eastern Europe and thus the largest publicly traded insurance group in Austria. Its headquarters is located at Schottenring 30, 1010 Vienna. The WIENER STÄDTISCHE WECHSELSEITIGE Versicherungsanstalt-Vermögensverwaltung incorporates as the senior parent company the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP in its consolidated financial statements.

The insurance companies of the Vienna Insurance Group offer high-quality insurance services in both life and other insurance areas in 23 countries in Central and Eastern Europe.

Significant accounting policies

The consolidated financial statements as of 31 December 2007 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), including the applicable interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements were prepared based on the published IFRS as adopted by EU regulation. Application of these standards was mandatory on 31 December 2007. These consolidated financial statements comply with the guidelines of the new IFRS 7 standards. IFRS 7 replaces IAS 30 (Disclosures and Presentation) as well as parts of IAS 32 (Financial Instruments: Disclosure) and now encompasses all disclosure requirements for financial instruments. Since the Vienna Insurance Group previously disclosed the fair values of each category of financial instruments, the implementation of the accounting standard further impacts the financial results and risk report. Since 2002, the designation IFRS has stood for the overall framework of all standards adopted by the IASB. Previously adopted standards continue to be referred to as International Accounting Standards (IAS).

The consolidated financial statements are prepared in terms of thousands of Euro ("EUR '000", using commercial rounding). As a rule, the consolidated financial statements are prepared using the historical cost system, with the exception of the following assets and liability items, which are carried at fair value:

1. Financial investments available for sale
2. Financial instruments held for trading, including financial assets at fair value through profit and loss
3. Investments of unit- and index-linked life insurance and underwriting provisions of unit- and index-linked life insurance
4. Financial investments

The accounting policies described below have been applied uniformly during the entire reporting period and all prior reporting periods since preparation of the IFRS opening balance sheet as of 1 January 2004. This applies similarly to all fully consolidated companies included in the consolidated financial statements. The sole exception to this Group-wide uniform application of accounting policies concerns the valuation of insurance policies in accordance with IFRS 4 as discussed in more detail in the section titled "Classification of insurance policies".

Scope and methods of consolidation

The parent company of the Wiener Städtische Group is WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP, Vienna. All companies that are under the control ("control principle") of Wiener Städtische AG ("subsidiaries") are fully consolidated in the consolidated financial statements. Control exists when Wiener Städtische is in a position to directly or indirectly determine the financial and operating policies of a subsidiary. Consolidation of a subsidiary starts when control is gained and ends when this influence no longer exists. The consolidated financial statements include a total of 29 domestic and 41 foreign companies. Subsidiaries that were unimportant for a fair presentation of the net worth, financial position and earnings of the Group were not included in the scope of consolidation. In total 22 domestic and 11 foreign subsidiaries were excluded for this reason.

Companies that are managed as a joint venture with other companies ("joint venture companies") are included using the proportional consolidation method (recognition of a proportionate share of the assets, liabilities, income and expenses). This applies to those companies that were managed as a joint venture with TBIH Financial Services Group N.V., Amsterdam. Since the company is a pure holding company and operations are conducted in the associated enterprises, the latter are directly incorporated in the consolidated financial statements with a 60% share. During the reporting period, 4 companies were included in the consolidated financial statements using proportional consolidation.

Associated companies are companies over which Wiener Städtische has a significant influence, but does not exercise control. These companies are accounted for using the equity method. The consolidated financial statements include 4 domestic and 3 foreign companies accounted for at equity. In addition, 11 affiliated companies that are of less importance for the financial performance of the Group were also accounted for at equity. Due to their minor importance, in accordance with the requirements of IAS 39 "Financial instruments", 33 companies were treated as available-for-sale securities and carried accordingly at fair value. Wiener Städtische AG owns 31.6% of the shares of Wüstenrot Versicherungs-Aktiengesellschaft, Salzburg. Significant influence within the meaning of IAS 28 does not exist, since Wiener Städtische is not in a position to receive timely IFRS financial statements from Wüstenrot Versicherungs-Aktiengesellschaft. In accordance with the requirements of IAS 39 "Financial instruments", the shares are treated as available-for-sale securities and carried accordingly at fair value and shown in the "Other associated companies" item.

Fully controlled investment funds ("special funds") were fully consolidated in accordance with the requirements of Standards Interpretations Committee (now the International Financial Reporting Interpretations Committee) No. 12 (SIC 12). Mutual funds in which the Vienna Insurance Group holds the majority of units were not fully consolidated, since Vienna Insurance Group has no control over such mutual funds.

Based on the contractually agreed assumption of control over GIWOG Gemeinnützige Industrie-Wohnungs-AG, Leonding, and its subsidiaries, they are incorporated in the consolidated financial statements beginning in 2007. The newly consolidated companies earned profits before taxes of EUR 15.278 million in fiscal year 2007. The total profit before taxes of all consolidated non-profit housing development companies was EUR 35.253 million. Distributions of the annual profit of non-profit housing development companies is subject to statutory restrictions in Austria and there is only limited access to the assets of such companies. The companies are the following:

Since 2006
- "Neue Heimat" Gemeinnützige Wohnungs- und Siedlungsgesellschaft in Oberösterreich GmbH, Linz
- Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck
- Erste gemeinnützige Wohnungsgesellschaft "Heimstätte Gesellschaft m.b.H.", Vienna

Beginning in 2007
- GIWOG Gemeinnützige Industrie-Wohnungs-AG, Leonding
- GEMYSAG Gemeinnützige Mürz-Ybbs-Siedlungsanlagen-GmbH, Kapfenberg
- "Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Vienna.

The effects on the balance sheet and income statement of the newly consolidated companies are shown below:

Balance sheet In EUR '000	**2007 Non-profit housing development companies**	**2006 Non-profit housing development companies**
Investments	669,950	641,638
Thereof investment property	*620,080*	*589,534*
Other assets	48,854	53,433
Total assets	**718,804**	**695,071**
Shareholders' equity	246,020	232,352
Provisions	11,818	10,972
Liabilities	460,966	451,747
Total liabilities and shareholders' equity	**718,804**	**695,071**

Income Statement In EUR '000	**2007 Non-profit housing development companies**
Income	85,930
Expenses	–61,583
Financial result	–9,069
Profit before taxes	15,278
Taxes	0
Net income	**15,278**

The share of all non-commercial public housing associations in the real estate portfolio of the Vienna Insurance Group is EUR 1,784.510 million.

First-time inclusion of a subsidiary is effectuated in accordance with the purchase method of accounting by allocating the cost of acquisition to the identifiable assets and liabilities of the acquired company. The amount by which the cost of acquisition of the subsidiary exceeds the fair value of these net assets is recognised as goodwill. If the fair value of the net assets acquired exceeds the cost of acquisition (positive differences from capital consolidation), after a second critical appraisal of the market-ability and valuation of the assets and liabilities acquired, Wiener Städtische recognises this excess amount as income on the income statement.

With respect to the subsidiaries, joint ventures, and associated companies acquired before 1 January 2004, the previous inclusion or valuation rules are used on the IFRS opening balance sheet. In the consolidated financial statements up until 31 December 2004, prepared in accordance with the Austrian commercial code and insurance supervisory authority regulations, asset-side differences from capital consolidation of acquired insurance companies were applied against consolidated reserves instead of being recognised as goodwill. Therefore, in accordance with IFRS 1, the revaluations related to these companies from the conversion to IFRS were also applied against consolidated shareholders' equity.

Intercompany transactions, receivables, payables, and significant unrealized profits (intercompany profits) were eliminated. Unrealised losses are only eliminated if the unrealized loss is not the result of a reduction in value.

In 2007 the following changes occurred in the scope of consolidation:

The previously proportionally consolidated UNION Versicherungs-AG, Vienna, was fully consolidated in the first quarter since the ERGO Versicherungsgruppe renounced its intervention rights. Subsequently, the Bank Austria Creditanstalt Versicherung AG, Vienna, merged with the UNION Versicherungs-AG, Vienna, with the latter as the absorbing entity. The absorbing entity was renamed as Bank Austria Creditanstalt Versicherung AG, Vienna Following completion of the merger, the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP has a 60.5% stake in shares of Bank Austria Creditanstalt Versicherung AG.

In the second quarter all of the shares in COUNTRY INN VIC Hotelerrichtungs- and Betriebsgesellschaft m.b.H., Vienna, were sold to a company that is not included in the consolidated financial statements; therefore, the former was deconsolidated.

In the third quarter, the Celetná 25, s.r.o., Prague, merged with Kooperativa pojišťovna, a.s., Prague, with the latter as the absorbing entity.

As of 31.12.2007, the SC Asigurarea Romaneasca Asirom S.A., Bucharest, is not yet included in the consolidated results because by that date the Vienna Insurance Group had not yet obtained control according to IAS 27.13. In the year 2008 the company will be included in the consolidated results of the Vienna Insurance Group.

During the reporting period from 1 January 2007 to 31 December 2007, the Vienna Insurance Group acquired common control over the following subsidiaries:

Company acquired **Amount in million EUR**	**Interest acquired, in %**	**Date of-first consolidation**	**Goodwill**	**Assets acquired**	**Liabilities acquired**	**Profit before taxes**
Ray Sigorta A.Ş., Istanbul *	60	1.7.2007	45.5	171.5	150.5	0.3

* The shares of this company are held indirectly by TBIH Financial Services Group N.V., Amsterdam.

The financial statements of the companies listed in the above-mentioned table are prepared according to IFRS. Since the capital assets of this company are carried at fair value, no adjustments were necessary to the assets and liabilities already recognised in the annual financial statements of the acquired company. It should be noted that the purchase price allocation of the newly consolidated company is still provisional and all company purchases were made with cash and cash equivalents.

Company founded	**Interest [in %]**	**Date founded**
Mělnická Zdravotní a.s., Prag	70.00	13.9.2007
KOORDITA, a.s., Ostrava-Hrabova	100.00	1.12.2007

Expansion of the scope of consolidation	**Interest [in %]**	**Date of first consolidation**
„Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Vienna	34.68	1.1.2007
AIS Servis, s.r.o., Brno	70.00	1.1.2007
GEMYSAG Gemeinnützige Mürz-Ybbs-Siedlungsanlagen-GmbH, Kapfenberg	34.57	1.1.2007
GESCHLOSSENE AKTIENGESELLSCHAFT JUPITER LEBENSVERSICHERUNG VIENNA INSURANCE GROUP, Kiev	73.00	1.1.2007
Geschlossene Aktiengesellschaft „Ukrainische Versicherungsgesellschaft KNIAZHA", Kiev	80.00	1.1.2007
GIWOG Gemeinnützige Industrie-Wohnungs-AG, Leonding	34.60	1.1.2007
IC Globus Insurance Company with Added Liability "Globus", Kiev	51.00	1.1.2007

Information on the companies that are fully consolidated, proportionally consolidated, and included at equity in the consolidated financial statements as of 31 December 2007 is provided in Note 4 "Participations" in the Notes to the Consolidated Financial Statements.

Classification of insurance contracts

Contracts under which a consolidated company assumes a significant insurance risk from another party (the policyholder), by stipulating that the policyholder receives compensation 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, or credit indices, or another variable, provided that, in the case of a nonfinancial variable, the variable is not specific to one contracting party. In many cases, in the life insurance area in particular, insurance policies as defined under IFRS also transfer financial risk.

Contracts under which only an insignificant insurance risk is transferred from the policyholder to the consolidated company are treated as financial instruments ("financial insurance contracts") for the purposes of IFRS. Such contracts exist only to a minor extent in the personal insurance area.

Both insurance contracts and financial insurance contracts can have contract terms that qualify as profit-dependent participation in net income ("profit participation", "profit-dependent premium refund"). Contractual rights under which, in addition to guaranteed benefits, the policyholder also receives additional payments which are likely to represent a significant portion of the total payment under the contract, and are contractually based on:

a) the profit from a certain portfolio of contracts or a certain type of contract, or
b) the realised and/or unrealised investment income from a certain portfolio of assets held by the insurance company, or
c) the profit or loss of the company, investment fund, or business unit (e.g. balance sheet unit), holding the contract are considered profit-dependent participations in net income.

Contracts with profit-dependent participation in net income exist in all markets in the Vienna Insurance Group, primarily in the life insurance area, and to a secondary extent also in the property and casualty, and health insurance areas, 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 mathematical reserve. Amounts reported in the local annual financial statements which have been committed or allocated to policyholders in the form of future net income participation are reported on the balance sheet in the reserve for profit-dependent premium refunds. In addition, by analogy to the treatment of deferred taxes under IAS 12, the profit-dependent portion resulting from application of IFRS versus local valuation requirements ("deferred profit participation") is reported in the reserve for profit-dependent premium refunds. The rate used in Austria 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. The funding of the reserve for deferred profit participations is also presented by analogy to IAS 12, with the "shadow accounting" rules of IFRS 4 being applied. As a result, amounts for deferred profit participation relating to transactions that are recognized directly in equity, are also recognized directly in equity.

Recognition and accounting methods for insurance contracts

WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP fully applies the rules of IFRS 4 relating to the valuation of insurance contracts. Accordingly, the values recognised in the consolidated financial statements prepared in accordance with applicable national code were carried over to the IFRS consolidated financial statements. Equalisation and catastrophe provisions are not recognised. There were no changes in accounting rules as compared to the corresponding national accounting requirements. In individual cases, the reserves formed locally by an insurance company for outstanding insurance claims are increased in the consolidated financial statements based on appropriate analysis.

Detailed information on the valuation of underwriting items is available in the remarks for each item.

Adequacy test for liabilities arising from insurance contracts

Liabilities from insurance contracts and financial insurance contracts are tested at each reporting date for adequacy of the insurance liabilities recognised in the financial statements. During this process, up-to-date estimates of current valuation parameters are examined, taking into account all future cash flows associated with the insurance contracts, to determine whether the recognised liabilities are adequate. If these tests determine that the book value of the insurance liabilities is negative, taking into account capitalised acquisition costs and/or capitalised values of contract holdings, the entire shortfall is immediately recognised in profit or loss.

Foreign currency translation

Transactions in foreign currency

The individual consolidated 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 reporting date are translated to EUR using the mean rate of exchange on the balance sheet reporting date. Any resulting foreign currency gains and losses are recognised with no effect on the income statement.

Foreign currency translation of individual financial statements

For purposes of the IFRS, the functional currency of Wiener Städtische AG subsidiaries located outside of the Euro zone is the currency of the country where they are located. All assets and liabilities reported in the individual financial statements are translated to EUR using the mean rate of exchange on the balance sheet reporting date. Items in the income statement are translated using the average month-end mean rate of exchange during the reporting period. Foreign exchange gains and losses incurred since 1 January 2004, are recognised in equity under "Differences arising from foreign exchange translation" with no effect on the income statement.

Impairment of assets

Assets are tested at least on each balance sheet reporting date for indications of impairment. Intangible assets with an indefinite useful life (primarily goodwill) are tested even if there are no indications of impairment. Since the scheduled amortisation of goodwill resulting from mergers is not permitted according to IAS 36 (Impairment of assets), the Vienna Insurance Group conducts impairment tests at least once annually. For this purpose, the subsidiaries in a given country are consolidated into an economic unit. An impairment arises only if there is a need to write down the entire economic unit. The value in use of the economic units is calculated using the capitalised earnings method. The capitalised earnings value is calculated using budget projections for the next three years. Earnings following the three year period are extrapolated using an annual growth rate. Discount rates are calculated using a base rate equal to the average annual return on Austrian government bonds adjusted for sector and market risk. The discount rates used for the impairment test were between 8.60% and 11.10%.

Information on the impairment testing of financial assets is provided in the section entitled "General information on the accounting and valuation of capital assets".

Estimates

The preparation of the IFRS consolidated financial statements requires that management make discretionary assessments and specify assumptions concerning future developments which could have significant effects on the recognition and value of assets and liabilities, the disclosure of other obligations on the balance sheet reporting date, and the reporting of income and expenses during the fiscal year. There is a not insignificant risk that the following items could lead to a significant adjustment of assets and liabilities in the next fiscal year:

- Underwriting provisions
- Pension reserves and similar obligations
- Other non-underwriting reserves
- Fair values of capital assets not based on stock market prices or other market prices
- Goodwill
- Valuation adjustments for receivables and other (accumulated) impairment losses
- Deferred tax assets from the capitalisation of tax loss carry-forwards

Accounting policies for specific items in the annual financial statements

Intangible assets

Goodwill

The goodwill shown in the balance sheet is essentially the result of applying the purchase method of accounting for companies acquired since 1 January 2004 (date financial reporting was converted to IFRS). For companies acquired before 1 January 2004, the difference between the cost of acquisition and the value of the net assets acquired is deducted directly from equity. Using the option afforded by IFRS 1, no adjustments were made.
Goodwill is valued at cost of acquisition less accumulated impairment losses. In the case of ownership interests in associated companies, goodwill is included in the adjusted book

value of the ownership interest. If goodwill due to reorganisations was recognised in the consolidated financial statements of previous years, the book values of these goodwill items were carried over into the IFRS accounting in accordance with IFRS 1.

Purchased insurance portfolios
Purchased insurance portfolios relate, in particular, to the values of contract holdings recognised as a result of 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 fair value and book value of the underwriting assets and liabilities acquired. Depending on the value of the underwriting reserves, amortisation of these items is performed using the declining-balance or straight-line method for a maximum of 10 years.

In addition, the value arising from the acquisition of an insurance portfolio before conversion of the accounting to IFRS is also reported in this item. It was possible to carry the portfolio value over to the IFRS financial statements without change. Straight-line amortisation is being performed over a maximum of 10 years.

Other intangible assets
Purchased intangible assets are recognised in the balance sheet at the cost of acquisition less accumulated scheduled amortisation and impairment losses.

No intangible assets were created by the consolidated companies themselves.

All intangible assets have a definite useful economic life. Scheduled amortisation of an intangible asset is therefore performed over its period of use. The useful economic 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 by using the straight-line method. Amortisation of the customer base ("value of new business") recognised as an intangible asset arising from corporate acquisitions is also performed using the straight-line method.

Investments

General information on the capitalisation and valuation of investments
In accordance with associated IFRS requirements, some Group assets and liabilities are carried at fair value in the accounts for the consolidated financial statements. This applies in particular to a significant portion of investments. Fair value is determined according to the following hierarchy:

- The determination of fair value for financial assets and liabilities is generally based on an established market value or a price offered by brokers and dealers.
- If non-listed financial investments are involved, or if a price cannot be immediately determined, fair value is established either by the use of generally accepted valuation models based on the discounted cash flow method or by an assessment by management as to what amounts could be realized from an orderly sale at current market prices.
- The fair value of certain financial instruments, particularly unlisted financial derivatives, is determined using pricing models which take into account factors including contract and market prices, their relation to one another, current value, counterparty credit-worthiness, yield curve volatility, and early repayment of the underlying instrument.

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.

For both owner-occupied and third party-leased land and buildings, real estate appraisals are performed at regular intervals, for the most part by sworn and judicially certified experts in construction and real estate appraisal. The market value is determined based on intrinsic and capitalised value, generally proportionally adjusted; in exceptional cases the tangible value method is used. If the fair value is below book value (cost of acquisition less cumulative scheduled depreciation and write-downs), the asset is impaired. Consequently, the book value is written down to the lower fair value and the change recognised in profit or loss.
Financial instruments shown as investments are regularly tested for impairment. If impairments to fair value are necessary, these

are recognised in profit or loss if the reduction in value is permanent, and the corresponding capital asset item would not have been reported at the fair value anyway, with recognition of the unrealised profits and losses (trading securities and capital assets of unit- and index-linked life insurance). The assessment as to whether a reduction in value is permanent is based on an evaluation of market conditions, the issuer's financial position, and other factors. In the case of equity instruments, the Group normally assumes permanent impairment if a reduction of 20% in the (adjusted) cost of acquisition is observed over a period of more than six consecutive months. Likewise, permanent impairment is immediately assumed if a reduction of more than 40% has existed, even for a short time, as of the valuation date.

Information on the nature and extent of risks associated with financial investments is provided in the section entitled "Risk reporting" on page 99.

Land and buildings
Both owner-occupied and third party-leased real estate are reported in land and buildings. Owner-occupied and third party-occupied real estate is carried at cost of acquisition or construction less accumulated scheduled depreciation and impairment losses. The costs of acquisition or construction comprise all costs incurred in putting the asset in its present location and condition.

For owner-occupied real estate, imputed rental income equal to what a third-party dealing at arm's length would normally pay is recorded as income from the capital asset; rental expenses equal to the same amount are recorded as operating expenses.

Costs incurred in later periods are only capitalised if they lead to a significant increase in future opportunities for the use of the building (e.g. through building expansion or new installation of fixtures).

Buildings are depreciated using the straight-line method over the expected useful economic life of the asset. The following useful lives are assumed when determining depreciation rates:

	Useful life in years	
	from	**to**
Buildings	20	50

Shares in affiliated and associated companies
Significant holdings of shares in associated companies are valued using the equity method in accordance with IAS 28 "Investments in associates". The annual financial statements of the companies valued at equity were prepared in accordance with IFRS requirements.

This item also includes shares in affiliated companies which are not essential for a fair presentation of the net worth, financial position and earnings of the Group and are therefore not consolidated. These shares are valued analogously to the valuation of financial instruments available for sale. These valuation policies are also applied to shares in associated companies which were not significant enough to be valued at equity. The interest in Wüstenrot Versicherungs-Aktiengesellschaft, as presented above on page 87 in the "Scope and methods of consolidation" section, is also shown here. Information on the valuation of financial investments available for sale is provided in the notes below on the accounting and valuation of financial investments.

Financial investments
Financial instruments reported as capital assets 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 instruments at fair value through profit and loss

The corresponding investments are valued upon initial recognition at the cost of acquisition, which equals fair value at the time of acquisition. Two valuation measures can be applied to financial investments for subsequent valuation. Adjusted cost acquisition is used for subsequent valuation of loans and other receivables. The adjusted cost of acquisition is determined using the effective interest rate of the loan in question. In the case of permanent impairment, a write-down is recognized reflected on the income statement.

Adjusted cost of acquisition is used for subsequent valuation of financial investments held to maturity. The adjusted cost of acquisition is determined using the effective interest rate of the financial instrument in question. In the case of permanent impairment, a write-down is recognized on the income statement.

Financial instruments available-for-sale and trading securities are recognised at fair value on the balance sheet. If available-for-sale financial instruments are sold, the difference between the adjusted cost of acquisition carried forward and fair value is directly recognised in other reserves ("unrealised gains and losses"). No separate calculation of adjusted cost of acquisition is performed for financial investments held for trading; changes in fair value are recognised as profit or loss on the income statement. The financial investments held for trading are predominantly structured investments ("hybrid financial investments") which Vienna Insurance Group has elected under IAS 39.11A and IAS 39.12 to assign to the category of "financial assets valued at fair value reported through profit or loss". For clarity, however, this item is referred to as "financial investments held for trading" on the balance sheet. 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 the requirement under IAS 39 of isolating them from the host contract and valuing them separately at fair value does not apply.

De-recognition 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 entitled "General information on the accounting and valuation of investments".

Investments of unit- and index-linked life insurance

The investments of unit- and index-linked life insurance provide cover for the underwriting provisions of unit- and index-linked life insurance. The survival and surrender payments from these policies are linked to the performance of the associated investments of unit- and index-linked life insurance, with the income from these capital assets also fully credited to policyholders. As a result, policyholders bear the risk associated with the performance of the investments of 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 unit- and index-linked life insurance investments are equal to the changes in value of the underwriting provisions, these investments are valued using the provisions in IAS 39.9. Investments of unit- and index-linked life insurance are therefore valued at fair value, and changes in value are recognised in the income statement.

Reinsurers' share of underwriting provisions

The reinsurers' share of the underwriting provisions is valued in accordance with the contract provisions.

The credit quality of each contracting party is taken into account when the reinsurers' share is valued. The credit quality of the Group's reinsurers was such that no valuation adjustments on the reinsurers' share were necessary on the reporting dates of 31.12.2007 and 2006.

Receivables

The receivables shown in the balance sheet relate in particular to the following receivables:

- Receivables from the direct insurance business
  - from policyholders
  - from insurance brokers
  - from insurance companies
- Receivables from reinsurance business
- Other receivables

Aside from receivables from policyholders, receivables are reported at cost of acquisition less impairment losses for expected uncollectible amounts. Receivables from policyholders are valued at the cost of acquisition. Expected impairment losses from uncollectible premium receivables are as a rule shown on the liabilities side of the balance sheet under other underwriting reserves (cancellation reserves).

Other assets

Other assets are valued at cost of acquisition less impairment losses.

Taxes

Income tax expense comprises actual taxes and deferred taxes. The income tax associated with transactions recognised directly in equity (unrealised gains and losses from financial instruments that are available for sale) is also recognised in equity, with no effect on the income statement.

The actual taxes for the individual companies of the Vienna Insurance Group are calculated using a company's taxable income and the tax rate applying in the country of domicile.

Deferred taxes are calculated using the balance sheet liability method for all temporary differences between values recognised for assets and liabilities in the IFRS consolidated financial statements and the individual company's tax bases for these assets and liabilities. In accordance with IAS 12.47, deferred taxes are calculated based on the tax rates that apply at the time of realisation. In addition, any probable tax benefit that could be realised from existing carried-over losses are included in the calculation. Differences arising from goodwill that is not deductible for tax purposes and quasi-permanent differences related to ownership interests are not included in the overall tax deferral calculation. Deferred tax assets are not recognised if it is not likely that the tax benefits they contain can be realised. Deferred taxes are calculated using the following tax rates:

	Tax rate in %	
	31.12.2007	**31.12.2006**
Austria	25	25
Czech Republic*	21	24
Slovakia	19	19
Poland	19	19
Romania	16	16
Germany	30	40
Liechtenstein	20	20
Croatia	20	20
Bulgaria	10	15
Serbia	10	10
Hungary	16	16
Ukraine	25	25
Turkey	20	20

* Beginning in 2008 progressive reduction of the corporate income tax (2008: 21%, 2009: 20%, 2010: 19%).

Underwriting provisions

Unearned premiums

According to the current version of IFRS 4, figures included in annual financial statements prepared in accordance with national requirements may be used in the presentation of figures relating to insurance contracts in the consolidated financial statements. In Austria, a cost discount of 15% is used when calculating unearned premiums in the property and casualty insurance area (10% for motor vehicle liability insurance), corresponding to an amount of EUR 29.913 million (EUR 28.370 million). No acquisition costs in excess of this figure are capitalised. For foreign companies, in the property/casualty insurance area, a portion of the acquisition commissions is recognised in the same proportion as earned premiums bear 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. In the life insurance area, acquisition costs are calculated using the rates set out in the business plans and included by zillmerisation when calculating the mathematical reserve. Negative mathematical reserves are set to zero for Austrian companies. For foreign companies, negative mathematical reserves are included and netted with mathematical reserves. No additional acquisition costs are capitalised. In general, no capitalisation of acquisition costs is performed for health insurance.

Mathematical reserve

Mathematical reserves in the life insurance business segment are calculated using the prospective method as the mathematical 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 using 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 contracts"). 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 reserve, the reserve is correspondingly increased as part of the adequacy test of insurance liabilities.

In life insurance, acquisition costs are included by zillmerisation as a reduction of mathematical reserves. In accordance with national requirements, negative actuarial reserves resulting from zillmerisation are set to zero for Austrian insurance companies. Negative mathematical reserves are not set to zero for Group subsidiaries domiciled outside of Austria. These negative mathematical reserves are recognised in the mathematical reserve item in the consolidated financial statements.

The following average discount rates are used to calculate mathematical reserves:

As of 31.12.2007: 3.41%
As of 31.12.2006: 3.15%

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 31.12.2007: 3%
As of 31.12.2006: 3%

Reserve for outstanding claims
According to national insurance law and regulations in Austria (the Austrian Corporation Code (UGB) and Insurance Supervision Act (VAG)), Wiener Städtische AG and its operating subsidiaries are required to form reserves for outstanding insurance claims for each business segment. These reserves are calculated for payment obligations from insurance claims which have occurred up to the balance sheet reporting date but whose basis or size has not yet been established, as well as all related claims handling costs expected to be incurred after the balance sheet reporting date, and as a rule are formed at the individual policy level. These policy-level reserves are marked up by a flat-rate allowance for unexpected additional losses. Except for the reserves for pension obligations, no discounting is performed. Insurance losses that have occurred up to the balance sheet reporting date but were not known at the time that the balance sheet was prepared are included in the reserve (incurred but not reported reserves, "IBNR"). Separate reserves for claims handling expenses are formed for internally incurred costs attributable to claims handling. Collectible recourse claims are deducted from the reserve. Where necessary, actuarial estimation methods are used to calculate the reserves. The methods are applied consistently, with both the methods and calculation parameters tested continually for adequacy and adjusted if necessary. The reserves 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 version of IFRS 4 provides for reserves formed in accordance with applicable national requirements to be carried over into the consolidated financial statements.

Reserve for profit-independent premium refunds
The reserves for profit-independent 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 reserves are formed at the individual policy level with no discounting.

Reserve for profit-dependent premium refunds
Profit shares that are guaranteed to policyholders in local policies based on the business plans but have not been allocated or committed to policyholders as of the balance sheet reporting date are shown in the reserve for profit-dependent premium refunds ("discretionary net income participation").

The reserve for deferred profit participation, which is recognised by analogous application of the provisions for deferred taxes, is also shown in this item. Please see the section entitled "Classification of insurance contracts".

Other underwriting provisions
The other underwriting reserves item primarily shows cancellation reserves. Cancellation reserves are formed for the cancellation of premiums that are already billed, but not yet paid by the policyholder, and therefore represent a liabilities-side value adjustment to receivables from policyholders. These reserves are formed based on the application of certain percentage rates to overdue premium receivables.

Underwriting provisions of unit-linked and index-linked life insurance
Underwriting provisions of unit- and index-linked life insurance represent obligations to policyholders that are linked to the performance and income of the associated investments. The valuation of these provisions corresponds to the valuation of the investments of unit- and index-linked life insurance, and is based on the fair value of the investment fund or index serving as a reference value.

Reserve for pensions and similar obligations

Pension obligations

Pension obligations are based on individual contractual obligations and collective agreements. The obligations are defined benefit obligations uncovered by plan assets.

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 collected linearly over the period in which the beneficiary acquires these claims. Actuarial reports, which are used to calculate the necessary reserve amount for each balance sheet reporting date, are available for 31 December 2006 and 31. December 2007.

Any difference between the reserve amount which is calculated in advance based on assumptions and the value which actually occurs ("actuarial gain/loss") is not recognised as part of the reserve while it remains within 10% of the actual value. When the 10% limit is exceeded, the excess amount which falls outside the limit is recognised, distributed over the average remaining working lives of all employees ("corridor method").

The calculations for 31 December 2007 and 31 December 2006 are based on the following assumptions:

	2007	2006
Interest rate	5.0 %	4.5 %
Pension and salary increases	3.0 %	2.5 %
Labour turnover rate	Age-dependent 0 %–7 %	Age-dependent 0 %–7 %
Retirement age, Woman	62+ transitional arrangement	62+ transitional arrangement
Retirement age, Men	62+ transitional arrangement	62+ transitional arrangement
Life expectancy	according to AVÖ 1999-P for employees	according to AVÖ 1999-P for employees

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

Severance allowence

Wiener Städtische is required according to the law, supplemented by collective agreements, to make a severance benefit 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 earnings at the time employment ends, and is equal to between two and 18 months' earnings. A reserve has been set up for this obligation.

The reserve 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 (to a maximum of 25 years). The calculation for the balance sheet reporting date in question is based on an actuarial report.

Any difference between the reserve amount which is calculated in advance based on assumptions and the value which actually occurs ("actuarial gain/loss") is not recognised as part of the reserve while it remains within 10% of the actual value. When the 10% limit is exceeded, the excess amount which falls outside the limit is recognised, distributed over the average remaining working lives of all employees ("corridor method").

The calculations for 31 December 2007 and 31 December 2006 are based on the following assumptions:

	2007	2006
Interest rate	5.0 %	4.5 %
Pension and salary increases	3.0 %	2.5 %
Labour turnover rate	Age-dependent 0 %–7 %	Age-dependent 0 %–7 %
Retirement age, Woman	62+ transitional arrangement	62+ transitional arrangement
Retirement age, Men	62+ transitional arrangement	62+ transitional arrangement
Life expectancy	according to AVÖ 1999-P for employees	according to AVÖ 1999-P for employees

For all employment relationships in Austria which began after 31 December 2002, Vienna Insurance Group pays monthly 1.53% of earnings into an occupational employee pension fund, where the contributions are invested in an account of the employee and paid out or passed on to the employee as a claim when employment ends. In Austria the Vienna Insurance Group's obligation is strictly limited to payment of these amounts. As a result, no provision needs to be set up for this defined contribution plan.

Other non-underwriting reserves

Other non-underwriting reserves are recognised if Wiener Städtische has a de jure or de facto obligation to a third party resulting from a past event, it is probable that this obligation will lead to an outflow of resources, and a reliable estimate can be made of the amount of the obligation.

The reserves are recognised at the value representing the best possible estimate of the expenditure needed to fulfil the obligation. If the present value of the reserve calculated using a commercial rate of interest differs significantly from the nominal value, the present value of the obligation is recognised.

The other non-underwriting reserves item also includes personnel reserves other than the reserves for pensions and similar obligations. These relate primarily to reserves for unused vacation and anniversary bonus obligations. Anniversary bonus obligations are valued using the calculation method described for post-employment benefit obligations and the same calculation parameters. The corridor method is not used.

(Subordinated) liabilities

As a rule, liabilities are valued at amortised cost of acquisition. This also applies to liabilities arising from financial insurance contracts.

Net earned premiums*

As a rule, deferred premiums (unearned premiums) are determined on a pro rata basis according to 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 unit- and index-linked life insurance underwriting reserve. The change in the cancellation reserve is also recognised in net earned premiums.

* The exception rule of § 81 o par. 6 VAG was used.

Expenses for claims and insurance benefits

All payments to policyholders arising from loss events, direct claims handling expenses, and internal costs attributable to claims handling are recognised in expenses for insurance claims. Expenses for loss prevention are also recognised in this item. Expenses for insurance claims are reduced by the income gained from using existing contractual and statutory avenues of recourse (this applies in particular to property and casualty insurance). Changes in underwriting reserves, except for the change in the cancellation reserve, are also recognised in the expenses for insurance claims item.

Operating expenses

The Group's personnel and materials expenditures are assigned to the following items on the income statement, depending on the nature of the expenditures:

- Expenses for insurance claims (claims handling expenses)
- Expenses arising from investments (expenses for asset investment)
- Operating expenses

RISK REPORTING

The 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 deliberately 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.

The Vienna Insurance Group is exposed to a number of other risks in addition to the underwriting risks of its insurance policy portfolio. A risk management process is 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:** The core business of Vienna Insurance Group is the risk transfer from the insurance holders to the insurance company.
- **Credit risk:** This risk quantifies the potential loss due to deterioration of the situation of a contracting party owing receivables.
- **Market risk:** Market risk is taken to mean the risk of changes in the value of investments caused by unforeseen fluctuations in interest rate curves, share prices and currency rates, and the risk of changes in the market value of real estate and ownership interests.
- **Strategic risks:** These can arise due to changes in the economic environment, case law, and 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 how good the fit is between the investment portfolio and insurance commitments.
- **Concentration risk:** Concentration risk is a single direct or indirect position or an associated group of positions with the potential to significantly endanger the insurance company, core business or key performance measures. Concentration risk is caused by an individual position, a collection of positions with common owners, guarantors or managers, or by sector concentrations.

As a rule, local companies in the Vienna Insurance Group are responsible for managing their own risks, while at the same time strict requirements are set in terms of investments and capital assets, as well as for reinsurance.

Effective risk and opportunities management requires ERM (Enterprise Risk Management) and a risk policy and risk strategy set by management. ERM enables managers to deal effectively with uncertainty and the risks and opportunities it involves, and strengthens their ability to create value. Taking all relevant potential future events into account improves the utilisation and proactive realisation of opportunities. Reliable information on risks improves the allocation of capital. ERM provides a procedure for identifying and selecting alternative reactions to risks.

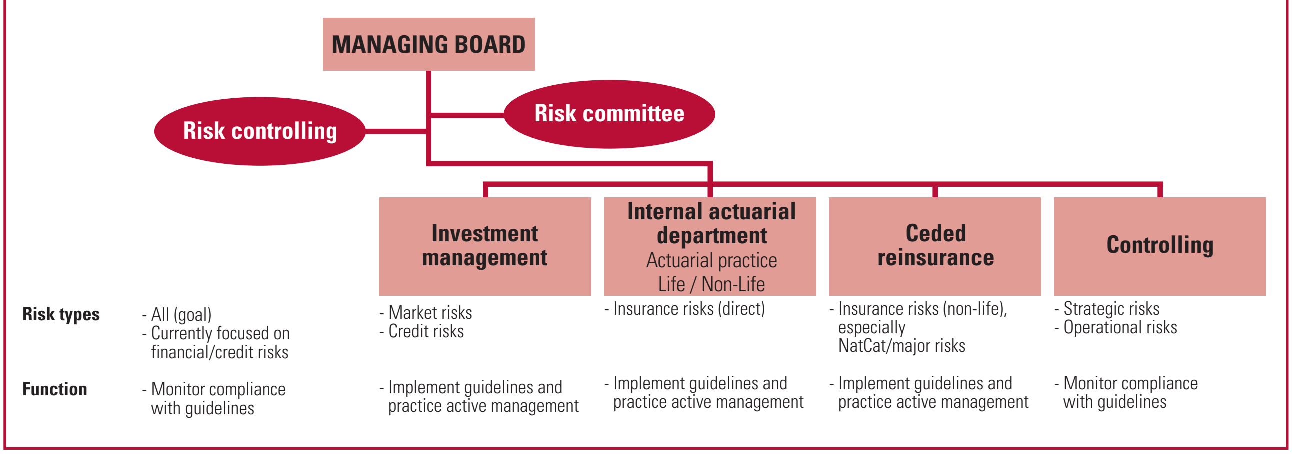
The Vienna Insurance Group risk management department is an independent organisational unit. Every employee contributes to the effectiveness of risk management in the Vienna Insurance Group. Great importance is placed on the day-to-day implementation of a suitable risk monitoring culture. Transparent and verifiable processes form an essential element of this Group-wide risk culture. Deviations from set target values and the admission and reporting of errors can take place in our Company, and are used to promote the active problem-solving abilities of our employees.

Risk management in the Vienna Insurance Group is governed by a number of internal guidelines. Underwriting risks in property and casualty insurance are primarily managed using actuarial models for setting tariffs and monitoring the progress of claims, and guidelines for the assumption of insurance risks. The most important underwriting risks in life and health insurance are primarily biometric ones, such as life expectancy, occupational disability, illness and the need for nursing care. To manage these underwriting risks, Vienna Insurance Group has formed reserves for paying future insurance benefits.

The Vienna Insurance Group limits its 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 the Vienna Insurance Group believes have adequate creditworthiness, in order to minimise the risk (credit risk) due to the insolvency of one reinsurer.

The Vienna Insurance Group monitors the various market risks in its security portfolio using fair value valuations, value-at-risk (VaR) calculations, sensitivity analyses and stress tests.

AREAS INVOLVED IN RISK MONITORING AND CONTROL



Liquidity risk is limited by matching the investment portfolio to insurance commitments. Operational and strategic risks which might be caused by deficiencies or errors in business processes, controls and projects and changes in the business environment are also monitored continuously.

- **Risk committee**: The cross-class risk committee is formed by the actuarial, operations, reinsurance, internal audit and corporate risk controlling departments. The risk committee is responsible for optimisation and ongoing development of an ERM system. ERM is a framework for company-wide risk management that uses key principles and concepts, uniform terminology and clear instructions and support.
- **Group actuarial department:** Underwriting risks are managed by the Group actuarial department. This department subjects all insurance solutions to in-depth actuarial analysis covering all classes of insurance business (life, health, property and casualty). Stochastic simulations are performed regularly as part of the ALM process.
- **Reinsurance:** The reinsurance business for all Group companies is managed by the central reinsurance department established at Wiener Städtische AG.
- **Risk controlling:** The risk controlling department prepares a quarterly risk budget for the investment area. Budget compliance is checked weekly. Compliance with securities guidelines and the Company's own limit system is monitored continuously. Periodic VaR calculations and analyses and detailed stress tests are performed for this monitoring. An analysis of the Company's risk capital model is an element of Standard & Poor's FSR (Financial Strength Rating) for Vienna Insurance Group.
- **Controlling:** The controlling department monitors and controls operational developments at domestic and foreign insurance companies. This is accomplished by means of monthly reports submitted to the controlling department by the companies and an analysis of plan and forecast figures.
- **Audit:** The audit department systematically monitors operating and business processes, the internal controlling system of all operational corporate areas and the functionality and adequacy of risk management. The internal audit department operates continuously and reports directly to the full Management Board.
- **Operations:** Operations acts as an interface between the technical and claims departments and the Group's country head offices and the external service providers in the areas of information technology and telephony. Operations is also responsible for optimisation of internal processes, strategic procurement, facility management and construction matters related to real estate occupied by the Group.

Business risks

The Vienna Insurance Group calculates its underwriting reserves using recognised actuarial methods and assumptions. These assumptions include estimates of the long-term interest rate trend, returns on capital investments, the allocation of capital investments among equities, interest rate instruments and other categories, net income participations, mortality and morbidity rates, cancellation 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

The Vienna Insurance Group also has a considerable portfolio of policies with guaranteed minimum interest rates, including annuity and endowment insurance. On existing policies, Wiener Städtische guarantees a minimum interest rate averaging just below 3% p.a. If interest rates fall below the guaranteed average minimum rate for any length of time, the Vienna Insurance Group could find itself forced to use its equity to subsidise reserves for these products.

Claims and benefits

In accordance with normal industry practice and accounting and supervisory requirements, Vienna Insurance Group work together with the Group actuarial department to independently form reserves for claims and claims handling expenses arising from property and casualty insurance business. The reserves are based on estimates of the payments that will be made for these claims and related claims handling expenses. These estimates are made both on a case by case basis in the 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 reported to Vienna Insurance Group ("IBNR"). These reserves represent the expected costs required for final settlement of all known pending claims and IBNR losses.

Loss reserves, including IBNR reserves, may vary depending on a number of variables that affect the total costs of a claim, such as changes in the legal framework, the outcome of court cases, changes in processing costs, repair costs, loss frequency, claim size and other factors such as inflation and interest rates.

Interest rate fluctuations

The Vienna Insurance Group is exposed to market risk, that is, the risk of suffering losses as a result of changes to market parameters. For the Vienna Insurance Group, interest rates are the most relevant parameters for market risk. Ignoring investments held for the account of and at the risk of policyholders, the Vienna Insurance Group's investments consist largely of fixed-interest securities. The majority of these securities are denominated in Euro. As a result, interest rate fluctuations in the Euro zone have a significant effect on the value of these financial assets.

Stock price risk

The Vienna Insurance Group has an equity portfolio which, even including shares held in funds, constitutes less than 11% of investments. The Vienna Insurance Group's equity holdings include, inter alia, interests in a number of Austrian companies and positions in other companies whose shares trade primarily on the Vienna Stock Exchange or stock exchanges in the Central and Eastern European region. Should stock markets move down, reported values might need to be adjusted.

Aspects of tax law environment affecting earnings

Changes to tax law changes could negatively affect the attractiveness of certain Vienna Insurance Group products currently enjoying tax advantages. Thus, the introduction of laws to reduce the tax advantages of the Group's old-age retirement 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 that do not yet belong to the EU is a core component of the Vienna Insurance Group's strategy. The Vienna Insurance Group's goal is to achieve an even stronger presence in these target markets. As part of the strategy pursued in this region, the Vienna Insurance Group has made acquisitions and established new companies. Political, economic and social conditions in these countries have changed rapidly in recent years. Far-reaching political and economic reforms have led to a situation where in which political and economic change can take place as new democratic and market-oriented systems are being constructed.

Risks due to acquisitions

To date, the Vienna Insurance Group has acquired a series of companies in countries of Central and Eastern Europe, or has acquired interests therein.

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;
- Settlement of open questions of a legal, supervisory, contractual or labour law nature raised by the acquisition;
- Integration of marketing, customer support and product lines; and
- Integration of different corporate and management cultures.

Cross-border acquisitions in Central and Eastern Europe can present a major challenge, due to differences in national cultures, business practices and legal systems.

Climate change
The environmental catastrophes that have been becoming increasingly common in recent years, such as floods, pile-ups of flood debris, landslides, storms, etc., may be the result of general climate change. It is possible that the number of claims thus caused may continue to rise in the future.

Credit risk from investments
In managing risks related to credit quality, a distinction must be made between "liquid" or "marketable" risks (exchange-listed bonds and shares) and "bilateral" risks, such as, for example, time deposits, OTC derivatives, loans, private placements and securities custodial accounts/depositories. Risks relating to the former are limited at the portfolio levels 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 Wiener Städtische, whether on the basis of an analysis performed by Wiener Städtische, credit assessments/ratings from recognised sources, unambiguous guarantees or the possibility of recourse to reliable mechanisms for safeguarding investments.

Credit risk due to reinsurance
The 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. The 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. Foreign exchange risk in the investment area does not represent a significant risk.

Concentration risk
Concentration risk is a single direct or indirect position or an associated group of positions with the potential to significantly endanger the insurance company, core business or key performance measures. Concentration risk is caused by an individual position, a collection of positions with common owners, guarantors or managers, or by sector concentrations.

Regulatory environment
Vienna Insurance Group is subject to (insurance) regulations in Austria and abroad.
These regulations govern such matters as:

- Capitalisation of insurance companies and groups;
- Admissibility of investments as security for underwriting reserves;
- Licences of the various companies of the Vienna Insurance Group;
- Marketing activities and the sale of insurance policies; and
- Cancellation rights of policyholders.

Changes to the statutory framework could make restructuring necessary, thereby resulting in increased costs.

Investments
The Group invests in fixed-interest securities (bonds, loans/credits), shares, real estate, equity interests, and structured investment products, taking into account the overall risk position of the Group and the investment strategy provided for this purpose. Within the risk limits, the Chief Investment Officer of the Vienna Insurance Group implements the strategy decided on by the strategic investment committee. When determining exposure volumes and limits, the risk inherent in the specified categories and the market risks are of fundamental importance. The capital investment strategy is laid down in the form of investment guidelines, compliance with which is continuously monitored by the central risk controlling and internal audit departments. Investment guidelines are laid down on a centralized basis and are mandatory for all group companies, with a distinction made between investment strategies for Austria, the CEE region and Germany.

The investment strategy for Austria can 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 orientation within asset classes, whether perfor-

med internally or by an outside manager. Decisions in this regard are made by a committee set up for this purpose.

- Management of market risk on securities is aimed at providing a transparent view of the risk exposure arising from price, interest-rate, and currency fluctuations as they affect profi-tability and the value of securities investments, and at limiting these risks. Risks are limited by setting position limits and by means of a two-tier limit system for risk exposure.
- Market developments are monitored continuously and the allocation of portfolio assets managed actively.

About 60% of Wiener Städtische's investment portfolio consists of direct holdings of fixed-interest securities and loans. Direct holdings of shares and real estate amount to 6% and approximately 14%, respectively, in each case measured by the book value of the total investment portfolio.

The table below shows the breakdown of the Vienna Insurance Group's investments as of 31 December 2007 and 31 December 2006, in EUR millions, broken down by Property and Casualty, Health, and Life insurance segments:

Investments segment		**31.12.2007**			**31.12.2006**
	Property/ Casualty	**Life**	**Health**	**Total**	**Total**
in EUR millions					
Land and buildings	370.56	2,350.65	147.51	2,868.72	2,175.57
Owner-occupied land and buildings	179.90	43.47	25.62	248.99	203.29
Third-party leased land and buildings	190.66	2,307.18	121.89	2,619.73	1,972.28
Shares in affiliated and associated companies	640.76	208.66	121.35	970.77	532.22
Loans	105.99	961.12	120.32	1,187.44	1,057.37
Other securities	1,780.20	12,250.89	442.49	14,473.58	12,950.74
Financial investments held to maturity	71.37	301.91	0.00	373.28	306.23
Government bonds	64.56	134.24	0.00	198.80	165.20
Corporate bonds	6.81	167.29	0.00	174.10	140.84
Other	0.00	0.38	0.00	0.38	0.19
Financial investments available for sale	1,300.25	11,297.22	361.14	12,958.61	11,760.93
Equities	97.97	961.26	31.79	1,091.02	1,197.83
Investment funds	254.56	1,567.77	134.20	1,956.53	1,800.82
Fixed-interest securities	801.90	8,440.39	192.55	9,434.84	8,291.45
Other	145.82	327.80	2.60	476.22	470.83
Financial investments held for trading	330.69	565.23	81.35	977.27	755.27
Bonds	299.97	546.84	81.35	928.16	720.75
Equities	16.18	2.12	0.00	18.30	9.21
Investment funds	12.86	12.35	0.00	25.21	13.05
Derivatives	0.00	0.60	0.00	0.60	1.80
Other	1.68	3.32	0.00	5.00	10.46
Financial investments at fair value through profit and loss	77.89	86.53	0.00	164.42	128.30
Bonds	50.68	34.92	0.00	85.60	70.18
Equities	7.56	6.71	0.00	14.27	7.34
Investment funds	6.47	23.20	0.00	29.67	28.00
Structured bonds	13.18	21.63	0.00	34.81	22.71
Other securities	0.00	0.07	0.00	0.07	0.07
Other investments	355.92	275.91	39.07	670.90	544.45
Bank deposits	345.11	235.66	37.97	627.74	450.32
Deposits on assumed reinsurance business	1.23	36.34	1.10	38.67	86.11
Other investments	0.58	3.91	0.00	4.49	8.02
Total	**3,253.43**	**16,047.23**	**870.74**	**20,171.39**	**17,260.34**

Other securities

Financial investments held to maturity have the following maturity structure:

Maturity structure
(financial instruments held to maturity)

	Acquisition Costs Carried Forward		Fair Value	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**
in EUR '000				
up to one year	12,837	31,350	12,822	31,464
from one to five years	83,929	58,733	84,098	59,639
from five to ten years	120,685	107,079	121,051	113,268
more than ten years	155,822	109,072	158,517	119,143
Total	**373,273**	**306,234**	**376,488**	**323,514**

The following tables show the maturity structure and rating structure of financial investments that are available for sale:

Maturity structure
(financial instruments available for sale)

	Fair Value	
	31.12.2007	**31.12.2006**
in EUR '000		
no maturity	2,952,523	2,971,834
up to one year	284,938	214,605
from one to five years	2,104,696	1,813,126
from five to ten years	3,210,934	2,695,274
more than ten years	4,405,517	4,066,096
Total	**12,958,608**	**11,760,935**

Rating categories (Standard & Poor's)
(financial instruments available for sale)

	Fair Value	
	31.12.2007	**31.12.2006**
in EUR '000		
AAA	2,578,142	1,988,487
AA	3,190,904	2,215,445
A	3,825,191	3,895,054
BBB	754,405	882,211
BB and lower	57,454	47,504
no rating (e,g, shares, unit trusts)	2,552,512	2,732,234
Total	**12,958,608**	**11,760,935**

For financial instruments available for sale, the balance sheet value corresponds to the fair value.

The following table shows the maturity structure of the assets valued at fair value reflected on the income statement:

Maturity structure
(financial instruments valued at fair value reflected on the income statement)

	Fair Value	
	31.12.2007	**31.12.2006**
in EUR '000		
no maturity	41,898	34,943
up to one year	55,661	44,567
from one to five years	21,582	15,293
from five to ten years	37,416	21,175
more than ten years	7,871	12,322
Total	**164,428**	**128,300**

Bonds

As of 31 December 2007, bonds represented approximately 54% of total investments in the Vienna Insurance Group's securities portfolio. When the bond portion of unit trusts is included, bonds represent approximately 60% of all investments. Vienna Insurance Group actively manages its bond portfolio using estimates of changes in interest rates, spreads, and credit quality, taking into account limits related to individual issuers, credit quality, maturity, countries, currencies and issue volume. Investments in fixed-interest securities are almost always currency-congruent, that is, they are made in the same currency as the obligations to policyholders. With regard to its bond portfolio, the Vienna Insurance Group is currently not planning any changes to its investment strategy.

According to the Group's investment guidelines for Austria, bond investments are made almost exclusively in investment grade bonds with a Standard & Poor's rating of AAA to BBB. Investments in non-investment grade bonds are only made in individual cases and in accordance with decisions to this effect by the Management Board. The goal is to achieve the greatest possible diversification among individual issuers, to avoid accumulation risks, to ensure good average credit quality, to control foreign currency effects, and to make the majority of investments in mid- to long-term maturities.

Equities

As of 31 December 2007, Vienna Insurance Group's directly held equity investments represented approximately 6% of the book value of the total investment portfolio, and if indirect shareholdings through funds are taken into account, total equity investments were approximately 9%. In accordance with the investment guidelines for Austria, management is performed using the "top-down" approach, subject to the constraint that diversification be used to minimize the market price risk of the equities. Key elements are diversification by markets or regions, sectors or industries, capitalisation (large, medium and small caps), business cycle (value, growth), and valuation allocations (fundamental or quantitative models). For the Group's companies in CEE countries, the overall equity component is very small.

Risk diversification within the Vienna Insurance Group equity portfolio is achieved by geographic diversification. In addition to investments in sound international blue-chip securities, the portfolio also contains a variety of blocks of liquid shares in listed Austrian companies. Highly restrictive investment rules apply to subsidiaries in the CEE-region, such that equities play no, or only a secondary, role in their portfolios.

Loans/ Lending

Vienna Insurance Group loans had a book value of EUR 1,187.4 million on 31 December 2007, and a book value of EUR 1,057.4 million on 31 December 2006. Investments in loans and credits used to create long-term positions for the insurance business are made only in mortgage loans and in instruments of first-class credit quality, particularly those of public institutions and non-profit housing development companies. In the CEE region, investments in loans and credits have much less importance. Loans in this region are made almost exclusively to the Group's own real estate subsidiaries. The loan portfolio is declining in overall importance compared to the total investment portfolio. This development is due to the fact that the floating of loans has become less important to the federal government and local authorities in Austria, with public institutions instead increasingly obtaining financing through bonds.

Decrease in value of loans

in EUR '000	Gross book value	Decrease in value	Net book value
Not value reduced Loans	1,186,656	0	1,186,656
Value reduced Loans	4,099	3,317	782
Total	**1,190,755**	**3,317**	**1,187,438**

A portfolio analysis and an analysis of remaining time to maturity for the 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

As of 31 December 2007, the Vienna Insurance Group's real estate portfolio had a book value of EUR 2,868.7 million (market value: EUR 3,200.8 million) and a book value of EUR 2,175.6 million as of 31 December 2006 (market value: EUR 2,447.9 million). The real estate portfolio is used primarily to create highly inflation-resistant long-term positions for the insurance business, and to create silent reserves. The real estate portfolio represents approximately 14% of the total investment portfolio of the Vienna Insurance Group. To date, real estate has not represented a strategic asset class for companies in the CEE countries.

The following table shows Vienna Insurance Group real estate investments as of 31 December 2007 and 31 December 2006, broken down by location and type of use of the respective properties:

Use of Property	31.12.2007	31.12.2006
	% of the real estate portfolio	% of the real estate portfolio
Austria	**94**	**92**
Used by the Group	3	4
Used by third parties	91	88
Andere Staaten	**6**	**8**
Used by the Group	5	5
Used by third parties	1	3

Participations

The Vienna Insurance Group portfolio of ownership interests had a book value of EUR 970.8 million on 31 December 2007, and a book value of EUR 532.2 million on 31 December 2006. The ratio of ownership interests to the book value of the total investment portfolio was therefore approximately 5% on 31 December 2007.

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

Market risk

The Vienna Insurance Group divides market risk into interest rate, equity, currency, real estate, and ownership interest risks. For the Vienna Insurance Group, interest rates and equity prices are the most relevant parameters for market risk. Currency prices are less important at present. The Vienna Insurance Group uses fair value assessments, value-at-risk calculations, sensitivity analyses and stress tests to monitor market risks.

The composition of capital assets is aimed at providing coverage for insured risks appropriate to the insurance business and the durations of the liabilities of the Vienna Insurance Group.

Interest-rate and equity risk

In the Vienna Insurance Group's investment design, the bond segment serves primarily to ensure stable earnings over the long term. Derivatives are used to reduce investment risk. Appropriate investment guidelines expressly govern the use of derivatives for bonds managed by third parties. Unit trusts, for example, must be expressly governed by the corresponding investment guidelines.

The equity segment serves to increase earnings over the long term, provides diversification and compensates for long-term erosion in value due to inflation. The Vienna Insurance Group assesses equity risk by considering diversification within the overall portfolio and the correlation to other securities exposed to price risk.

Market price risk affecting profit or loss is controlled by periodically calculating the VaR according to the "Investment and Risk Strategy – Securities" guideline for securities and adjusting it to the limit relative to the risk budget. The VaR is determined based on a daily variance-covariance calculation.

The Vienna Insurance Group statistically estimates variances and covariances from market data over a 12-month period.

The Vienna Insurance Group uses a 99% confidence level. The holding period is between 10 and 20 days. Each stock's average risk contribution is somewhat smaller than its risk yield contribution. The foreign-currency risk contribution corresponds only to a few percentage points of the overall risk.

The following table shows the Vienna Insurance Group's VaR for available-for-sale securities:

Vienna Insurance Group VaR (in million EUR)	31.12.2007
10-day holding period	190.90
20-day holding period	270.00
Total risk capacity	668.04
20-days VaR as % of risk capacity	40.41%

Capital market scenario analysis

The 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 coverage of the solvency requirement for each scenario for 31 December 2007:

Reduction in market value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
of equities	–20%	–10%	–20%	–20%	0%
of bonds	–5%	–2.5%	–5%	0%	–5%
of real estate	–5%	–10%	0%	–10%	–10%
Market value of assets minus liabilities without equity capital (in EUR millions)	1,445.51	1,813.90	1,589.94	1,963.22	1,664.58

In scenario 1, the market value of all asset classes drops significantly at the same time. The likelihood of such an extreme scenario's happening is very low. The market value of the assets is still considerably higher than the value of the liabilities after stress testing, which confirms the Vienna Insurance Group's excellent rating.

Life insurance

The following table shows the change in holdings of endowment insurance (not including term insurance), term, pension, and unit- and index-linked insurance, government-sponsored pension plans, and the total of these amounts.

Change in holdings	Endowment insurance (not including risk insurance)		Risk insurance		Pension insurance		Unit- and index-linked insurance		Government-sponsored pension plans		Total	
	No. of policies	Amt. ins.	No. of policies	Amt. ins.	No. of policies	Amt. ins.	No. of policies	Amt. ins.	No. of l policies	Amt. ins.	No. of policies	Amt. ins.
Number of policies in pc./Amount insured in EUR '000												
As of 1.1.2007	2,666,534	23,084,078	706,689	17,834,510	537,334	6,759,649	265,077	5,723,194	217,556	3,680,264	4,393,190	57,081,694
2007 additions												
New business	201,098	2,605,706	183,435	4,648,498	30,506	627,474	155,263	1,768,253	56,369	918,284	626,671	10,568,214
Premium increases	1,469	188,573	32	9,244	0	92,950	196	66,661	0	200,720	1,697	558,148
Total additions	**202,567**	**2,794,279**	**183,467**	**4,657,742**	**30,506**	**720,424**	**155,459**	**1,834,914**	**56,369**	**1,119,004**	**628,368**	**11,126,362**
2007 changes												
Changes in additions	30,811	575,334	19,290	1,461,183	6,151	187,069	25,491	1,471,800	1,714	28,907	83,457	3,724,294
Changes in reductions	–35,678	–887,752	–69,541	–582,826	–5,284	–270,065	–27,297	–1,771,198	–4,049	–156,895	–141,849	–3,668,736
Total changes	**–4,867**	**–312,418**	**–50,251**	**878,357**	**867**	**–82,996**	**–1,806**	**–299,398**	**–2,335**	**–127,988**	**–58,392**	**55,558**
Reductions due to maturity												
Due to contract expiration	–52,894	–552,205	–95,838	–2,045,190	–8,617	–106,206	–853	–2,284	0	0	–158,202	–2,705,885
Due to death	–17,095	–70,102	–1,400	–16,859	–1,318	–15,420	–533	–6,039	–205	–2,885	–20,551	–111,304
Total reductions due to maturity	**–69,989**	**–622,307**	**–97,238**	**–2,062,049**	**–9,935**	**–121,626**	**–1,386**	**–8,323**	**–205**	**–2,885**	**–178,753**	**–2,817,189**
Premature reductions												
Due to non-redemption	–11,876	–191,059	–10,077	–202,732	–1,654	–40,012	–6,216	–130,852	–2,888	–55,752	–32,711	–620,407
Due to cancellation without payment	–32,252	–338,262	–43,842	–967,767	–12,137	–85,471	–11,832	–139,238	–1,661	–16,623	–101,724	–1,547,360
Due to redemption	–98,495	–873,101	–8,320	–231,326	–21,310	–129,472	–10,971	–199,457	0	0	–139,096	–1,433,356
Due to premium release	–8,280	–343,878	–172	–92,769	–7	–62,083	–1,128	–181,191	1,583	–183,706	–8,004	–863,627
Total premature reductions	**–150,903**	**–1,746,300**	**–62,411**	**–1,494,594**	**–35,108**	**–317,038**	**–30,147**	**–650,738**	**–2,966**	**–256,081**	**–281,535**	**–4,464,750**
As of 31.12.2007	**2,643,342**	**23,197,332**	**680,256**	**19,813,966**	**523,664**	**6,958,413**	**387,197**	**6,599,649**	**268,419**	**4,412,314**	**4,502,878**	**60,981,675**

European Embedded Value sensitivity analysis for the life insurance business

The embedded value is determined in accordance with the European Embedded Value Principles published by the CFO Forum on 6 April 2004, and will be published separately on 27 March 2008.

The embedded value consists of two components: the adjusted net assets at market value and the value of the insurance portfolio, which equals the cash value of distributable after-tax profits minus the capital commitment cost of the solvency capital. Thus, embedded value is an actuarial measurement of the value of a company, assuming the continuation of current operations (going concern), but explicitly excluding the value of future new business. In addition to the embedded value, the increase in value brought about by new business written during the reporting period is also determined.

The estimated trend of future profits is based on "best estimate" assumptions, i.e., a realistic assessment of economic and operational conditions based on future expectations and historical data, in which future risk is taken into account using stochastic models and an explicit calculation of capital commitment costs.

When calculating the embedded value, numerous assumptions are made about operational and economic conditions, as well as other factors, some of which lie outside of the control of the Vienna Insurance Group. Although the Vienna Insurance Group considers these assumptions sound and reasonable, future developments may differ materially from expectations. Publication of the embedded value is therefore no guarantee or commitment 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 sharing assumed is based on local practice and the relevant regulatory rules.

The projections of future profits are based on realistic assumptions for investment income, inflation, costs, taxes, cancellations, mortality, illness and other key figures, such as changes in health-care costs and future premium increases.

The interest rate curve used depends on an assessment of the risks associated with the ability of future profits to be realised. In order to be able to make a statement on the impact of alternative interest rate curves, the embedded value as of 31 December 2007 and the increase in value resulting from new business in 2007 were calculated using an interest rate curve alternately increased and decreased by 1%. Internal sensitivities are shown in the following table:

Sensitivities of the European embedded value of the life insurance and health insurance as of 31 December 2007	**Change in % of the base value**
European embedded value, Austria	
Decrease in level of equity and property values –10%	–2.4%
Interest rate curve shift +1%	–0.3%
Interest rate curve shift –1%	–1,8%
Maintenance expenses +10%	2.1%
Maintenance expenses –10%	–2.2%
Lapse rate improvement 10%	0.6%
Lapse rate deterioration 10%	–0.7%
Improvement in mortality and morbidity rates for assurances +5%	0.2%
Improvement in mortality, rates for annuities +5%	0.0%
Value of new business, Austria	
Interest rate curve shift +1%	0,8%
Interest rate curve shift –1%	–5.5%
Maintainance expenses +10%	5.0%
Maintainance expenses –10%	–4.8%
Lapse rate improvement 10%	3.0%
Lapse rate deterioration 10%	–3.1%
Improvement in mortality and morbidity rates for assurances +5%	0.7%
Improvement in mortality, rates for annuities +5%	–0.1%

Property and casualty insurance provisions

General information

If claims are asserted by or against policyholders, all amounts that a company in the 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 insurance claims are referred to as "claims handling expenses'. Within the framework of its property and casualty insurance policies, Vienna Insurance Group has formed provisions by segment, extent of cover and year for each Group company, to pay for losses and claims handling expenses due to insurance claims.

Losses and claims handling expenses can be divided into two categories: provisions for known but not yet processed insurance claims and provisions for insurance claims that have been incurred but have not yet been reported ("IBNR"). Provisions for insurance claims that have yet to be processed are based on estimates of future payments, including the claims handling expenses for these insurance claims. These estimates are made on the basis of individual cases, in accordance with facts and circumstances discoverable at the time the provision is made. These 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 insurance claims, taking into account inflation and other company and economic factors that could affect the amount of provisions that are required. Historical developments in distribution models and claims payments, the level of reported and not yet processed insurance 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 level of claims.

IBNR provisions are formed to counterbalance the expected costs of losses that have already occurred but have not yet been reported to the individual Group companies. These provisions, just like the provisions for reported insurance claims, are formed to counterbalance the expected costs (including claims handling expenses) necessary to finally settle these claims. Because at the time the provisions are formed the losses by definition are as yet unknown, the Group calculates its IBNR liabilities based on historical claims experience, adjusted by current developments in terms of claims-related factors. These provisions are based on estimates made using actuarial and statistical forecasts of the expected costs to finally settle these insurance claims. The analyses are based on the facts and circumstances known at the relevant time and on expectations regarding 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 insurance claims are actually filed. The time needed to learn of these insurance claims and settle them is an important factor that must be taken into account when forming provisions. Insurance claims which are easy to settle, such as property damage in automobile insurance, are reported within a few days or weeks and are normally settled within a year.

More complicated insurance claims, such as bodily injury under automobile or general liability insurance, typically require longer processing times (on average four to six years, sometimes significantly longer). Also, difficult insurance claims where settlement regularly depends on the results of often protracted litigation, leads to substantially longer settlement times, especially in the liability, accident, building and professional liability insurance segments.

The ultimate costs of the claims and claims handling expenses depend on a series of variable circumstances.
Between the time a claim is reported and its final settlement, changing circumstances may require that the provisions formed be revised upwards or downwards. For example, changes in the legal environment, 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 insurance 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 estimated reserves are reflected in operating results. The Vienna Insurance Group's conservative policy toward reserves is documented not least by the fact that liquidation of loss reserves regularly leads to a profit.

Based on the Group's internal procedures, management, based on the information currently available to it, believes that the Group's provisions in the property and casualty division 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 claims reserve

The following table shows changes to the Vienna Insurance Group's loss reserves at the end of each year indicated. The provisions reflect the amount of expected losses, based on insurance claims that occurred in the current and all previous loss years which were not paid as of the reporting date, including IBNR.

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 in the past affected liability could possibly recur in the future and therefore no conclusions can be drawn from the information given in this table as to future results.

Reinsurance

The Vienna Insurance Group limits its liability arising from the insurance business by ceding, as necessary, a portion of the risks assumed to the international reinsurance market. Within the Vienna Insurance Group, only some risks of smaller foreign companies in the Group are reinsured. These risks are in turn ceded to reinsurers at the Group level.

	2007	2006	2005	2004	2003	2002
in EUR '000						
Claims reserve (incl. incurred but not reported reserve, IBNR) since the original reporting period						
In the then-current year	–2,891,967	–2,581,042	–2,296,547	–1,996,904	–1,813,101	–1,868,432
1 year later		–1,610,843	–1,446,122	–1,286,588	–1,136,817	–1,044,455
2 year later			–1,096,364	–956,844	–859,532	–778,653
3 year later				–760,423	–663,596	–601,614
4 year later					–557,073	–491,578
5 year later						–428,691
Claims payments since the original reporting period						
1 year later		–735,163	–653,791	–558,115	–515,842	–645,424
2 year later			–826,314	–713,024	–663,974	–793,153
3 year later				–829,090	–755,027	–874,083
4 year later					–840,659	–929,959
5 year later						–1,003,931

Reinsurance guidelines

The Vienna Insurance Group's reinsurance guidelines are jointly determined each year by the central reinsurance department and the member of the Management Board responsible for reinsurance while the reinsurance strategy for the next fiscal year is being developed.

The reinsurance guidelines require each company in the Group, in conjunction with the central reinsurance department, to provide reinsurance coverage that is appropriate for its local company. The reinsurance guidelines govern the following matters:

- Reinsurance is a prerequisite for providing insurance coverage. Departments may only make a binding commitment to insure a risk if sufficient reinsurance coverage from external reinsurers has already been ensured.
- Retention: It is Group policy that no more than EUR 15 million per event of loss due to natural catastrophe can be placed at risk on a PML (probable maximum loss) basis. The maximum Group-wide retention per individual loss is less than EUR 4 million.
- Selection of reinsurers – diversification. Wiener Städtische AG and its consolidated companies divide their reinsurance coverage among many different international reinsurance companies of appropriate credit quality, so as to minimize the risk growing out of a reinsurer's being unable to pay. No significant default of a reinsurer has occurred in the history of the Vienna Insurance Group.
- Selection of reinsurers – rating. For business segments where claims take a long time to be settled, especially for auto liability and general liability, Wiener Städtische AG uses as reinsurers companies with outstanding ratings (at least a Standard & Poor's rating of "A," preferably "AA" or higher), which in all likelihood will 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, water pipes, auto collision), 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 the reinsurance programs. If economically justified, any company in the Group may purchase reinsurance coverage individually from external reinsurers. If individual reinsu-rance contracts can only be purchased by a company in the group on uneconomical terms, the Vienna Insurance Group strives, as far as possible, to jointly place reinsurance contracts covering risks from natural catastrophes, property lines, accident, aviation and motor vehicle third-party liability under the Green Card [international motor vehicle insurance certificate] agreement. If reinsurance contracts for small companies in the Group involving a low level of risk may be purchased in the reinsurance market only on unfavourable terms, the Vienna Insurance Group itself acts as the reinsurance company. If necessary, these intercompany reinsurance contracts are, for reasons of safety, passed on by retrocession to the reinsurance market. The guidelines for Wiener Städtische AG reinsurance coverage are presented below. Retentions for all other companies in the Group are below those of Wiener Städtische AG.

Reinsurance coverage using the example of Wiener Städtische AG

- Natural catastrophes. Wiener Städtische AG provides insurance for damages caused by natural catastrophes such as storms, hail, flooding or earthquakes. Wiener Städtische AG uses reinsurance coverage to limit its retained losses from natural catastrophes to EUR 4.5 million per loss event.
- Corporate customer business. In the corporate customer business, predominantly proportional reinsurance cessions limit Wiener Städtische AG's maximum net loss to EUR 1.5 million. This reinsurance structure can guard against both the effects of individual large losses, for example from fire, as well as an increased loss frequency.
- Private customer business. The private customer business consists essentially of stable insurance portfolios having calculable results that are marked, above all, by a stable loss frequency. Thus, frequent claims are only reinsured for exposed segments, for example storm insurance, with a targeted use of proportional reinsurance to reduce the effects on retention. The effects on the retention of the few major claims to be expected are insured by non-proportional reinsurance. Even in this business segment, the maximum net loss of Wiener Städtische AG is between EUR 1.0 and 2.0 million for each class of insurance.

1. INTANGIBLE ASSETS

Detail	31.12.2007	31.12.2006
in EUR '000		
Goodwill	422,300	339,576
Purchased insurance portfolios	30,629	49,022
Other assets	71,576	72,849
Acquired software	41,424	39,856
Other	30,152	32,993
Total	**524,505**	**461,447**

Development of goodwill	31.12.2007	31.12.2006
in EUR '000		
Acquisition costs	339,884	200,566
Cumulative depreciation as of 31.12. of the previous years	–308	–307
Book value as of 31.12. of the previous year	**339,576**	**200,259**
Exchange rate changes	942	1,527
Book value as of 1.1.	**340,518**	**201,786**
Additions	81,782	137,790
Book value as of 31.12.	**422,300**	**339,576**
Cumulative depreciation as of 31.12.	308	308
Acquisition costs	**422,608**	**339,884**

The goodwill changes essentially result from the acquisition of companies described in the section "Scope and methods of consolidation". "Ray Sigorta A.Ş. accounted for EUR 45,488,000 of this amount, the closely held corporation" Ukrainische Versicherungsgesellschaft KNIAZHA" EUR 6,514,000 and Bulstrad Insurance and Reinsurance Joint-Stock Company EUR 11,131,000.

Development of purchased insurance portfolio	31.12.2007	31.12.2006
in EUR '000		
Acquisition costs	100,086	77,366
Cumulative depreciation as of 31.12. of the previous years	–51,064	–32,741
Book value as of 31.12. of the previous year	**49,022**	**44,625**
Exchange rate changes	108	909
Book value as of 1.1.	**49,130**	**45,534**
Additions	0	2,500
Change in scope of consolidation	0	16,000
Scheduled depreciations	–18,501	–15,012
Book value as of 31.12.	**30,629**	**49,022**
Cumulative depreciation as of 31.12.	71,173	51,064
Acquisition costs	**101,802**	**100,086**

The purchased insurance portfolio results from the acquisition of existing portfolios and the securities acquired as part of the acquisition of the insurance companies described in the section "Scope and methods of consolidation."

Development of acquired software	31.12.2007	31.12.2006
in EUR '000		
Acquisition costs	97,051	81,565
Cumulative depreciation as of 31.12. of the previous years	–57,195	–46,139
Book value as of 31.12. of the previous year	**39,856**	**35,426**
Exchange rate changes	283	429
Book value as of 1.1.	**40,139**	**35,855**
Additions	13,703	14,081
Reductions	–676	–460
Change in scope of consolidation	481	791
Scheduled depreciations	–12,223	–10,411
Book value as of 31.12.	**41,424**	**39,856**
Cumulative depreciation as of 31.12.	64,931	57,195
Acquisition costs	**106,355**	**97,051**

Development of other intangible assets	31.12.2007	31.12.2006
in EUR '000		
Acquisition costs	46,750	44,873
Cumulative depreciation as of 31.12. of the previous years	–13,757	–8,281
Book value as of 31.12. of the previous year	**32,993**	**36,592**
Exchange rate changes	679	1,411
Book value as of 1.1.	**33,672**	**38,003**
Additions	715	422
Reductions	–1	–533
Change in scope of consolidation	836	16
Scheduled depreciations	–5,070	–4,915
Book value as of 31.12.	**30,152**	**32,993**
Cumulative depreciation as of 31.12.	18,866	13,757
Acquisition costs	**49,018**	**46,750**

Amortisation of intangible assets is reported in the income statement under commissions and other acquisition costs and under administrative expenses.

2. LAND AND BUILDINGS

Development of real estate	**Third-party leased 31.12.2007**	**Owner-occupied 31.12.2007**	**Total 31.12.2007**	**Total 31.12.2006**
in EUR '000				
Acquisition costs	2,723,910	277,591	3,001,501	1,523,680
Cumulative depreciation as of 31.12. of the previous years	–751,630	–74,298	–825,928	–437,798
Book value as of 31.12. of the previous year	**1,972,280**	**203,293**	**2,175,573**	**1,085,882**
Exchange rate changes	1,588	228	1,816	9,479
Book value as of 1.1.	**1,973,868**	**203,521**	**2,177,389**	**1,095,361**
Reclassifications	–12,831	12,831	0	0
Additions	232,660	9,787	242,447	220,790
Reductions	–54,039	–1,399	–55,438	–38,848
Change in scope of consolidation	564,631	35,750	600,381	1,000,146
Scheduled depreciations	–73,552	–10,096	–83,648	–69,876
Impairment	–11,000	–1,406	–12,406	–32,000
Book value as of 31.12.	**2,619,737**	**248,988**	**2,868,725**	**2,175,573**
Cumulative depreciation as of 31.12.	1,037,490	95,940	1,133,430	825,928
Acquisition costs	**3,657,227**	**344,928**	**4,002,155**	**3,001,501**
thereof land	432,535	49,121	481,656	397,871
Fair value of the real estate as of 31.12.	2,860,539	340,274	3,200,813	2,447,933

Changes in the scope of consolidation result primarily from the inclusion of the non-profit housing development companies (EUR 589.534 million) and of Ray Sigorta A.Ş. (EUR 5.161 million).

Rental income from let sites and properties amount to EUR 266.723 million, whereas the **operating expenses** total EUR 71.174 million.

3. SHARES IN AFFILIATED AND ASSOCIATED COMPANIES AND OTHER PARTICIPATIONS

Development	31.12.2007	31.12.2006
in EUR '000		
Book value as of 31.12. of the previous year	**532,223**	**636,048**
Exchange rate changes	–49	150
Book value as of 1.1.	**532,174**	**636,198**
Additions	458,016	132,111
Reductions	–32,584	–23,984
Change in scope of consolidation	–35,770	–191,295
Depreciations	0	–23,221
Impairment	–3,622	0
Results-independent calculation of unrealised gain	47,025	540
Proportional results for the year from companies valued at equity	5,531	1,874
Book value as of 31.12.	**970,770**	**532,223**

Detail	31.12.2007	31.12.2006
in EUR '000		
Non-consolidated affiliated companies	43,758	26,771
Associated companies valued at equity	51,799	46,268
Other associated companies and other participations	875,213	459,184
Total	**970,770**	**532,223**

Non-consolidated affiliated companies and other associated companies are valued the same way as financial investments available for sale.

Unrealised profits and losses are as follows:

	Acquisition costs 31.12.2007	Acquisition costs 31.12.2006	Unrealised gains/losses 31.12.2007	Unrealised gains/losses 31.12.2006
in EUR '000				
Non-consolidated affiliated companies	43.758	26,771	0	0
Other associated companies and other participations	715.349	346,345	159,864	112,839
Total	**759,107**	**373,116**	**159,864**	**112,839**

4. PARTICIPATIONS – DETAILS

As of 31 December 2007, there were holdings in the following companies

Affiliated companies and participations WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP	Country of domicile	Interest in capital [%]	Equity [EUR 000]	Last annual financial statements
Fully consolidated companies				
„Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Innsbruck	Austria	100.00	–6	2007
„Neue Heimat" Gemeinnützige Wohnungs- und Siedlungsgesellschaft in Oberösterreich GmbH, Linz	Austria	99.81	78,158	2007
„Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Vienna	Austria	34.68	76,944	2007
„WIENER STÄDTISCHE OSIGURANJE" akcionarsko drustvo za osiguranje, Belgrade	Serbia	100.00	9,820	2007
Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.00	65,292	2007
AGRAS VIENNA INSURANCE GROUP S.A., Bucharest	Romania	92.30	3,094	2007
Andel Investment Praha s.r.o., Prague	Czech Republic	100.00	32,514	2007
ARITHMETICA Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	Austria	100.00	374	2007
Bank Austria Creditanstalt Versicherung AG, Vienna	Austria	60.54	115,474	2007
BENEFIA Towarzystwo Ubezpieczeń Majątkowych S.A. Vienna Insurance Group, Warsaw	Poland	100.00	19,033	2007
BENEFIA Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00	6,463	2007
BML Versicherungsmakler GmbH, Vienna	Austria	100.00	232,185	2007
BULGARSKI IMOTI LIFE Insurance Company, Sofia	Bulgaria	98.35	3,782	2007
Bulgarski Imoti Non-Life Insurance Company, Sofia	Bulgaria	98.36	5,455	2007
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	98.36	–65	2007
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00	2,148	2007
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00	2,033	2007
CAPITOL, a.s., Bratislava	Slovakia	100.00	1,666	2007
CENTER Hotelbetriebs GmbH, Vienna	Austria	85.00	–188	2007
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	91.72	35,281	2007
COMPENSA Holding GmbH, Coburg	Germany	100.00	19,706	2007
Cosmopolitan Life Vienna Insurance Group – dionicko drustvo za osiguranje, Zagreb	Croatia	100.00	5,011	2007
DBR Friedrichscarrée GmbH & Co KG, Stuttgart	Germany	100.00	16,617	2007
DBR Friedrichscarrée Liegenschaften-Verwaltungs GmbH, Stuttgart	Germany	100.00	24	2007
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00	17,119	2007
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00	23	2007
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	89.47	110,590	2007
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Vienna	Austria	100.00	24,833	2007
Erste gemeinnützige Wohnungsgesellschaft „Heimstätte Gesellschaft m.b.H.", Vienna	Austria	73.18	100,412	2007
GEMYSAG Gemeinnützige Mürz-Ybbs-Siedlungsanlagen-GmbH, Kapfenberg	Austria	34.57	60,608	2007
GESCHLOSSENE AKTIENGESELLSCHAFT JUPITER LEBENSVERSICHERUNG VIENNA INSURANCE GROUP, Kiev	Ukraine	73.00	3,048	2007
Geschlossene Aktiengesellschaft „Ukrainische Versicherungsgesellschaft KNIAZHA", Kiev	Ukraine	80.00	5,868	2007
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00	25,490	2007

Affiliated companies and participations WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP	Country of domicile	Interest in capital [%]	Equity [EUR 000]	Last annual financial statements
GIWOG Gemeinnützige Industrie-Wohnungs-AG, Leonding	Austria	34.60	167,721	2007
IC Globus Insurance Company with Added Liability "Globus", Kiev	Ukraine	51.00	1,022	2007
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00	16,208	2007
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00	25,070	2007
I.V., s.r.o., Bratislava	Slovakia	100.00	604	2007
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Hungary	100.00	1,955	2007
Kapitol pojist'ovací a financní poradenství, a.s., Brno	Czech Republic	100.00	7,714	2007
Komunálna poist'ovňa a.s. Vienna Insurance Group, Bratislava	Slovakia	95.72	12,229	2007
KONTINUITA poist'ovňa a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00	9,490	2007
KOOPERATIVA poist'ovňa a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00	145,989	2007
Kooperativa pojišt'ovna a.s., Vienna Insurance Group, Prague	Czech Republic	91.72	306,273	2007
Kvarner Vienna Insurance Group dionicko drustvo za osiguranje, Rijeka	Croatia	98.75	20,956	2007
Kvarner Wiener Städtische Nekretnine d.o.o., Rijeka	Croatia	98.75	57	2007
LVP Holding GmbH, Vienna	Austria	100.00	85,728	2007
Neue Heimat Oberösterreich Holding GmbH, Vienna	Austria	100.00	19,799	2007
OMNIASIG VIENNA INSURANCE GROUP S.A., Bukarest	Romania	98.48	98,947	2007
Omniasig Asigurari de Viata SA, Bukarest	Romania	50.01	8,123	2007
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	95.13	79,621	2007
PFG Holding GmbH, Vienna	Austria	94.62	124,959	2007
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	60.00	9,428	2007
Projektbau GesmbH, Vienna	Austria	95.00	39,256	2007
Projektbau Holding GmbH, Vienna	Austria	95.00	41,338	2007
Royal Polska Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00	8,483	2007
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00	5,238	2007
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	100.00	–4,311	2007
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70	10,972	2007
Towarzystwo Ubezpieczeń InterRisk Spolka Akcyjna, Warsaw	Poland	99.93	44,356	2007
Towarzystwo Ubezpieczeń „Compensa" Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.87	46,346	2007
Towarzystwo Ubezpieczeń Na Życie Compensa Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	100.00	31,332	2007
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	100.00	33,353	2007
UNITA VIENNA INSURANCE GROUP S.A., Bucharest	Romania	100.00	26,445	2007
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern	Liechtenstein	100.00	9,972	2007
VLTAVA majetkovosprávní a podílová spol.s.r.o., Prague	Czech Republic	100.00	2,890	2007
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100.00	260,398	2007
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	100.00	256,427	2007
Wiener Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100.00	1,531	2007
Holdings valued at equity				
AIS Servis, s.r.o., Brno	Czech Republic	70.00	1,670	2007
Benefita, a.s., Prague	Czech Republic	100.00	–285	2007
Česká Kooperativa Londýn Ltd., London	Great Britain	100.00	555	2007

Affiliated companies and participations WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP	Country of domicile	Interest in capital [%]	Equity [EUR 000]	Last annual financial statements
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30.00	6,533	2007
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00	41,141	2007
Global Expert, s.r.o., Pardubice	Czech Republic	100.00	571	2007
IMPERIAL-Székesfehérvár Ingatlankezelési Kft., Budapest	Hungary	25.00	13,251	2007
Kámen Ostromer, s.r.o., Ostromer	Czech Republic	100.00	318	2007
KIP, a.s., Prague	Czech Republic	86.43	3,947	2007
KOORDITA, a.s., Ostrava-Hrabova	Czech Republic	100.00	1,082	2007
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.63	13,148	2007
Melnická Zdravotní a.s., Prague	Czech Republic	70.00	51	2007
PKB Privatkliniken Beteiligungs-GmbH (Konzernabschluss), Vienna	Austria	25.00	18,671	2007
Sanatorium Astoria, a.s., Karlovy Vary	Czech Republic	86.32	2,930	2007
SHD Komes, a.s., Most	Czech Republic	46.33	15,613	2007
SURPMO a.s., Prague	Czech Republic	99.91	506	2007
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	Austria	60.00	33,684	2007
Unigeo, a.s., Ostrava-Hrabova	Czech Republic	100.00	5,418	2007
Non-consolidated companies				
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00	560	2006
ASIGURAREA ROMANEASCA– ASIROM S.A., Bucharest	Romania	98.46	32,609	2006
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00	10,508	2006
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00	874	2006
CAPITOL Spolka z o.o., Warsaw	Poland	100.00	359	2006
Central Point IT-Solutions GmbH, Vienna	Austria	64,00	111	2006
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100.00	144	2006
Eurocenter-Immorent d.o.o., Zagreb	Croatia	100.00	0	2006
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	Austria	100.00	669	2006
FUTURELAB Holding GmbH (Konzernbilanz), Vienna	Austria	41.64	27,318	2006
Geschlossene Aktiengesellschaft Strachowaja kompanija “MSK Life”, Moscow	Russia	25.01	1,826	2006
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00	261	2006
HUMANOCARE gemeinnützige Betriebsgesellschaft für Betreuungseinrichtungen GmbH, Vienna	Austria	100.00	292	2006
HUMANOCARE Management-Consult GmbH, Vienna	Austria	75.00	126	2006
Humanomed Krankenhaus Management Gesellschaft m.b.H., Vienna	Austria	25.00	876	2006
Joint Belarus–Austrian Insurance Company Kupala, Minsk	Belarus	94.50	708	2006
Neutorgasse 2–8 Projektverwertungs GmbH, Vienna	Austria	90.00	–1,978	2006
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	31.58	166,159	2006
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	82.11	42	2006
Privatklinik Villach Gesellschaft m.b.H. & Co.KG, Klagenfurt	Austria	23.29	3,899	2006
Realitätenverwaltungs- und Restaurantbetriebs-Gesellschaft m.b.H., Vienna	Austria	100.00	419	2006
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	100.00	3,994	2006
Ringturm Kapitalanlagegesellschaft m.b.H., Vienna	Austria	100.00	4,197	2006
RISK CONSULT Sicherheits- und Risiko-Managementberatung Gesellschaft m.b.H., Vienna	Austria	51.00	474	2006
Ruster Hotel Bau- und Betriebsgesellschaft m.b.H. & Co KG, Vienna	Austria	47.86	–2,904	2006
TBIH Financial Services Group N.V., Amsterdam*	Netherlands	60.00	211,353	2006

Affiliated companies and participations WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP	Country of domicile	Interest in capital [%]	Equity [EUR '000]	Last annual financial statements
Towarzystwo Ubezpieczeń Polski Żwiazek Motorowy Spolka Akcyjna, Warsaw	Poland	91.30	3,108	2006
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	20.96	32,947	2006
Vienna Insurance Group Polska Spolka z organiczona odpowiedzialnoscia, Warsaw	Poland	100.00	3,620	2006
Vienna International Underwriters GmbH, Vienna	Austria	100.00		founded in 2007
Wüstenrot Versicherungs-Aktiengesellschaft, Salzburg	Austria	31.60	196,161	2006
ZASO Victoria Non-Life, Minsk	Belarus	100.00	208	2006

The information required under § 265 par. 2 no. 4 of the Austrian Corporation Code (UGB) is provided in the summary of holdings in the individual financial statements.

* Through TBIH Financial Services N.V., in which it held 60% interest as of 31 December 2007, Wiener Städtische AG indirectly holds interests in the following significant participations in insurance companies: **Proportionally consolidated:** Bulgaria: Bulstrad Insurance and Reinsurance Joint-Stock Company, Bulstrad Life Insurance Joint-Stock Company; Croatia: Osiguranje Helios d.d., Turkey: Ray Sigorta A.S.; **Not consolidated:** Bulgaria: Bulstrad Health Insurance AD; Georgia: International Insurance Company IRAO Ltd., Georgian Pension and Insurance Holding JSC, Ukraine: VAB Insurance, VAB Re-Insurance, VAB Life Insurance; Romania: Omniasig Addenda S.A.; Macedonia: Insurance Company SIGMA AD SKOPJE; Albania: SIGURIA E MADHE Sh.A.

5. LOANS AND OTHER INVESTMENTS

Loans and other investments	31.12.2007	31.12.2006
in EUR '000		
Loans	1,187,438	1,057,375
Other investments	670,912	544,453
Total	**1,858,350**	**1,601,828**

Development of loans	31.12.2007	31.12.2006
in EUR '000		
Acquisition costs	1,068,505	1,254,905
Cumulative depreciation as of 31.12. of the previous year	–11,130	–7,539
Book value as of 31.12. of the previous year	**1,057,375**	**1,247,366**
Exchange rate changes	496	1,054
Book value as of 1.1.	**1,057,871**	**1,248,420**
Additions	508,522	201,591
Reductions	–438,843	–392,717
Change in scope of consolidation	60,049	4,097
Scheduled depreciations	–135	–4,016
Impairment	–26	0
Book value as of 31.12.	**1,187,438**	**1,057,375**
Cumulative depreciation as of 31.12.	7,895	11,130
Acquisition costs	**1,195,333**	**1,068,505**

Composition of loans

in EUR '000	Acquisition Costs Carried Forward 31.12.2007	31.12.2006
Loans to non-consolidated affiliated companies	248,161	30,204
Loans to associated companies	83,421	28,647
Mortgage loans	197,801	224,353
Policy loans and prepayments	44,006	33,247
Other loans	614,049	740,924
to government borrowers	404,348	501,912
to banks	573	9,262
to other commercial borrowers	204,020	223,903
to private individuals	4,806	4,276
Other	302	1,571
Total	**1,187,438**	**1,057,375**
Fair value	**1,204,179**	**1,103,274**

The item "Other investments" primarily consists of bank deposits of EUR 627.741 million (EUR 450.319 million) and deposits on assumed reinsurance business of EUR 38.677 million (EUR 86.110 million).

Loan maturities

in EUR '000	Acquisition Costs carried forward 31.12.2007	31.12.2006
up to one year	46,373	202,599
from one to five years	429,451	345,517
from five to ten years	313,354	190,460
more than ten years	398,260	318,799
Total	**1,187,438**	**1,057,375**

6. OTHER SECURITIES

Detail	Held to maturity		Available for sale		Held for trading		At fair value through profit or loss	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
in EUR '000								
Acquisition costs	306,191	245,438	–	–	–	–	–	–
Cumulative depreciation as of 31.12. of the previous year	43	1,072	–	–	–	–	–	–
Book value as of 31.12. of the previous year	**306,234**	**246,510**	**11,760,935**	**10,306,549**	**755,275**	**491,747**	**128,300**	**73,255**
Exchange rate	9,656	15,738	40,516	62,963	13,216	669	1,785	1,984
Book value as of 1.1.	**315,890**	**262,248**	**11,801,451**	**10,369,512**	**768,491**	**492,416**	**130,085**	**75,239**
Reclassifications	0	0	0	0	0	0	–6,995	0
Additions	102,304	74,465	3,379,898	4,211,880	564,760	441,950	145,771	170,141
Reductions	–45,172	–30,479	–2,733,740	–2,810,026	–420,735	–263,600	–129,220	–142,497
Change in scope of consolidation	251	0	1,134,116	12,779	64,153	67,312	27,944	23,011
Changes in value recognised in profit or loss	0	0	0	0	4,871	17,452	–3,045	2,442
Changes in value not recognised in profit or loss	0	0	–608,114	–19,035	0	0	0	0
Impairment	0	0	–15,003	–4,175	–4,305	–255	–112	–36
Book value as of 31.12.	**373,273**	**306,234**	**12,958,608**	**11,760,935**	**977,235**	**755,275**	**164,428**	**128,300**
Cumulative depreciation as of 31.12.	–36	–43	–	–	–	–	–	–
Acquisition costs	**373,237**	**306,191**	**–**	**–**	**–**	**–**	**–**	**–**

Detail: Financial investments held to maturity	Acquisition Costs Carried Forward		Fair value	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
in EUR '000				
Government bonds	198,793	165,202	197,847	172,058
Loans to business	174,100	140,842	178,271	151,266
Other securities	380	190	370	190
Total	**373,273**	**306,234**	**376,488**	**323,514**

Detail: Financial investments available for sale	**Acquisition Costs Carried Forward**		**Unrealised gains and losses**		**Fair value**	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**	**31.12.2007**	**31.12.2006**
in EUR '000						
Non-fixed interest	3,147,094	2,924,887	376,671	544,600	3,523,765	3,469,486
Equities	763,245	742,476	327,773	455,354	1,091,017	1,197,830
Investment funds	1,904,719	1,727,236	51,807	73,588	1,956,527	1,800,824
Other	479,130	455,175	–2,909	15,658	476,221	470,833
Fixed-interest	9,779,743	8,185,776	–344,900	105,672	9,434,843	8,291,449
Bonds and other securities of affiliated companies	29,135	29,135	0	0	29,135	29,135
Bonds and other securities of companies in which an ownership interest is held	251,513	176,314	3,037	6,773	254,550	183,087
Other fixed-interest securities	9,499,095	7,980,327	–347,937	98,899	9,151,158	8,079,226
Total	**12,926,837**	**11,110,663**	**31,771**	**650,272**	**12,958,608**	**11,760,935**

For financial investments available for sale, the book value corresponds to the fair value. Unrealised gains and losses represent the difference between the acquisition costs being brought forward and the fair values.

Detail Trading assets*	**Fair value 31.12.2007**	**Fair value 31.12.2006**
in EUR '000		
Bonds	85,594	70,181
Structured bonds	930,120	743,461
Equities	32,572	16,555
Investment funds	54,881	41,050
Derivates	33,429	1,798
Other	5,067	10,530
Total	**1,141,663**	**883,575**

* Including financial property assets valued at their contribution to revenues at the present market price.

Fair value of derivative financial investments	**Fair value 31.12.2007**	**Fair value 31.12.2006**
in EUR '000		
Options	538	–8,105
Futures	42	–393
Total	**580**	**–8,498**

The amount shown under the item "Options" relates to options on shares intended to hedge existing share positions.

The fair values for the derivative financial investments include both the rights and obligations under derivative transactions existing as of the balance sheet reporting date.

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

Detail	Unit-linked 31.12.2007	Index-linked 31.12.2007	Total 31.12.2007	Total 31.12.2006
EUR '000				
Investment funds	2,484,334	16,333	2,500,667	1,992,873
Structured bonds	0	429,420	429,420	278,785
Structured loans	0	23,668	23,668	12,372
Equities	0	23,343	23,343	14,781
Derivates (guarantee claim)	6,561	0	6,561	5,235
Bank deposits	77,560	4,766	82,326	36,532
Total	**2,568,455**	**497,530**	**3,065,985**	**2,340,578**

The balance sheet value corresponds to the fair value.

Maturities	31.12.2007	31.12.2006
in EUR '000		
no maturity	2,508,820	2,020,349
up to one year	67,579	12,790
from one to five years	35,655	8,746
from five to ten years	288,213	217,603
more than ten years	165,718	81,090
Total	**3,065,985**	**2,340,578**

8. REINSURERS' SHARE IN UNDERWRITING PROVISIONS

Detail	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12,2007	Total 31.12.2007	Total 31.12.2006
in EUR '000					
Unearned premiums	150,997	10,542	0	161,539	126,922
Mathematical reserve	2	215,990	1,893	217,885	107,223
Provision for outstanding claims	790,359	5,532	194	796,085	719,521
Provision for profit-independent premium refunds	3,428	0	0	3,428	4,342
Provision for profit-dependent premium refunds	0	14	0	14	10
Other underwriting provisions	7,713	0	0	7,713	5,296
Total	**952,499**	**232,078**	**2,087**	**1,186,664**	**963,314**

Development	Book value 1.1.2007	Exchange rate	Additions	Amount used/ released	Change in scope of consolidation	Book value 31.12.2007
in EUR '000						
Unearned premiums	126,922	1,064	126,936	–112,961	19,578	161,539
Mathematical reserve	107,223	53	89,258	–55,373	76,724	217,885
Provision for outstanding claims	719,521	11,671	686,246	–635,841	14,488	796,085
Provision for profit-independent premium refunds	4,342	44	3,104	–4,062	0	3,428
Provision for profit-dependent premium refunds	10	0	4	0	0	14
Other underwriting provisions	5,296	–440	8,153	–5,296	0	7,713
Total	**963,314**	**12,392**	**913,701**	**–813,533**	**110,790**	**1,186,664**

Maturities	31.12.2007	31.12.2006
in EUR '000		
up to one year	664,059	580,502
from one to five years	278,052	228,851
from five to ten years	150,063	109,313
more than ten years	94,490	44,648
Total	**1,186,664**	**963,314**

9. RECEIVABLES

Detail	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
in EUR '000					
Underwriting	**605,539**	**86,964**	**7,989**	**700,492**	**593,130**
Receivables from direct insurance business	533,143	85,387	7,984	626,514	498,805
with policyholders	435,162	78,045	7,419	520,626	420,888
with insurance brokers	82,968	6,395	0	89,363	57,613
with insurance companies	15,013	947	565	16,525	20,304
Receivables from reinsurance business	72,396	1,577	5	73,978	94,325
Non-underwriting					
Other receivables	154,174	333,610	12,007	499,791	390,573
Total	**759,713**	**420,574**	**19,996**	**1,200,283**	**983,703**

Detail other receivables	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
in EUR '000					
Receivables from financial services and leasing	245	2,816	0	3,061	204
Proportionate interest and rent	26,761	241,752	6,346	274,859	211,823
Receivables from the revenue office	9,551	24,616	2,910	37,077	27,298
Receivables from employees	1,212	304	0	1,516	1,035
Receivables from sales/purchases of investments	680	25,927	0	26,607	32,967
Receivables from property managers	10,829	357	0	11,186	12,919
Receivables from third-party damage settlements	13,328	0	0	13,328	8,611
Receivables from loans	3,627	0	0	3,627	5,006
Outstanding interest and rent	8,324	8,172	831	17,327	2,603
Other receivables	79,617	29,666	1,920	111,203	88,107
Total	**154,174**	**333,610**	**12,007**	**499,791**	**390,573**

Maturities	Underwriting 31.12.2007	Non-underwriting 31.12.2007	Total 31.12.2007	Total 31.12.2006
in EUR '000				
up to one year	698,197	441,694	1,139,891	951,276
from one to five years	2,150	37,320	39,470	21,633
from five to ten years	145	10,094	10,239	9,395
more than ten years	0	10,683	10,683	1,399
Total	**700,492**	**499,791**	**1,200,283**	**983,703**

10. CASH AND CASH EQUIVALENTS

Detail	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
in EUR '000					
Current account balances at banks	157,551	111,217	6,378	275,146	222,306
Cash and cheques	1,971	583	0	2,554	4,137
Total	**159,522**	**111,800**	**6,378**	**277,700**	**226,443**

The cash and cash equivalents consist of cash on hand and demand deposits.

11. DEFFERED TAXES

The deferred tax credits and liabilities indicated relate to the amounts of temporary differences in balance sheet items listed in the following Table. (The differences were already valued using applicable tax rates.) It should be noted that deferred taxes, as far as allowable, are settled at the taxpayer level, and accordingly differing balances are shown either as assets or liabilities on the balance sheet.

Detail	Deferred tax assets 31.12.2007	Deferred tax liabilities 31.12.2007	Deferred tax assets 31.12.2006	Deferred tax liabilities 31.12.2006
in EUR '000				
Intangible assets	6,400	130	5,571	129
Investments	14,563	190,028	7,355	236,445
Receivables and other assets	13,970	8,358	6,986	4,225
Tax-free reserves	0	60,360	0	62,918
Underwriting provisions	123,605	27,953	124,200	22,589
Non-underwriting provisions	71,983	7,731	76,051	9,026
Liabilities	17,559	424	17,608	424
Total	**248,080**	**294,984**	**237,771**	**335,756**
Balance of deferred taxes		**46,904**		**97,985**

12. OTHER ASSETS

Detail	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
in EUR '000					
Tangible assets and inventories	53,471	15,865	92	69,428	62,319
Advance payments for projects	777	9	0	786	207
Tax prepayments	84,603	37,106	0	121,709	87,796
Other assets	13,294	10,007	1,827	25,128	16,129
Prepaid expenses	38,926	28,517	192	67,635	57,607
Total	**191,071**	**91,504**	**2,111**	**284,686**	**224,058**

Maturities	31.12.2007	31.12.2006
in EUR '000		
up to one year	142,703	89,847
from one to five years	121,123	118,070
from five to ten years	8,308	6,449
more than ten years	12,552	9,692
Total	**284,686**	**224,058**

Changes in tangible assets and inventories	31.12.2007	31.12.2006
in EUR '000		
Acquisition costs	192,455	169,692
Cumulative depreciation as of 31.12. of the previous year	–130,136	–113,217
Book value as of 31.12. of the previous year	**62,319**	**56,475**
Exchange rate	439	1,669
Book value as of 1.1.	**62,758**	**58,144**
Additions	29,969	26,530
Reductions	–6,102	–12,346
Change in scope of consolidation	1,534	3,438
Scheduled depreciations	–18,731	–13,447
Book value as of 31.12.	**69,428**	**62,319**
Cumulative depreciation as of 31.12.	146,806	130,136
Acquisition costs	**216,234**	**192,455**

13. CONSOLIDATED SHAREHOLDERS' EQUITY

Minority Interests	31.12.2007	31.12.2006
in EUR '000		
Unrealised gains and losses	–3,065	2,955
Share of result for the year	18,464	12,723
Other	262,059	55,121
Total	**277,458**	**70,799**

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". The number of ordinary shares outstanding was 105,000,000 for all of 2007.

Earnings per Share	2007	2006
Net income	EUR 312,618,000	EUR 260,902,000
Number of shares	105,000,000	105,000,000
Earnings per share	**EUR 2.98**	**EUR 2.48**

Since there were no potential ordinary shares with dilutive effects either in 2006 or in the current reporting period, the basic earnings per share correspond to the diluted earnings per share.

Consolidated shareholders' equity

The share capital of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP is equal to EUR 109,009,251.26. It is divided into 105,000,000 no-par value ordinary bearer shares with voting rights, each share representing an equal portion of share capital. The Management Board authorized, until 23 May 2010 at the latest, to increase the capital stock of the company – in several tranches if need be – by a par value of EUR 16,982,187.89 through the issuance of 16,357,600 no-par value ordinary bearer or registered shares against cash contributions or contributions in kind. The content of the share rights as well as the other terms and conditions of the share issue shall be decided upon by the Management Board, with the approval of the Supervisory Board. Preference shares without voting rights may also be issued as part of this process, with rights equivalent to those of existing preference shares. The issue prices of ordinary and preference shares may differ.

By resolution of the General Shareholders' Meeting of 25 May 2007, the following dividend distributions took place during the reporting period:

Distribution	Per share 2007	Total 2007
in EUR		
Ordinary shares	0.82	86,100,000

Proposed Allocation of Profits

WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP concluded fiscal year 2007, under Austrian accounting rules, with an unappropriated surplus for the year of EUR 196,255,109.16. The following allocation of profits has been proposed in connection with the ordinary General Shareholders' Meeting: The 105 million shares are to receive a dividend of EUR 1.10 per share. A total of EUR 115,500,000 is to be distributed. The unappropriated surplus of EUR 80,755,109.16 for the 2007 fiscal year remaining after distribution of dividends is to be carried forward to the next accounting period.

14. SUBORDINATED LIABILITIES

Subordinated liabilities involve 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)
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP	12.1.2005	180,000	17	First 12 years: 4.625% p.a.; thereafter variable	167,472
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP	12.1.2005	120,000	unlimited[1]	First years: 4.25% p.a.; thereafter variable	114,900
Donau Versicherung AG VIENNA INSURANCE GROUP	10.5.2004	50,000	unlimited[2]	4.95% p.a.	50,255
Donau Versicherung AG VIENNA INSURANCE GROUP	15.4.+21.5.2004	11,500	unlimited[3]	4.95% p.a.	11,483
Donau Versicherung AG VIENNA INSURANCE GROUP	1.7.1999	3,500	unlimited[4]	4.95% p.a.	3,504
Bank Austria Creditanstalt Versicherung AG	2.1.2004	25,000	10	4.95% p.a.	25,153
Bank Austria Creditanstalt Versicherung AG	21.12.2001	6,000	unlimited[5]	First 10 years: 6% p.a.; thereafter variable	6,204
Bank Austria Creditanstalt Versicherung AG	18.12.1998	5,814	unlimited[5]	variable	5,814
Bank Austria Creditanstalt Versicherung AG	2.1.2004	25,000	10	4.95% p.a.	25,153
Bank Austria Creditanstalt Versicherung AG	21.12.2001	3,000	unlimited[5]	First 10 years: 6% p.a.; thereafter variable	3,102
Bank Austria Creditanstalt Versicherung AG	23.4.1998	3,634	unlimited[5]	variable	3,634
Kooperativa pojišt'ovna, a.s., VIENNA INSURANCE GROUP	27.10.2007	9,462	unlimited[6]	4.5% p.a.	9,462
Total		**442,910**			**426,136**

[1] The right to ordinary and extraordinary cancellation by the holder is excluded. Regular cancellation by the issuer is first allowed effective 12 January 2017.
[2] This may be cancelled, in whole or in part, both by the holders as well as by Donau, not before 10 May 2014, upon the giving of 5 years' notice and as of May 10 of each subsequent year.
[3] This may be cancelled, in whole or in part, both by the holders as well as by Donau, not before 31 December 2009, upon the giving of 5 years' notice and as of December 31 of each subsequent year.
[4] This may be cancelled, in whole or in part, both by the holders as well as by Donau, not before 1 July 2002, upon the giving of 5 years' notice and as of July 1 of each subsequent year.
[5] This can only be cancelled subject to not less than five years' notice, unless Austrian insurance regulators agree to repayment being made early.
[6] This can only be cancelled subject to not less than five years´notice.

Interest on supplementary capital loans may be employed for disbursements only insofar as the interest is covered by the company's domestic profit for the year. However, interest is always included in costs.

15. PROVISIONS OF UNEARNED PREMIUMS

Detail	31.12.2007	31.12.2006
in EUR '000		
Property/casualty insurance	830,355	625,375
Life insurance	128,464	138,735
Health insurance	1,535	1,492
Total	**960,354**	**765,602**

Development	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
in EUR '000					
Book value as of 31.12.	**625,375**	**138,735**	**1,492**	**765,602**	**627,653**
Exchange rate	5,607	1,070	0	6,677	25,001
Book value as of 1.1.	**630,982**	**139,805**	**1,492**	**772,279**	**652,654**
Additions	688,413	104,152	1,535	794,100	591,970
Amount used/released	–531,569	–124,544	–1,492	–657,605	–532,328
Change in scope of consolidation	42,529	9,051	0	51,580	53,306
Book value as of 31.12.	**830,355**	**128,464**	**1,535**	**960,354**	**765,602**

Maturities	31.12.2007	31.12.2006
in EUR '000		
up to one year	930,673	738,734
from one to five years	28,616	26,868
from five to ten years	1,065	0
Total	**960,354**	**765,602**

16. MATHEMATICAL RESERVE

Detail	31.12.2007	31.12.2006
in EUR '000		
Property/casualty insurance	127	123
Life insurance	11,799,029	9,823,170
for guaranteed policy benefits	10,460,321	8,631,362
for allocated and committed profit shares	1,338,708	1,191,808
Health insurance	703,680	654,587
Total	**12,502,836**	**10,477,880**

Total development	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
in EUR '000					
Book value as of 31.12. of the previous year	**123**	**9,823,170**	**654,587**	**10,477,880**	**9,391,517**
Exchange rate	4	30,612	0	30,616	55,473
Book value as of 1.1.	**127**	**9,853,782**	**654,587**	**10,508,496**	**9,446,990**
Additions	25	1,978,493	49,093	2,027,611	1,907,431
Amount used/released	–25	–1,254,702	0	–1,254,727	–896,341
Change in scope of consolidation	0	1,221,456	0	1,221,456	19,800
Book value as of 31.12.	**127**	**11,799,029**	**703,680**	**12,502,836**	**10,477,880**

Maturities	31.12.2007	31.12.2006
in EUR '000		
up to one year	1,705,415	667,474
from one to five years	3,402,969	2,977,900
from five to ten years	2,700,167	3,122,203
more than ten years	4,694,285	3,710,303
Total	**12,502,836**	**10,477,880**

Life insurance mathematical reserve	31.12.2007	31.12.2006
in EUR '000		
Direct business	11,642,727	9,685,961
Policy benefits	10,304,020	8,494,153
Allocated profit shares	1,316,025	1,165,822
Committed profit shares	22,682	25,986
Indirect business	156,302	137,209
Policy benefits	156,302	137,209
Total	**11,799,029**	**9,823,170**

Health insurance mathematical reserve	31.12.2007	31.12.2006
in EUR '000		
Direct business	702,688	653,638
Individual policies	565,641	528,987
Group policies	137,047	124,651
Indirect business	992	949
Total	**703,680**	**654,587**

17. PROVISION FOR OUTSTANDING INSURANCE CLAIMS

Detail	31.12.2007	31.12.2006
in EUR '000		
Property/casualty insurance	2,866,932	2,525,041
Life insurance	98,499	76,563
Health insurance	43,520	42,651
Total	**3,008,951**	**2,644,255**

Development Property/Casualty insurance	31.12.2007	31.12.2006
in EUR '000		
Book value as of 31.12. of the previous year	**2,525,041**	**2,192,231**
Exchange rate	28,989	52,320
Book value as of 1.1.	**2,554,030**	**2,244,551**
Claims expenditure	2,183,031	1,948,770
Claims payments and processing expenses	–1,917,993	–1.716.440
Other changes	47,864	48,160
Book value as of 31.12.	**2,866,932**	**2,525,041**

Maturities	31.12.2007	31.12.2006
in EUR '000		
up to one year	1,687,251	1,560,653
from one to five years	594,026	593,341
from five to ten years	282,715	214,242
more than ten years	444,959	276,019
Total	**3,008,951**	**2,644,255**

A detailed presentation of the gross claims reserve is to be found in the section “Risk Reporting,” under the heading with the same name.

18. PROFIT INDEPENDENT AND PROFIT DEPENDENT PREMIUMS REFUND

Detail	31.12.2007	31.12.2006
in EUR '000		
Property/casualty insurance	28,585	22,191
of which dependent on profit	196	199
of which not dependent on profit	28,389	21,992
Life insurance	555,982	683,925
of which dependent on profit	553,965	683,925
of which not dependent on profit	17	0
Health insurance	18,321	18,401
dof which dependent on profit	3,601	3,601
of which not dependent on profit	14,720	14,800
Total	**600,888**	**724,517**
of which deferred life insurance profit participation	319,463	503,333
recognised in profit or loss	227,553	72,415
not recognised in profit or loss	91,910	430,918

Development in life insurance	31.12.2007	31.12.2006
in EUR '000		
Provision for refund of premiums		
Book value as of 31.12. of the previous year	**180,592**	**164,109**
Exchange rate	323	3,091
Book value as of 1.1.	**180,915**	**167,200**
Addition/release	134,568	109,628
Change in scope of consolidation	29,453	0
Transfer to mathematical reserve	–110,417	–96,236
Total	**234,519**	**180,592**
Deferred profit participation		
Book value as of 31.12. of the previous year	**503,333**	**545,867**
Exchange rate	–166	–5,963
Book value as of 1.1.	**503,167**	**539,904**
Change in scope of consolidation	57,482	0
Unrealised gains/losses from financial investments available for sale	–387,813	–85,909
Revaluations recognised through profit or loss	146,627	49,338
Book value as of 31.12.	**319,463**	**503,333**
PROVISION FOR REFUND OF PREMIUMS INCL. DEFERRED PROFIT PARTICIPATION	**553,982**	**683,925**

Development to health insurance	31.12.2007	31.12.2006
in EUR '000		
Provision for refund of premiums		
Book value as of 31.12. of the previous year	**18,401**	**17,531**
Book value as of 1.1.	**18,401**	**17,531**
Addition/release	–80	870
Book value as of 31.12.	**18,321**	**18,401**

Maturities	31.12.2007	31.12.2006
in EUR '000		
up to one year	403,584	503,333
from one to five years	178,991	165,635
from five to ten years	15,253	55,549
more than ten years	3,060	0
Total	**600,888**	**724,517**

19. OTHER UNDERWRITING PROVISIONS

Detail	31.12.2007	31.12.2006
in EUR '000		
Property/casualty insurance	12,668	11,848
Life insurance	5,488	3,449
Health insurance	944	870
Total	**19,100**	**16,167**

Other underwriting provisions relate chiefly to provision for anticipated lapses.

Development	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
in EUR '000					
Book value as of 31.12. of the previous year	**11,848**	**3,449**	**870**	**16,167**	**15,239**
Exchange rate	–3	–21	0	–24	13
Book value as of 1.1.	**11,845**	**3,428**	**870**	**16,143**	**15,252**
Additions	11,330	4,724	944	16,998	7,859
Amount used/released	–10,507	–2,837	–870	–14,214	–6,976
Change in scope of consolidation	0	173	0	173	32
Book value as of 31.12.	**12,668**	**5,488**	**944**	**19,100**	**16,167**

Maturities	31.12.2007	31.12.2006
in EUR '000		
up to one year	18,750	16,027
from one to five years	186	140
from five to ten years	164	0
Total	**19,100**	**16,167**

20. UNDERWRITING PROVISIONS OF UNIT-LINKED AND INDEX-LINKED LIFE INSURANCE

Detail	31.12.2007	31.12.2006
in EUR '000		
Unit-linked life insurance	2,481,980	1,955,926
Index-linked life insurance	466,542	282,935
Total	**2,948,522**	**2,238,861**

Development	31.12.2007	31.12.2006
in EUR '000		
Book value as of 31.12. of the previous year	**2,238,861**	**1,729,868**
Exchange rate	8,087	2,238
Book value as of 1.1.	**2,246,948**	**1,732,106**
Additions	689,391	569,789
Amount used/released	–141,775	–63,034
Change in scope of consolidation	153,958	0
Book value as of 31.12.	**2,948,522**	**2,238,861**

Maturities	31.12.2007	31.12.2006
in EUR '000		
up to one year	94,853	20,687
from one to five years	352,364	293,202
from five to ten years	803,491	766,356
more than ten years	1,697,814	1,158,616
Total	**2,948,522**	**2,238,861**

21. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Detail	31.12.2007	31.12.2006
in EUR '000		
Provisions for pension obligations	274,885	405,858
Provisions for post-employment obligations	129,733	120,526
Total	**404,618**	**526,384**

Development in pension obligations	31.12.2007	31.12.2006
in EUR '000		
Present value of the obligation (DBO) as of 31.12. of the previous year	**446,721**	**505,686**
Unrealised gains/losses	–40,863	–39,333
Book value as of 1.1.	**405,858**	**466,353**
Withdrawals for pension payments	–24,023	–20,723
Additions to provisions	33,105	32,509
Reduction in the obligation	–149,185	–78,661
Change in scope of consolidation	9,130	6,380
Book value as of 31.12.	**274,885**	**405,858**
Accumulated unrealised gains/losses	37,688	40,863
Present value of the obligation (DBO) as of 31.12.	**312,573**	**446,721**

Development in severance obligations	31.12.2007	31.12.2006
in EUR '000		
Book value as of 1.1.	**120,526**	**116,349**
Change in scope of consolidation	–5,144	–9,715
Additions to provisions	13,536	11,942
Withdrawals for post-employment benefit payments	815	1,950
Book value as of 31.12.	**129,733**	**120,526**

The following amounts are included in the income statements for the period under review and the comparative period from the previous year:

Detail of additions to pension provisions	31.12.2007	31.12.2006
in EUR '000		
Current service cost	8,158	8,041
Interest expense	24,947	24,435
Realised actuarial gains (-) or losses (+)	0	33
Total	**33,105**	**32,509**

Detail of additions to severance provisions	31.12.2007	31.12.2006
in EUR '000		
Current service cost	7,657	6,146
Interest expense	5,833	5,746
Realised actuarial gains (-) or losses (+)	46	50
Total	**13,536**	**11,942**

The current service cost is recognised in the income statement by analogy to the current personnel expense from salaries. The interest expense is shown in the expenses for investments.

22. PROVISIONS FOR TAXES

Detail	31.12.2007	31.12.2006
in EUR '000		
Property/casualty insurance	66,729	45,120
Life insurance	54,831	27,270
Health insurance	4,469	4,469
Total	**126,029**	**76,859**

Development	31.12.2007	31.12.2006
in EUR '000		
Book value as of 31.12. of the previous year	**76,859**	**68,779**
Exchange rate	583	616
Book value as of 1.1.	**77,442**	**69,395**
Additions	48,261	19,894
Releases	–64	–4,733
Amount used	–12,069	–7,697
Veränderung Konsolidierungskreis	12.459	0
Book value as of 31.12.	**126,029**	**76,859**

Maturities	31.12.2007	31.12.2006
in EUR '000		
up to one year	126,029	76,859

23. OTHER PROVISIONS

Detail	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
in EUR '000					
Provision for unused vacation entitlements	22,668	9,263	0	31,931	30,179
Provision for anniversary payments	8,839	5,551	1,928	16,318	15,578
Other personnel provisions	1,416	343	0	1,759	1,826
Provision for derivatives trading	0	90	0	90	10,296
Provisions for customer support and marketing	34,645	381	0	35,026	30,232
Provision for variable salary components	6,376	2,388	0	8,764	6,466
Provision for legal and consulting fees	1,518	1,198	27	2,743	1,770
Provisions for litigation	132	173	8	313	941
Provision for renewal commissions	0	231	0	231	145
Provision for unpaid incoming invoices	3,517	20,792	0	24,309	17,065
Other provisions	117,394	25,135	142	142,671	117,893
Total	**196,505**	**65,545**	**2,105**	**264,155**	**232,391**

Development	Book value 1.1.2007	Change in scope of con-solidation	Exchange rate	Amount used	Released	Rebooking	Additi-ons	Book value 31.12.2007
in EUR '000								
Provision for unused vacation entitlements	30,179	464	146	–3,550	–25,733	0	30,425	31,931
Provision for anniversary payments	15,578	431	30	–366	–2,237	0	2,882	16,318
Other personnel provisions	1,826	0	39	–205	–1,055	0	1,154	1,759
Provision for derivatives trading	10,296	0	0	–1,140	–1,847	–6,995	76	90
Provisions for customer support and marketing	30,232	0	9	–726	–13,748	0	19,259	35,026
Provision for variable salary components	6,466	141	122	–1,005	–1,407	0	4,447	8,764
Provision for legal and consulting fees	1,770	73	4	–978	–162	–9	2,045	2,743
Provisions for litigation	941	97	3	–47	–848	0	167	313
Provision for renewal commissions	145	0	8	–70	–1	0	149	231
Provision for unpaid incoming invoices from real estate	17,065	0	123	–12,926	–1	0	20,048	24,309
Other provisions	117,893	–91	2,706	–20,495	–12,923	9	55,572	142,670
Total	**232,391**	**1,115**	**3,190**	**–41,808**	**–59,962**	**–6,995**	**136,224**	**264,155**

Maturities	31.12.2007	31.12.2006
in EUR '000		
up to one year	136,007	101,773
from one to five years	76,515	60,261
from five to ten years	893	0
more than ten years	50,740	70,357
Total	**264,155**	**232,391**

24. LIABILITIES

Detail	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
in EUR '000					
Underwriting	**388,074**	**347,785**	**7,141**	**743,000**	**592,616**
Liabilities from direct business	293,055	115,032	6,037	414,124	396,011
with policyholders	189,055	65,467	5,777	260,299	271,707
with insurance brokers	81,381	18,166	0	99,547	86,932
with insurance companies	22,619	491	260	23,370	11,357
under financial insurance contracts	0	30,908	0	30,908	26,015
Liabilities from reinsurance business	93,886	9,826	0	103,712	85,872
Deposits on ceded reinsurance business	1,133	222,927	1,104	225,164	110,733
Non-underwriting	**217,384**	**1,513,944**	**214,346**	**1,945,674**	**1,263,823**
Liabilities to banks	138,269	558,124	122,584	818,977	483,282
Miscellaneous liabilities	79,115	955,820	91,762	1,126,697	780,541
Total	**605,458**	**1,861,729**	**221,487**	**2,688,674**	**1,856,439**

Detail of miscellaneous liabilities	**31.12.2007**	**31.12.2006**
in EUR '000		
Tax liabilities	52,297	42,603
Liabilities for social security	12,841	10,827
Liabilities to property managers	902	272
Liabilities to employees	13,118	12,373
Bond liabilities	2,088	2,225
Other miscellaneous liabilities	1,045,451	712,241
Total	**1,126,697**	**780,541**

Maturities	**Underwriting**	**Non-underwriting**	**Total**	**Total**
	31.12.2007	**31.12.2007**	**31.12.2007**	**31.12.2006**
in EUR '000				
up to one year	712,897	205,848	918,745	879,065
from one to five years	10,625	266,938	277,563	159,990
from five to ten years	4,687	156,060	160,747	165,671
more than ten years	14,791	1,316,828	1,331,619	651,713
Total	**743,000**	**1,945,674**	**2,688,674**	**1,856,439**

Other liabilities are comprised primarily of liabilities from purchases of assets (EUR 30.568 million), financing liabilities (EUR 833.604 million), and interest on supplementary capital (EUR 4.232 million).

25. OTHER LIABILITIES

Detail	**Property/Casualty**	**Life**	**Health**	**Total**	**Total**
	31.12.2007	**31.12.2007**	**31.12.2007**	**31.12.2007**	**31.12.2006**
in EUR '000					
Accrued liabilities	72,785	5,731	252	78,768	104,631
Miscellaneous other liabilities	2,916	24	0	2,940	1,532
Total	**75,701**	**5,755**	**252**	**81,708**	**106,163**

26. CONTINGENT LIABILITIES AND RECEIVABLES

Litigation

Wiener Städtische AG and its affiliated companies are involved in a number of legal disputes arising from the normal course of business. A description of certain pending and threatened legal proceedings is provided below. Unless discussed below, the management of Wiener Städtische AG does not expect legal disputes and legal proceedings to which the companies of the Vienna Insurance Group are a party or which are being threatened against them will have a material adverse effect on the business or consolidated financial position of the Vienna Insurance Group.

Coverage-related proceedings

In its capacity as an insurance company, the Vienna Insurance Group and its affiliated companies are involved as a defendant in a number of court proceedings or have been threatened with legal actions. In addition, there are proceedings to which the companies of the Vienna Insurance Group are not a party, but whose outcome could have an effect on them due to agreements with other insurers concerning participation in losses. In the opinion of the Vienna Insurance Group, adequate provisions have been formed to all claims of the Austrian Group companies, based on the amount in dispute.

Threatened and Pending Judicial and Arbitration Proceedings

Legal action by the Association for Consumer Information (Verein für Konsumenteninformation, VKI)
In a class action suit filed in 2005, the Association for Consumer Information objected to some of the clauses contained in Wiener Städtische AG's standard contract terms (AVB) for traditional life insurance due, among other things, to a violation of the transparency requirement, and has demanded that

Wiener Städtische AG omit these clauses in the future. Since that time, the suit has also been extended to Wiener Städtische AG's standard contract terms for unit-linked life insurance. The objection is aimed specifically against the following traditional life insurance provisions:

- Allocation of the full costs of writing a policy right at the start of the policy ("zillmerisation");
- Deduction of a charge against the surrender value of a policy;
- Restriction of valid declarations made by the insurer to those made in writing;
- Deemed delivery of a declaration made by the insurer to the policyholder when the declaration is sent to the last address of the policyholder known to the insurer.

With respect to unit-linked life insurance, VKI objects to the following provisions of the standard contract terms:

- The way in which the costs of the policy are allocated against the insurance premium and the manner in which these costs are presented;
- Deduction of a death risk premium from the actuarial reserve;
- Specification of a direct debit procedure as the only possible way to make premium payments;
- Charges for policy set-up costs and a processing fee in the case of policy surrender;
- Allocation of the costs of writing a policy to the start of the policy term.

In addition to Wiener Städtische AG, the other Austrian companies in the Group and most other large Austrian insurance companies have comparable clauses in their standard contract terms. VKI has also filed similar legal actions against UNION (which in the mean-time has merged with BA-CA Versicherung) and other Austrian insurance companies. Wiener Städtische AG und BA-CA Versicherung are disputing the legitimacy of VKI's action. They also consider the action to be without merit, particularly in view of the fact that the contract clauses criticized by VKI as non-transparent and/or unlawful are either specified in individual agreements or reflect statutory provisions. The claim against Wiener Städtische AG was granted in all forums (most recently on 15 November 2007). VKI waived publication of the decision. The challenged clauses were replaced with new ones – with the substantive approval of the Financial Market Authority – which are also legal from the standpoint of this judicial decision. Similarly, the claim against BA-CA Versicherung was granted in the courts of first and second instance (most recently on 12 October 2007). However, an extraordinary appeal from the appellate court's ruling was filed, and the decision of the Supreme Court of Justice is still pending. The Vienna Insurance Group has already formed provisions against the consequences of the judicial decisions which it regards as adequate given the current status of the proceedings. The management of the Vienna Insurance Group does not believe that the decisions will have a material impact on the Vienna Insurance Group's net assets, financial position or results of operations.

Off-balance sheet commitments

The following table shows the off-balance sheet commitments as at 31 December 2007, 2006 and 2005.

	Financial year ended 31 December		
in million EUR	**2005**	**2006**	**2007**
Liabilities and assumed liabilities	11.0	11.0	18.2
Letters of comfort	8.2	11.2	8.2
Guarantee bonds	0.2	0.2	2.2

The liabilities and assumed liabilities, as well as the letters of comfort for the individual financial years were primarily related to loans from holding companies. The guarantee bond was in relation to an operating company.

No off-balance sheet financing structures via special purpose vehicles (SPVs) or other similar corporate structures exist.

27. NET EARNED PREMIUMS

The premiums written and earned in the reporting period of 2007 and in the comparable period of 2006 are broken down by segments as follows:

Premiums written	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
GROSS				
Direct business	3,647,516	2,930,963	306,375	6,884,854
Austria	1,474,451	1,898,439	306,375	3,679,265
Czech Repbulic	830,859	292,326	0	1,123,185
Slovakia	295,720	197,664	0	493,384
Poland	323,766	218,799	0	542,565
Romania	399,070	13,602	0	412,672
Other CEE	257,696	124,916	0	382,612
Other markets	65,954	185,217	0	251,171
Indirect business	23,652	3,203	222	27,077
Premiums written	**3,671,168**	**2,934,166**	**306,597**	**6,911,931**
CEDED TO REINSURERS	–784,132	–58,221	–982	–843,335
Premiums written – retained	**2,887,036**	**2,875,945**	**305,615**	**6,068,596**

Net earned premiums	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
GROSS				
Direct business	3,493,890	2,945,986	306,258	6,746,134
Indirect business	22,868	3,264	222	26,354
Net earned premiums	**3,516,758**	**2,949,250**	**306,480**	**6,772,488**
CEDED TO REINSURERS	–770,005	–59,808	–982	–830,795
Net earned premiums – retained	**2,746,753**	**2,889,442**	**305,498**	**5,941,693**

Premiums written	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
in EUR '000				
GROSS				
Direct business	3,038,811	2,502,848	297,720	5,839,379
Austria	1,399,358	1,711,393	297,720	3,408,471
Czech Republic	783,686	259,513	0	1,043,199
Slovakia	246,392	141,215	0	387,607
Poland	215,707	119,340	0	335,047
Romania	213,814	12,092	0	225,906
Other CEE	117,689	80,684	0	198,373
Other markets	62,165	178,611	0	240,776
Indirect business	28,340	13,611	180	42,131
Premiums written	**3,067,151**	**2,516,459**	**297,900**	**5,881,510**
CEDED TO REINSURERS	–753,461	–38,415	–983	–792,859
Premiums written – retained	**2,313,690**	**2,478,044**	**296,917**	**5,088,651**

Net earned premiums	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
in EUR '000				
GROSS				
Direct business	2,979,545	2,502,410	297,324	5,779,279
Indirect business	28,937	13,586	180	42,703
Net earned premiums	**3,008,482**	**2,515,996**	**297,504**	**5,821,982**
CEDED TO REINSURERS	–743,778	–38,542	–984	–783,304
Net earned premiums – retained	**2,264,704**	**2,477,454**	**296,520**	**5,038,678**

Gross premiums written – Property/casualty insurance	Gross 2007	Ceded to reinsurers 2007	Retained 2007	Gross 2006
in EUR '000				
Direct business				
Insurance for business interruption following fire	456,168	–264,900	191,268	404,634
Household insurance	183,343	–23,236	160,107	165,942
Other non-life insurance	310,727	–126,248	184,479	251,912
Motor vehicle liability insurance	1,077,546	–152,862	924,684	903,947
Other motor vehicle insurance	820,445	–50,482	769,963	599,171
Casualty insurance	244,825	–39,594	205,231	214,307
Liability insurance	235,279	–44,341	190,938	209,641
Legal expenses insurance	43,360	–349	43,011	42,158
Marine, aviation, and transport insurance	59,052	–36,626	22,426	44,103
Credit and guarantee insurance	56,979	–2,712	54,267	35,007
Other insurance	159,792	–24,358	135,434	167,989
Subtotal	3,647,516	–765,708	2,881,808	3,038,811
Indirect business				
Marine, aviation, and transport insurance	1,401	–93	1,308	1,022
Other insurance	22,251	–18,331	3,920	27,318
Subtotal	23,652	–18,424	5,228	28,340
Total	**3,671,168**	**–784,132**	**2,887,036**	**3,067,151**

A portion of the earned premiums of EUR 22,868,000 (EUR 29,937,000) from **indirect business** in the property/casualty insurance area and EUR 3,264,000 (EUR 13,586,000) in the life insurance area were included in the income statement after being deferred by one year.

Premiums written – Direct life insurance business	2007	2006
in EUR '000		
Regular premium policies	1,795,877	1,489,521
Endowment insurance, not including risk insurance	758,133	736,956
Risk insurance	171,298	132,241
Pension insurance	276,551	222,151
Unit-linked insurance	356,317	250,211
Index-linked insurance	40,096	1,866
Government-sponsored pension plans	193,482	146,096
Single premium policies	1,135,086	1,013,327
Endowment insurance, not including risk insurance	530,782	504,163
Risk insurance	34,031	27,465
Pension insurance	157,359	172,606
Unit-linked insurance	321,384	259,397
Index-linked insurance	91,530	49,696
Total direct life premiums written	**2,930,963**	**2,502,848**
of which:		
Policies with profit participation	1,724,693	1,646,190
Policies without profit participation	1,206,270	856,658
of which:		
Individual policies	2,605,864	2,290,767
Group policies	325,099	212,081

Please refer to the relevant individual financial statements for information on investments of unit- and index-linked life insurance.

Gross premiums written – Health insurance	2007	2006
in EUR '000		
Direct business	306,375	297,720
Individual policies	214,736	207,945
Group policies	91,639	89,775
Indirect business	222	180
Group policies	222	180
Total health premiums written	**306,597**	**297,900**

28. RESULT FROM SHARES IN AFFILIATED AND ASSOCIATED COMPANIES

Detail – income	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
Current income	476	6,335	–164	6,647
Gains from disposal of investments	265	37	0	302
Total	**741**	**6,372**	**–164**	**6,949**

Detail – income	Current income 2007	Gains from disposal of investments 2007	Total 2007
in EUR '000			
Shares in unconsolidated affiliated companies	1,599	265	1,864
Shares in associated companies valued at equity	5,048	37	5,085
Total	**6,647**	**302**	**6,949**

Detail – income	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
in EUR '000				
Current income	3,111	23,864	6	26,981
Gains from disposal of investments	50	3,427	0	3,477
Total	**3,161**	**27,291**	**6**	**30,458**

Detail – income	Current income 2006	Gains from disposal of investments 2006	Total 2006
in EUR '000			
Shares in fully consolidated affiliated companies	0	3,434	3,434
Shares in unconsolidated affiliated companies	22,660	43	22,703
Shares in associated companies valued at equity	4,321	0	4,321
Total	**26,981**	**3,477**	**30,458**

Detail – expenses	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
Depreciation on investments	71	8	0	79

Detail – expenses	Depreciation on Investments 2007	Total 2007
in EUR '000		
Shares in unconsolidated affiliated companies	79	79

Detail – expenses	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
in EUR '000				
Depreciation on investments	291	20,931	0	21,222
Losses from disposal of investments	2,530	1,705	0	4,235
Total	**2,821**	**22,636**	**0**	**25,457**

Detail – expenses	Depreciation on Investments investments 2006	Losses from disposal of 2006	Total 2006
in EUR '000			
Shares in unconsolidated affiliated companies	21,222	4,235	25,457

The current loss from associated companies consolidated at equity not recognised in the income statement was EUR 9,000.

29. FINANCIAL RESULT

Detail – income	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
Current income	145,814	821,963	30,413	998,190
Income from write-ups	10,548	25,816	2,210	38,574
Income from the disposal of investments	84,726	308,414	9,996	403,136
Total	**241,088**	**1,156,193**	**42,619**	**1,439,900**

Detail – income	Current income 2007	Income from write-ups 2007	Gains from the disposal of investments 2007	Total 2007
in EUR '000				
Owner-occupied land and buildings	10,983	0	3,196	14,179
Third-party leased land and buildings	204,098	0	26,899	230,997
Shares of other companies in which an ownership interest is held	12,468	0	11,034	23,502
Loans	63,460	0	17	63,477
Financial investments held to maturity	15,524	0	2,413	17,937
Fixed-interest securities	15,468	0	2,413	17,881
Other securities	56	0	0	56
Financial investments available for sale	563,948	0	329,185	893,133
Equities	41,076	0	230,397	271,473
Investment funds	61,737	0	69,039	130,776
Remaining non-fixed-interest securities	26,336	0	5,312	31,648
Fixed-interest securities of associated companies	1,061	0	0	1,061
Fixed-interest securities of participating companies	13,771	0	89	13,860
Fixed-interest securities	419,071	0	24,348	443,419
Other securities	896	0	0	896
Trading assets	19,413	32,407	18,907	70,727
Fixed-interest securities	18,052	20,078	3,297	41,427
Equities	420	5,653	4,727	10,800
Investment funds	26	922	137	1,085
Derivates	0	5,754	10,746	16,500
Other securities	915	0	0	915
Financial investments recognised at fair value through profit or loss	5,716	6,167	5,233	17,116
Fixed-interest securities	5,095	3,196	55	8,346
Equities	196	2,096	1,823	4,115
Investment funds	360	875	3,355	4,590
Other securities	65	0	0	65
Other investments	88,926	0	708	89,634
Unit-linked and index-linked life insurance	13,654	0	5,544	19,198
Total	**998,190**	**38,574**	**403,136**	**1,439,900**

Detail – income	**Property/Casualty 2006**	**Life 2006**	**Health 2006**	**Total 2006**
in EUR '000				
Current income	222,464	540,289	37,472	800,225
Income from write-ups	9,549	21,858	996	32,403
Income from the disposal of investments	36,751	166,715	10,489	213,955
Total	**268,764**	**728,862**	**48,957**	**1,046,583**

Detail – income	**Current income 2006**	**Income from write-ups 2006**	**Gains from the disposal of investments 2006**	**Total 2006**
in EUR '000				
Owner-occupied land and buildings	8,030	0	3,064	11,094
Third-party leased land and buildings	149,554	0	4,820	154,374
Shares of other companies in which an ownership interest is held	18,179	0	10,502	28,681
Loans	60,990	0	30	61,020
Financial investments held to maturity	13,193	0	0	13,193
Fixed-interest securities	13,189	0	0	13,189
Other securities	4	0	0	4
Financial investments available for sale	457,592	0	181,010	638,602
Equities	34,716	0	115,708	150,424
Investment funds	42,603	0	46,660	89,263
Remaining non-fixed-interest securities	23,113	0	1,214	24,327
Fixed-interest securities of associated companies	842	0	32	874
Fixed-interest securities of participating companies	9,317	0	2,479	11,796
Fixed-interest securities	346,383	0	14,917	361,300
Other securities	618	0	0	618
Trading assets	14,041	28,418	7,473	49,932
Fixed-interest securities	13,080	23,546	734	37,360
Equities	216	3,451	1,655	5,322
Investment funds	4	686	214	904
Derivates	0	735	4,870	5,605
Other securities	741	0	0	741
Financial investments recognised at fair value through profit or loss	3,272	3,979	1,285	8,536
Fixed-interest securities	2,955	1,300	143	4,398
Equities	20	1,344	206	1,570
Investment funds	297	1,305	936	2,538
Other securities	0	30	0	30
Other investments	62,215	6	1,170	63,391
Unit-linked and index-linked life insurance	13,159	0	4,601	17,760
Total	**800,225**	**32,403**	**213,955**	**1,046,583**

Detail – expenses	**Property/Casualty 2007**	**Life 2007**	**Health 2007**	**Total 2007**
in EUR '000				
Depreciation on investments	42,939	102,040	10,990	155,969
Exchange rate	–206	1,502	3	1,299
Losses from the disposal of investments	8,441	58,053	4,580	71,074
Interest expenses	26,086	87,814	7,834	121,734
Personnel provision	14,657	13,807	2,849	31,313
Interest on borrowings	11,429	74,007	4,985	90,421
Other expenses	16,039	75,105	2,906	94,050
Total	**93,299**	**324,514**	**26,313**	**444,126**

Detail – expenses	**Depreciation on Investments 2007**	**Exchange rate changes 2007**	**Losses from the disposal of investments 2007**	**Total 2007**
in EUR '000				
Owner-occupied land and buildings	11,502	0	860	12,362
Third-party leased land and buildings	84,552	0	0	84,552
Shares of other companies in which an ownership interest is held	3,543	0	46	3,589
Loans	161	–18	0	143
Financial investments held to maturity	0	102	30	132
Fixed-interest securities	0	102	30	132
Financial investments available for sale	15,003	1,902	48,865	65,770
Equities	12,003	–30	13,567	25,540
Investment funds	1,540	0	14,839	16,379
Remaining non-fixed-interest securities	210	372	4,147	4,729
Fixed-interest securities of associated companies	0	0	78	78
Fixed-interest securities of participating companies	0	83	596	679
Fixed-interest securities	1,250	1,478	15,638	18,366
Other securities	0	–1	0	–1
Trading assets	31,841	1,077	17,049	49,967
Fixed-interest securities	28,313	1,077	1,000	30,390
Equities	1,310	0	740	2,050
Investment funds	1,185	0	9	1,194
Derivates	718	0	15,092	15,810
Other securities	315	0	208	523
Financial investments recognised at fair value through profit or loss	9,324	222	2,115	11,661
Fixed-interest securities	6,961	27	1,117	8,105
Equities	1,848	116	295	2,259
Investment funds	515	79	703	1,297
Other investments	43	–1,986	1,231	–712
Unit-linked and index-linked life insurance	0	0	878	878
Total	**155,969**	**1,299**	**71,074**	**228,342**
thereof impairment	*30,952*			

Detail – expenses	**Property/Casualty 2006**	**Life 2006**	**Health 2006**	**Total 2006**
in EUR '000				
Depreciation on investments	49,933	56,357	18,880	125,170
Exchange rate	1,694	660	–5	2,349
Losses from the disposal of investments	3,471	37,462	7,244	48,177
Interest expenses	43,341	31,732	6,459	81,532
Personnel provision	14,932	12,959	2,844	30,735
Interest on borrowings	28,409	18,773	3,615	50,797
Other expenses	56,399	19,170	2,338	77,907
Total	**154,838**	**145,381**	**34,916**	**335,135**

Detail – expenses	**Depreciation on Investments 2006**	**Exchange rate changes 2006**	**Losses from the disposal of investments 2006**	**Total 2006**
in EUR '000				
Owner-occupied land and buildings	7,060	0	188	7,248
Third-party leased land and buildings	94,816	0	162	94,978
Shares of other companies in which an ownership interest is held	1,999	0	194	2,193
Loans	4,016	–11	6	4,011
Financial investments held to maturity	0	732	0	732
Fixed-interest securities	0	734	0	734
Other securities	0	–2	0	–2
Financial investments available for sale	4,175	–663	38,755	42,267
Equities	3,862	0	4,341	8,203
Investment funds	309	0	7,672	7,981
Remaining non-fixed-interest securities	0	0	61	61
Fixed-interest securities of associated companies	4	0	55	59
Fixed-interest securities of participating companies	0	41	586	627
Fixed-interest securities	0	–480	22,100	21,620
Other securities	0	–224	3,940	3,716
Trading assets	11,221	1,655	6,988	19,864
Fixed-interest securities	8,261	1,631	1,604	11,496
Equities	1,030	0	1,504	2,534
Investment funds	64	24	0	88
Derivates	1,397	0	3,736	5,133
Other securities	469	0	144	613
Financial investments recognised at fair value through profit or loss	1,573	124	448	2,145
Fixed-interest securities	1,119	159	442	1,720
Equities	88	0	0	88
Investment funds	359	–35	6	330
Other securities	7	0	0	7
Other investments	310	512	63	885
Unit-linked and index-linked life insurance	0	0	1,373	1,373
Total	**125,170**	**2,349**	**48,177**	**175,696**
thereof impairment	*38,174*			

The 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. OTHER INCOME

Detail	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
Other underwriting income	23,981	6,372	33	30,386
Other non-underwriting income	11,281	10,291	2	21,574
Total	**35,262**	**16,663**	**35**	**51,960**

The Other income of EUR 9.899 million results primarily from current non-underwriting income from fully consolidated non-insurance companies. An additional EUR 6.948 million results from the payment of receivables written off in prior periods.

Detail	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
in EUR '000				
Other underwriting income	27,929	9,903	300	38,132
Other non-underwriting income	11,832	11,446	2	23,280
Total	**39,761**	**21,349**	**302**	**61,412**

31. EXPENSES FOR CLAIMS AND INSURANCE BENEFITS

Detail	Gross	Ceded to reinsurers	Retained
	2007	2007	2007
in EUR '000			
Property/casualty insurance			
Expenses for insurance claims			
Claims and benefits	1,917,993	–386,330	1,531,663
Changes in provisions for outstanding claims	265,038	–53,785	211,253
SUBTOTAL	**2,183,031**	**–440,115**	**1,742,916**
Change in mathematical reserve	1	3	4
Change in other underwriting provisions	1,071	–64	1,007
Expenses for the refund of premiums not dependent on profit	21,432	–998	20,434
TOTAL EXPENSES	**2,205,535**	**–441,174**	**1,764,361**
Life insurance			
Expenses for insurance benefits			
Claims and benefits	1,449,787	–25,255	1,424,532
Changes in provisions for outstanding claims	14,845	–998	13,847
SUBTOTAL	**1,464,632**	**–26,253**	**1,438,379**
Change in mathematical reserve	1,299,023	–23,569	1,275,454
Change in other underwriting provisions	267	0	267
Expenses for the refund of premiums dependent to and not dependent on profit	286,140	–14	286,126
TOTAL EXPENSES	**3,050,062**	**–49,836**	**3,000,226**
Health insurance			
Expenses for insurance claims			
Claims and benefits	207,303	–899	206,404
Changes in provisions for outstanding claims	869	–42	827
SUBTOTAL	**208,172**	**–941**	**207,231**
Change in mathematical reserve	49,021	–81	48,940
Expenses for the refund of premiums not dependent on profit	10,749	0	10,749
TOTAL EXPENSES	**267,942**	**–1,022**	**266,920**
TOTAL	**5,523,539**	**–492,032**	**5,031,507**

Detail	Gross 2006	Ceded to reinsurers 2006	Retained 2006
in EUR '000			
Property/casualty insurance			
Expenses for insurance claims			
Claims and benefits	1,716,440	–354,442	1,361,998
Changes in provisions for outstanding claims	204,998	–61,540	143,458
SUBTOTAL	**1,921,438**	**–415,982**	**1,505,456**
Change in mathematical reserve	–70	46	–24
Change in other underwriting provisions	999	–3,889	–2,890
Expenses for the refund of premiums not dependent on profit	15,421	–177	15,244
TOTAL PAYMENTS	**1,937,788**	**–420,002**	**1,517,786**
Life insurance			
Expenses for insurance benefits			
Claims and benefits	1,011,073	–14,373	996,700
Changes in provisions for outstanding claims	1,725	798	2,523
SUBTOTAL	**1,012,798**	**–13,575**	**999,223**
Change in mathematical reserve	1,289,309	–13,204	1,276,105
Change in other underwriting provisions	279	0	279
Expenses for the refund of premiums dependent to and not dependent on profit	158,966	–10	158,956
TOTAL PAYMENTS	**2,461,352**	**–26,789**	**2,434,563**
Health insurance			
Expenses for insurance claims			
Claims and benefits	203,605	–709	202,896
Changes in provisions for outstanding claims	930	–8	922
SUBTOTAL	**204,535**	**–717**	**203,818**
Change in mathematical reserve	45,262	–183	45,079
Expenses for the refund of premiums not dependent on profit	12,074	0	12,074
TOTAL PAYMENTS	**261,871**	**–900**	**260,971**
TOTAL	**4,661,011**	**–447,691**	**4,213,320**

32. OPERATING EXPENSES

Detail	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
Commissions and other acquisition expenses	733,402	436,055	24,615	1,194,072
Commission expenses	487,347	286,327	5,588	779,262
Pro rata personnel expenses	139,473	60,254	10,301	210,028
Pro rata material costs	106,582	89,474	8,726	204,782
SUBTOTAL	**733,402**	**436,055**	**24,615**	**1,194,072**
Administrative expenses	211,838	108,192	14,193	334,223
Pro rata personnel expenses	103,449	43,713	5,727	152,889
Pro rata material costs	108,389	64,479	8,466	181,334
SUBTOTAL	**211,838**	**108,192**	**14,193**	**334,223**
Reinsurance commissions received	–170,242	–12,827	–116	–183,185
Total	**774,998**	**531,420**	**38,692**	**1,345,110**

Detail	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
in EUR '000				
Commissions and other acquisition expenses	613,771	389,362	22,957	1,026,090
Commission expenses	390,206	256,850	6,259	653,315
Pro rata personnel expenses	128,242	53,538	8,926	190,706
Pro rata material costs	95,323	78,974	7,772	182,069
SUBTOTAL	**613,771**	**389,362**	**22,957**	**1,026,090**
Administrative expenses	183,152	97,405	13,241	293,798
Pro rata personnel expenses	106,869	46,693	7,283	160,845
Pro rata material costs	76,283	50,712	5,958	132,953
SUBTOTAL	**183,152**	**97,405**	**13,241**	**293,798**
Reinsurance commissions received	–171,161	–12,212	–115	–183,488
Total	**625,762**	**474,555**	**36,083**	**1,136,400**

33. OTHER EXPENSES

Detail	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
Other underwriting expenses	106,826	42,893	995	150,714
Other non-underwriting expenses	19,219	12,408	43	31,670
Total	**126,045**	**55,301**	**1,038**	**182,384**

Other expenses consist primarily of other underwriting amounts and fees of EUR 47.623 million, value adjustments (not including investments) of EUR 35.762 million and current non-underwriting operating expenses of EUR 25.091 million.

Detail	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
in EUR '000				
Other underwriting expenses	77,963	36,990	992	115,945
Other non-underwriting expenses	21,529	8,362	16	29,907
Total	**99,492**	**45,352**	**1,008**	**145,852**

34. TAX EXPENSES

Detail – tax expense	2007	2006
in EUR '000		
Actual taxes	73,337	42,897
Actual taxes related to other periods	7,497	653
TOTAL ACTUAL TAXES	**80,834**	**43,550**
Deferred taxes	7,591	13,096
Total	**88,425**	**56,646**

Tax reconciliation	2007	2006
in EUR '000		
Expected tax rate in %	25%	25%
Profit before taxes	437,296	320,967
EXPECTED TAX EXPENSE	**109,324**	**80,242**
Adjusted for tax effects due to:		
Tax-exempt income from ownership interests	–21,200	–29,234
Non-deductible expenses	19,418	20,609
Income not subject to tax	–14,142	–15,054
Taxes from previous years	7,497	653
Change in tax rates	–5,763	–2,557
Adjustment for accumulated losses carried forward and other tax effects	–6,709	1,987
EFFECTIVE INCOME TAX EXPENSE	**88,425**	**56,646**
Effective tax rate in %	**20.2%**	**17.6%**

The (Austrian) income tax rate of parent company WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP is used as the Group tax rate. A loss carryforward of EUR 6.797 million was used for the first time, changing deferred taxes by EUR –1.699 million.

35. OTHER INFORMATION

Employee statistics	31.12.2007	31.12.2006
Austria	6,138	5,747
Field sales representatives	2,845	2,822
Office employees	3,293	2,925
Outside Austria	14,169	12,840
Field sales representatives	7,614	6,548
Office employees	6,555	6,292
Total	**20,307**	**18,587**

Personnel expenses	2007	2006
in EUR '000		
Wages and salaries	377,676	334,539
Expenses for post-employment benefits and payments to company pension plans	8,520	8,358
Expenses for retirement provisions	4,739	14,054
Mandatory social security contributions and expenses	116,614	101,182
Other social security expenses	4,328	4,477
Total	**511,877**	**462,610**
of which field sales employees	244,526	215,218
of which office employees	267,351	247,392
Expenses for severances and pensions for:		
Management Board members and senior management	4,218	8,291
remaining employees	9,041	14,121

Managing Board and Supervisory Board compensation (gross)	2007	2006
in EUR '000		
Management Board compensation	4,971	5,562*
Supervisory Board compensation	226	157
Compensation for former Management Board members	1,042	974
Pension expense for		
Management Board members	1,641	2,163
former Management Board members	1,042	974

* excl. special gross compensation of EUR 9 million.

The average number of employees in the **fully consolidated companies** (including cleaning personnel) was 19,271 (17,746). Of these, 9,942 (8,856) were active in sales, resulting in personnel expenses of EUR 242.378 million (EUR 214.046 million), and 9,329 (8,890) were in operations, resulting in personnel expenses of EUR 263.625 million (EUR 243.935 million).

The average number of employees in **proportionally consolidated companies** (including cleaning personnel) was 1,036 (841). Of these, 517 (514) were active in sales, resulting in personnel expenses of EUR 2.148 million (EUR 1.172 million), and 519 (327) were in operations, resulting in personnel expenses of EUR 3.726 million (EUR 3.457 million).

The Supervisory Board is composed of the following persons:

Members elected by the General Shareholders' Meeting:

President Komm.-Rat Dkfm. Klaus **Stadler**
Chairman

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

Generalabt Propst Bernhard **Backovsky**
Peter **Haunschmidt** (until 25 May 2007)
Mag. Alois **Hochegger**
Dipl.-Eng . Guido **Klestil**
Senator Prof. Komm.-Rat Walter **Nettig**
Hofrat Dkfm Heinz **Öhler**
Mag. Reinhard **Ortner**
Dr. Johann **Sereinig**
Mag. Dr. Friedrich **Stara**

Employee representatives:
Peter **Grimm**
Heinz **Neuhauser**
Franz **Urban**
Gerd **Wiehart**
Peter **Winkler**

All members of the Supervisory Board elected by the General Shareholders' Meeting declare that they are to be regarded as independent in accordance with the criteria laid down by the Supervisory Board. No member of the Supervisory Board is a shareholder with an ownership interest greater than 10% or represents the interests of such a shareholder.

No agreements were concluded with members of the Supervisory Board in 2007 which would have required approval from the Supervisory Board.

Compensation plan for members of the Supervisory Board:

In accordance with resolutions passed by the 16th ordinary General Shareholders' Meeting of 25 May 2007, the members of the Supervisory Board elected by the General Shareholders' Meeting are entitled to receive compensation in the form of a monthly payment paid in advance. Members of the Supervisory Board who withdraw during the course of a month 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 (paid after participation in the meeting).

No loans were granted to Supervisory Board members in 2007.

No guarantees existed for Supervisory Board members as of 31 December 2007.

The Managing Board is comprised of the following individuals:

Chairman:
Dr. Günter **Geyer**
General Manager, Chairman of the Managing Board
Member of the Managing Board since 1988

Members:
Dkfm. Karl **Fink**
General Manager
Member of the Managing Board since 1987

Mag. Robert **Lasshofer**
Deputy General Manager
Member of the Managing Board since 1999

Dr. Rudolf **Ertl**
Member of the Managing Board since 2001

Dr. Peter **Hagen**
Member of the Managing Board since 2004

Dr. Martin **Simhandl**
Member of the Managing Board since 2004

There were no loans outstanding to Managing Board members as of 31 December 2007.

No guarantees existed for Managing Board members as of 31 December 2007.

Compensation Plan for Managing Board Members:

The Managing Board of the Company manages the Vienna Insurance Group. The Managing Board is also responsible for duties relating to the operational management of Wiener Städtische AG in Austria. In some cases, responsibility may also be assumed for additional duties in affiliated or related companies.

The compensation of Managing Board members is comprised of a fixed (approximately 60%) and a variable (approximately 40%) component. The performance-linked component is mainly dependent on the profit before taxes of the Group, although the profit before tax of WIENER STÄDTISCHE AG Austria is also involved. There is a maximum limit on this performance-linked component. The Managing Board receives no performance-linked compensation if the result from ordinary operations falls below certain thresholds.

The standard employment agreement of a member of the Managing Board of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP includes a pension equal to at most 40% of the measurement basis if the member remains in the Managing Board until the age of 65 (the measurement basis is equal to the fixed salary). The rules for Managing Board members with many years of prior employment differ in that the percentage of the measurement basis based on past employment is higher (up to 55%), and increases can be awarded if the Supervisory Board would like a member to remain in the Managing Board after the age limit has been reached.

A pension is received only if a Managing Board member's position is not extended through no fault of his or her own, or the Managing Board member retires due to illness or age. The Managing Board agreements of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP make provision for a post-employment benefit claim, which is essentially structured according to the model of the old post-employment benefit provisions in the Austrian Employee Act (Angestelltengesetz) in combination with relevant sector-specific provisions. Under these provisions, depending on the period of service, Managing Board members can receive two to twelve months' compensation, with an increase of 50% if the member retires or withdraws after a long-term illness. A member who withdraws of his or her own volition before retirement is possible, or withdraws due to a fault of his or her own, is not entitled to post-employment benefits.

In 2007, the total expenses for severance benefits and pensions of EUR 13.259 million (2006: EUR 22.412 million) included post-employment benefit and pension expenses of EUR 4.218 million (2006: 8.291 million) for Managing Board members and senior management according to § 80 (1) of the Austrian Stock Corporation Act (AktG). In 2007, the members of the Managing Board received gross compensation for their services equal to EUR 4.971 million (2006: 5.562 million). The members of the Managing Board also received special gross compensation of EUR 9 million in 2006 for the growth in value of the Group during the years 2001 to 2005, including the successful capital increase at the end of 2005. The total compensation paid to former members of the Managing Board (including surviving dependents) was EUR 1.042 million in 2007 (2006: EUR 0.974 million).

The following individuals were appointed as trustees during the fiscal year in accordance with § 22 (1) of the Austrian Insurance Supervision Act (VAG):

Mag. Oskar **Ulreich**
Substitute: Mag. Nicole **Plankenbüchler**

Starting in 2008:

Trustee – life insurance department – § 20 para. 2 line 1 VAG (as per 1 January 2008):
Mag. Oskar **Ulreich**
Substitute: Mag. Nicole **Plankenbüchler**

Trustee except for life insurance department – § 20 para. 2 line 1 VAG (as per 1 February 2008):
Mag. Wolfgang **Pechriggl**
Substitute: Mag. Michael **Hysek**

36. RELATED PARTIES

Associated companies and Persons

Associated companies represent on the one hand the affiliated companies, joint ventures listed in point 4 and associated companies. In addition, the executive committees and supervisory boards of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP and those closely linked to them qualify as associates. Wiener Städtische Wechselseitige Versicherungsanstalt- Vermögensverwaltung holds the majority of the voting rights inWIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP. This controlling stake means that it is also an associated company. In the reporting periods no loans or guarantees were granted to the members of the Managing Board and the Supervisory Board. Likewise, no loans or guarantees existed as of 31 December 2007 and 31 December 2006.

Transactions with Associated companies

The Group provides Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung with office premises at a charge. Other services (e.g. bookkeeping operations) are furnished by the Group.

Internal reinsurance relations, to a subordinated extent, as well as financial dealings in the real estate area and accounting operations (bookkeeping, personnel recruiting, data processing etc.) exist with consolidated affiliated companies.

It is mainly financial and accounting operations that exist with non-consolidated affiliated and associated companies.

Open entries at the end of the period under review	31.12.2007	31.12.2006
in EUR '000		
Receivables		
Receivables from insurance business	0	374
Other receivables	29,984	22,884
Subtotal	**29,984**	**23,258**
Liabilities		
Liabilities from insurance business	–2,338	–947
Other liabilities	–11,922	–14,100
Subtotal	**–14,260**	**–15,047**
Total	**15,724**	**8,211**
Loans to non-consolidated affiliated companies	240,016	25,359
Loans to other associated companies	79,921	25,147

37. LEASING BUSINESS

Central Point Insurance IT-Solutions GmbH is a company whose purpose is to work together with SAP Österreich GmbH and other outside partners to custom-tailor a complete EDP solution for financial service companies and a policy management programme for insurance companies that meets the needs of individual users, to link this software to these companies' EDP systems, and to grant appropriate licences of the software. The users in question are mainly companies affiliated with Wiener Städtische.

Schedule of payments due	
in EUR '000	
up to one year	17,533
from one to five years	121,769
more than five years	33,708

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET REPORTING DATE

Polish Cigna now named InterRisk
Since 6 February 2008, the Polish non-life insurance company TUiR Cigna STU S.A. has been operating under the new company name TU InterRisk S.A. as a new, future-oriented brand in the Polish insurance market. The Vienna Insurance Group has held a majority interest in this company since March 2006.

Purchase of Ukrainska Strakhova Grupa concluded
The Vienna Insurance Group has expanded its position in the Ukrainian insurance market. The Vienna Insurance Group has acquired 62% of the share capital of Ukrainska Strakhova Grupa via TBIH Financial Services Group N.V. (TBIH). The shares were acquired from companies affiliated with UkrGasBank. Arrangements have been made for these companies to sell the remaining shares to TBIH over the next five years.

Entry into the three Baltic markets finalised
At the end of February 2008, the Vienna Insurance Group successfully finalised its entry into the three Baltic markets of Estonia, Latvia and Lithuania. After receiving official approval, the Vienna Insurance Group acquired 100% of the shares of Seesam Life Insurance SE (Seesam) from the Finnish Suomi Mutual Life Assurance Company.

Establishment of a reinsurance company headquartered in Prague
The Vienna Insurance Group announced the establishment of its own reinsurance company in 2008. The new reinsurance company will be headquartered in Prague and have equity of EUR 100 million at its disposal. The company is expected to achieve a premium volume of about EUR 300 million in the next two to three years.

Shares trading under a new business name
The shares of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP listed in the Prime Market have been trading under the new business name Vienna Insurance Group with the securities symbol VIG since 1 February 2008.

Listing on the Prague Stock Exchange
The shares of the Vienna Insurance Group have been listed in the Main Market of the Prague Stock Exchange since 5 February 2008.

DECLARATION BY THE MANAGING BOARD

The Managing Board hereby declares that the consolidated financial statements, prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, give a true and fair view of the net assets, financial position and results of operations of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP and all companies included in the consolidation.

The Managing Board further declares that the Group management report, prepared in accordance with the requirements of the Austrian Commercial Code, presents the business development and performance of the Company so as to give a true and fair view of the net assets, financial position and results of operations of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP and the companies included in the consolidation, and describes the significant risks and uncertainties to which the Company is exposed.

The Managing Board:

Dr. Günter Geyer **Dkfm. Karl Fink**

Dr. Rudolf Ertl **Dr. Peter Hagen**

Mag. Robert Lasshofer **Dr. Martin Simhandl**

Vienna, 12 March 2008

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board reports that it has taken the opportunity to comprehensively review the management of the Company, both acting as a body and also regularly through its Chairman and his Deputy. Detailed presentations and discussions during Supervisory Board and Supervisory Board Committee meetings were used for this purpose, as well as numerous meetings with the members of the Management Board, who provided exhaustive explanations and evidence relating to the management and the financial position of the Group on the basis of appropriate documentation. The strategy, business performance and risk management of the Company were also discussed in these meetings.

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

One ordinary Annual General Meeting of Shareholders and four Supervisory Board meetings were convened in 2007. In addition, two meetings of the Audit Committee were held. The committee for decisions on urgent matters was contacted on a total of ten matters. The Supervisory Board was informed of any resolutions passed by the committees at the respective next Supervisory Board meeting. The auditor attended the Audit Committee meetings, the Supervisory Board meetings which dealt with the approval of the annual financial statements and their preparation and with the audit of the annual financial statements and consolidated financial statements, as well as the Annual General Meeting of Shareholders. In addition, in 2007 two meetings of the committee for Management Board matters were also held.

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

The 2007 annual financial statements and management report from the Management Board was received, reviewed and carefully examined by the Supervisory Board Audit Committee. The Supervisory Board Audit Committee also carefully reviewed the 2007 consolidated financial statements and Group management report. The proposal of the Management Board for appropriation of the profits was also debated and discussed in the course of this review. At a result of this review and discussion, a unanimous resolution was adopted to recommend to the Supervisory Board unqualified acceptance thereof. The committee chairman informed the Supervisory Board of the resolutions adopted by the committee.

The 2007 annual financial statements and management report, the 2007 consolidated financial statements and Group management report, as well as the Management Board's proposal for appropriation of the profits were then addressed, thoroughly discussed, and reviewed by the Supervisory Board. At the conclusion of this discussion and review, the Supervisory Board adopted a unanimous resolution to raise no objections to these documents, to approve the annual financial statements and consolidated financial statements prepared by the Management Board, and to indicate its consent to the Management Board's proposal for appropriation of the profits.

The 2007 annual financial statements have therefore been approved in accordance with § 125 (2) of the Austrian Stock Corporation Act.

The Supervisory Board further informs the General Meeting of Shareholders that the 2007 annual financial statements and management report, and the 2007 consolidated financial statements and Group management report, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, and that the auditor's reports were discussed by the Audit Committee and by the full Supervisory Board together with KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The ultimate findings of the audit provided no basis for any qualifications to be raised. The Supervisory Board in turn declares that it has nothing to add to the auditor's report.

The Supervisory Board therefore proposes to the Annual General meeting of Shareholders

that it decide on the appropriation of profits in accordance with the proposal of the Management Board and give its discharge to the actions of the Management Board and of the Supervisory Board.

Vienna, March 2008

The Supervisory Board:

KR Dkfm. Klaus Stadler
(Chairman)

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements of

WIENER STÄDTISCHE Versicherung AG
VIENNA INSURANCE GROUP, Vienna,

for the **financial year from 1 January to 31 December 2007.** Those financial statements comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. 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; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
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 and 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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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 entity'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 entity's internal control. An audit also includes evaluation of 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 basis for our audit opinion.

Audit opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2007 and of its financial performance and its cash flows for the financial year from 1 January 2007 to 31 December 2007 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on other Legal requirements

Law and regulation applicable in Austria require us to perform audit procedures whether the group management report is consistent with the consolidated financial statements and whether the other disclosures made in the group management report do not give rise to misconception of the position of the group.

In our opinion, the Group Management Report is consistent with the consolidated financial statements.

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Michael Schlenk
Wirtschaftsprüfer

Mag. Thomas Smrekar
Wirtschaftsprüfer

Vienna, 12 March 2008

GENERAL COMPANY FUNCTIONS

General Secretariat, Risk Management

Gabor Lehel
Tel.: +43 (0) 50 350-21034
Fax: +43 (0) 50 350 99-21034
E-Mail: g.lehel@staedtische.co.at

International Actuarial Department

Kurt Ebner
Tel.: +43 (0) 50 350-21700
Fax: +43 (0) 50 350 99-21700
E-Mail: k.ebner@staedtische.co.at

Planning and Controlling

Dr. Klaus Mühleder
Tel.: +43 (0) 50 350-21363
Fax: +43 (0) 50 350 99-21363
E-Mail: k.muehleder@staedtische.co.at

Audit

Dr. Herbert Allram
Tel.: +43 (0) 50 350-21070
Fax: +43 (0) 50 350 99-21070
E-Mail: h.allram@staedtische.co.at

Labour Law

Dr. Birgit Moosmann
Tel.: +43 (0) 50 350-21314
Fax: +43 (0) 50 350 99-21314
E-Mail: b.moosmann@staedtische.co.at

International Human Resource Development

Mag. Larysa Winter
Tel.: +43 (0) 50 350-26028
Fax: +43 (0) 50 350 99-26028
E-Mail: l.winter@staedtische.co.at

Group Marketing

Mag. Harald Riener
Tel.: +43 (0) 50 350-21467
Fax: +43 (0) 50 350 99-21467
E-Mail: h.riener@staedtische.co.at

Investor Relations

Mag. Thomas Schmee
Tel.: +43 (0) 50 350-21900
Fax: +43 (0) 50 350 99-21900
E-Mail: t.schmee@staedtische.co.at

Communications

Mag. Barbara Hagen-Grötschnig, MBA
Tel.: +43 (0) 50 350-21027
Fax: +43 (0) 50 350 99-21027
E-Mail: b.hagen@staedtische.co.at

International Service Group Corporate- and Large Risk-Business Underwriting/Claims

Dr. Wolfgang Petschko
Tel.: +43 (0) 50 350-21406
Fax: +43 (0) 50 350 99-21406
E-Mail: w.petschko@staedtische.co.at

International Reinsurance Service Group

Mag. Gerald Klemensich
Tel.: +43 (0) 50 350-21161
Fax: +43 (0) 50 350 99-21161
E-Mail: g.klemensich@staedtische.co.at

Eva-Maria Stackl
Tel.: +43 (0) 50 350-21144
Fax: +43 (0) 50 350 99-21144
E-Mail: e.stackl@staedtische.co.at

Company Law

Mag. Helene Kanta
Tel.: +43 (0) 50 350-21122
Fax: +43 (0) 50 350 99-21122
E-Mail: h.kanta@staedtische.co.at

Real Estate and Real Estate-related Holdings

Mag. Anton-Leonhard Werner
Tel.: +43 (0) 50 350-21050
Fax: +43 (0) 50 350 99-21050
E-Mail: a.werner@staedtische.co.at

Equity Holdings Management, Loans

Dr. Christine Dornaus
Tel.: +43 (0) 50 350-21126
Fax: +43 (0) 50 350 99-21126
E-Mail: c.dornaus@staedtische.co.at

Group Accounting

Mag. Roland Gröll
Tel.: +43 (0) 50 350-21835
Fax: +43 (0) 50 350 99-21835
E-Mail: r.groell@staedtische.co.at

Investments

Mag. Gerald Weber
Tel.: +43 (0) 50 350-22914
Fax: +43 (0) 50 350 99-22914
E-Mail: g.weber@staedtische.co.at

GLOSSARY

ALM (Asset- und 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.

Annuity tables
Annuity tables are the most important calculation tool used in life and health insurance. The annuity tables used by insurers are based on the mortality tables derived from the population census. These are revised every ten years to take into account changing conditions, such as medical advances and improved living conditions.

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. The difference between market value and amortized cost (unrealised gains and losses) is applied directly to equity.

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.

CEE (Central and Eastern Europe)
The Vienna Insurance Group defines “CEE” as all of the growth markets of Central and Eastern Europe, in which the Group operates. These include the Czech Republic, Slovakia, Poland, Romania, Albania, Bulgaria, Estonia, Georgia, Croatia, Latvia, Lithuania, Macedonia, Russia, Serbia, Slovenia, Turkey, the Ukraine, Hungary and Belarus.

In case of a deviation from the concept of "CEE" defined here, a footnote explains and describes what is understood by the concept of “CEE” in the given situation. When CEE is used in a sense that differs from the definition provided here, a footnote is provided indicating the definition of CEE being used in that particular case. It must also be noted that the definition of CEE may differ from those used by other companies, financial institutions (e.g. IWF, OECD, WIFI, IHS) etc.

Ceded reinsurance premiums
Share of the premiums to which the reinsurer is entitled in return for reinsuring certain risks.

CEIOPS (Committee of European Insurance and Occupational Pensions Supervisors)
CEIOPS is an independent committee for insurance and company pension plans, which consists of high-ranking representatives of supervisory authorities for insurance in the EU and EEA member countries. The committee advises the European Commission on the development of drafts for implementing provisions and contributes to a consistent implementation of the directives.

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.

Claims ratio
The percentage ratio of expenses for insurance claims divided by gross earned premiums. The calculation is based on the expenses for insurance claims in the income statement less claims handling expenses.

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, theresult 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.

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. Identification, assessment, analysis and control of opportunities and risks.

Equity method
Shares in non-consolidated affiliated companies and non-profit companies, and 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.

Expense ratio
The ratio of premium writing expenses and other operating expenses divided by gross earned premiums. The expense ratio is therefore made up of a premium writing expense ratio and an administrative expense ratio.

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.

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 write-downs 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).

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 penetration
Insurance premiums as a percentage of gross domestic product, used as an indicator for the state of development of a country's insurance sector.

Insurance supervisory authority
The Austrian insurance supervisory authority is the Financial Market Authority (FMA), an independent government agency which supervises the operations of all insurance companies, banks, and employee retirement and pension funds in Austria.

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.

Minority interest
Shares in the equity of affiliated companies that are not held by Group companies.

Minority interest in net income/loss
The share of net income/loss allocated not to the Group, but to shareholders outside of the Group holding interests in associated companies.

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.

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.

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.

Profit participation
See premium refund (profit-dependent).

Real GDP
Real GDP is GDP that has been adjusted to remove inflation. Inflation is removed by using the market prices in a base year to value all goods and services and removing all price increases from the calculations (GDP at constant prices).

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 recognised "at amortized cost".

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.

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 risk-based management of the total solvency of insurance companies. The static system for determining capital adequacy currently in effect will be replaced by a risk-based 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).

UGB
From 1 January 2007 Austrian Corporation Code (Unternehmensgesetzbuch UGB)

Underwriting provisions
These consist of the provision for outstanding claims, actuarial reserve, unearned premiums, provisions for profit-dependent and profit-independent premium refunds, the equalisation provision, and other underwriting reserves.

Unearned premiums
Premiums written that are to be included in the profit/loss calculation of future fiscal years. As a rule, the calculation is performed to the day for each individual insurance policy.

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 organisation and supervision of insurance companies.

Value at Risk (VaR)
A method of quantifying risk that can be used to estimate the potential loss that could result from a change in the market situation having a given probability of occurrence over a specified period of time.

Vienna Insurance Group (VIG)
Umbrella brand of the Wiener Städtische Group.

Volatility
Fluctuations in security prices, currency rates, and interest rates.

Wiener Städtische AG
A short name for the
WIENER STÄDTISCHE Versicherung AG
VIENNA INSURANCE GROUP.

SOURCES OF MARKET SHARES AND MARKET POSITIONS

Country	Source	Internet	Status quo
Austria	Versicherungsverband Österreich (VVO)	www.vvo.at	2007 (preliminary)
Czech Republik	Versicherungsverband der Tschechischen Republik (CAP)	www.cap.cz	2007 (preliminary)
Slovakia	Versicherungsverband der Slowakei (SLASPO)	www.slaspo.sk	2007 (preliminary)
Poland	Polnische Finanzmarktaufsicht (KNF)	www.knf.gov.pl	1st to 3rd quarter 2007
Romania	Versicherungsmagazin Insurance Profile	www.insuranceprofile.ro	1st to 3rd quarter 2007
Albania	Albanische Finanzmarktaufsicht	www.amf.gov.al	1st to 3rd quarter 2007
Bulgaria	Bulgarische Finanzmarktaufsicht	www.fsc.bg	1st to 3rd quarter 2007
Estonia	Estnischer Versicherungsverband Axco Insurance Market Statistics	www.eksl.ee www.axco.com	2006
Georgia	Georgische Versicherungsmarktaufsicht		1st to 3rd quarter 2007
Croatia	Kroatische Finanzmarktaufsicht (HANFA)	www.hanfa.hr	2007
Latvia	Lettischer Versicherungsverband	www.laa.lv	1st to 3rd quarter 2007
Lithuania	Litauische Finanzmarktaufsicht	www.dpk.lt	1st to 3rd quarter 2007
Serbia	Serbische Nationalbank	www.nbs.yu	1st to 3rd quarter 2007
Turkey	Türkischer Versicherungsverband	www.tsrsb.org.tr	1st to 3rd quarter 2007
Ukraine	Ukrainische Finanzmarktaufsicht		1st to 2nd quarter 2007
Hungary	Ungarischer Versicherungsverband (MABISZ)	www.mabisz.hu	2007

VIENNA INSURANCE GROUP – ADDRESSES

REGION Country	Post code	Phone Fax	E-mail Homepage
AUSTRIA			
Austria			
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP	A-1010 Vienna Schottenring 30	+43 (0) 50 350-20000 +43 (0) 50 350 99-20000	mail-us@staedtische.co.at www.wienerstaedtische.co.at
Donau Versicherungs AG VIENNA INSURANCE GROUP	A-1010 Vienna Schottenring 15	+43 (0) 50 330-70000 +43 (0) 50 330 99-70000	donau@donauversicherung.at www.donauversicherung.at
Bank Austria Creditanstalt Versicherung AG	A-1010 Vienna Schottenring 27–29	+43 (1) 313 83-0 +43 (1) 313 83-27490	office@ba-cv.at www.bacav-union.at
Italy (branch)			
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP	I-00147 Rome Via Cristoforo Colombo 149	+39 (06) 510 70 11 +39 (06) 510 70 129	wiener@wieneritalia.com www.wieneritalia.com
Slovenia (branch)			
Wiener Städtische zavarovalnica Podružnica v Ljubljani	SI-1000 Ljubljana Masarykova cesta 14	+386 (0) 1 300 17 00 +386 (0) 1 300 17 09	mail-us@wienerstaedtische.si www.wienerstaedtische.si
CZECH REPUBLIC			
Czech Republic			
Kooperativa pojišťovna, a.s., VIENNA INSURANCE GROUP	CZ-110 01 Prague 1 Templová 747	+420 (2) 21 000 111 +420 (2) 21 000 410	info@koop.cz www.kooperativa.cz
Česká podnikatelská pojišťovna, a.s., VIENNA INSURANCE GROUP	CZ-140 21 Prague 4 Budějovická 5	+420 (2) 61 02 2170 +420 (2) 61 02 3313	info@cpp.cz www.cpp.cz
SLOVAKIA			
Slovakia			
Kooperativa poisťovňa, a.s., VIENNA INSURANCE GROUP	SK-816 23 Bratislava Štefanovičova 4	+421 (2) 572 99 210 +421 (2) 572 99 239	info@koop.sk www.koop.sk
Komunálna poisťovňa, a.s., VIENNA INSURANCE GROUP	SK-821 02 Bratislava 2 ul. Dr. Vladimíra Clementisa 10	+421 (2) 48 2105 111 +421 (2) 48 2105 115	info@kpas.sk www.kpas.sk
Kontinuita poisťovňa, a.s., VIENNA INSURANCE GROUP	SK-811 08 Bratislava Rajská 15/a	+421 (2) 573 70 200 +421 (2) 573 70 291	info@kontinuita.sk www.kontinuita.sk
POLAND			
Poland			
TU na Życie Compensa S.A. VIENNA INSURANCE GROUP	PL-02-342 Warsaw al. Jerozolimskie 162	+48 (22) 501 6000 +48 (22) 501 6001	centrala@ compensazycie.com.pl www.compensa.pl
TU Compensa S.A. VIENNA INSURANCE GROUP	PL-02-342 Warsaw al. Jerozolimskie 162	+48 (22) 501 6000 +48 (22) 501 6001	centrala@ compensa.com.pl www.compensa.pl
TU InterRisk S.A.	PL-00-668 Warsaw ul. Noakowskiego 22	+48 (22) 537 68 00 +48 (22) 537 68 04	sekretariat@ interrisk.pl www.interrisk.pl
Benefia TU na Życie S.A. VIENNA INSURANCE GROUP	PL-01-793 Warsaw ul. Rydygiera 21 A	+48 (22) 544 14-70/71 +48 (22) 544 14 74	centrala@ benefia.pl www.benefia.pl
Benefia TU Majątkowych S.A. VIENNA INSURANCE GROUP	PL-01-793 Warsaw ul. Rydygiera 21 A	+48 (22) 544 14-70/71 +48 (22) 544 14 74	centrala@ benefia.pl www.benefia.pl
Royal Polska TU na Życie S.A. VIENNA INSURANCE GROUP	PL-01-793 Warsaw ul. Rydygiera 21	+48 (22) 525 11 11 +48 (22) 525 11 00	biuro@royalpolska.com www.royalpolska.pl
TU Polski Żwiazek Motorowy S.A. VIENNA INSURANCE GROUP	PL-02-342 Warsaw al. Jerozolimskie 162	+48 (22) 501 68 50 +48 (22) 501 68 51	centrala@ pzmtu.pl www.pzmtu.pl
FinLife S.A.*	PL-00-175 Warsaw al. Jana Pawla II 80	+48 (22) 569 49 00 +48 (22) 569 49 99	infolinia@finlife.com.pl www.finlife.pl

* Subject to approval by authorities

REGION Country	Post code	Phone Fax	E-mail Homepage
ROMANIA			
Romania			
Omniasig VIENNA INSURANCE GROUP S.A.	RO-010 413 Bucharest Aviatorilor, 28, Sector	+40 (21) 231 50 40 +40 (21) 231 50 29	secretary@omniasig.ro www.omniasig.ro
Omniasig Asigaurari de Viata S.A.	RO-013 982 Bucharest Str. Pechea, Nr. 13, Sector 1	+40 (21) 40 89 100 +40 (21) 40 89 101	office@omniasiglife.ro www.omniasiglife.ro
SC Asigurarea Romaneasca Asirom S.A.	RO-020 912 Bucharest B-dul Carol Inr. 31–33, Sector 2	+40 (21) 317 81 11 +40 (21) 317 81 13	pr@asirom.com.ro www.asirom.com.ro
Unita VIENNA INSURANCE GROUP S.A.	RO-010 413 Bucharest Bld. Dacia 30, Sector 1	+40 (21) 2120 882 +40 (21) 2120 843	unita@unita.ro www.unita.ro
Agras VIENNA INSURANCE GROUP S.A.	RO-020 666 Bucharest Alexandru Philippide ST. 9B Sector 2	+40 (21) 313 79 93 +40 (21) 313 79 85	agras@agras-vig.ro www.agras-vig.ro
OTHER CEE			
Albania			
Sigma Sh.a.	AL-Tirana Rr. "Komuna e Parisit" Pall. "Lura" P.O.B. 1714	+355 4 258 254 +355 4 258 253	info@sigma-al.com www.sigma-al.com
Bulgaria			
Bulstrad Insurance & Reinsurance JSC	BG-1000 Sofia Positano Square 5	+359 (2) 985 66 10 +359 (2) 985 61 03	public@bulstrad.bg www.bulstrad.bg
Bulstrad Life Insurance JSC	BG-1301 Sofia 6, St. Sofia Street	+359 (2) 915 30 10 +359 (2) 915 30 50	bullife@bulstradlife.bg www.bulstrad.bg
Bulgarski Imoti Life Insurance Company	BG-1408 Sofia Blasha-Street No. 8	+359 (2) 915 87 87 +359 (2) 915 87 98	office@bulgarskiimoti.bg www.bulgarskiimoti.bg
Bulgarski Imoti Non-Life Insurance Company	BG-1408 Sofia Blasha-Street No. 8	+359 (2) 915 87 87 +359 (2) 915 87 98	office@bulgarskiimoti.bg www.bulgarskiimoti.bg
Estonia			
Seesam Life Insurance SE	EE-10119 Tallinn Roosikrantsi 11	+372 610 3000	info@seesamlife.ee www.seesamlife.ee
Georgia			
Georgian Pension and Insurance Holding JSC (GPIH)	GE-0171 Tbilisi 67, Kostava Str.	+995 (32) 50 51 11 +995 (32) 36 52 22	gpih@gpih.ge www.gpih.ge
International Insurance Company IRAO Ltd.	GE-0162 Tbilisi 37d, Chavchavadze Ave.	+995 (32) 949 111 +995 (32) 912 298	office@irao.ge www.irao.ge
Croatia			
Kvarner VIENNA INSURANCE GROUP d.d. za osiguranje	HR-1000 Zagreb Slovenska Ulica nr. 24	+385 (13) 71 86 85 +385 (13) 71 86 01	kontakt@kvarner-wiener.hr www.kvarner-wiener.com
Cosmopolitan VIENNA INSURANCE GROUP – d.d. za osiguranje	HR-10000 Zagreb Jurisiceva 9	+385 (1) 489 98 99 +385 (1) 489 98 90	uprava@cosmopolitanlife.hr www.cosmopolitanlife.hr
Osiguranje Helios d.d.	HR-10002 Zagreb Poljička 5, P.P. 304	+385 (1) 61 16 766 +385 (1) 61 16 951	osiguranje@helios.hr www.helios.hr
Latvia			
Seesam Life Insurance SE Latvian Branch	LV-1004 Rīga Vienības gatve 87th	+371 (6) 760 6939	info@seesamlife.lv www.seesamlife.lv

REGION Country	Post code	Phone Fax	E-mail Homepage
Lithuania			
Seesam Life Insurance SE Lithuanian Branch	LT-09219 Vilnius Tuskulėnų g. 33C	+370 5271 1414	info@seesamlife.lt www.seesamlife.lt
Macedonia			
Sigma Sh.a.	MK-Skopje Mitropolit Teodosij Golloganov 28/1	+389 232 316 31 +389 232 316 32	sigma@on.net.mk www.sigma-al.com
Russia			
Strachowaja kompanija „MSK Life"	RU-127030 Moscow Ul. Dolgorukovskaya 40	+7 (495) 980 84 89 +7 (499) 972 05 61	mail@msk-life.ru
Serbia			
Wiener Städtische osiguranje a.d.o. Beograd	RS-11070 Belgrade Bulevar Mihaila Pupina 165g/M	+381 (11) 2209-901 +381 (11) 2209-900	office@wiener.co.yu www.wiener.co.yu
Turkey			
Ray Sigorta A.Ş.	TR-34457 Sariyer/Istanbul Haydar Aliyev Cad. No. 35 Tarabya	+90 (212) 363 2500 +90 (212) 299 48 49	info@raysigorta.com.tr www.raysigorta.com.tr
Ukraine			
CJS UIC Kniazha	UA-04050 Kiev Glybotschytsjka Str. 44	+38 (44) 207 72 72 +38 (44) 207 72 76	info@kniazha.com.ua www.kniazha.com.ua
STDV Globus	UA-01010 Kiev vul. Andreya Ivanova 21/17-1	+38 (44) 254 53 78 +38 (44) 280 31 20	office@ic-globus.com www.ic-globus.com
CJSC Life Insurance Jupiter VIENNA INSURANCE GROUP	UA-01135 Kiev vul. Zolotoustivska 10–12A, Top 83 (office 5)	+38 (44) 490 01 55 +38 (44) 490 22 67	jupiter@jupiter.kiev.ua www.jupiter.kiev.ua
CJSC Ukrainska Strakhova Grupa	UA-03038 Kiev Ivana Fedorova st. 32-A	+38 (44) 206 65 45 +38 (44) 206 65 45 46	office@ukringroup.com.ua www.ukringroup.com.ua
Hungary			
Union VIENNA INSURANCE GROUP Biztosító Zrt.	H-1082 Budapest Baross u. 1	+36 (1) 486 42 00 +36 (1) 486 43 90	info@unionbiztosito.hu www.unionbiztosito.hu
Belarus			
SBA ZASO Kupala	BY-220004 Minsk ul. Nemiga 40	+375 (17) 200 80 71 +375 (17) 200 80 13	office@kupala.by www.kupala.by
ZASO Victoria	BY-220035 Minsk ul. Temerjazjewa 65-A	+375 (17) 289 92 57 +375 (17) 289 92 5	victoria@priorbank.by www.ukringroup.com.ua
OTHER MARKETS			
Germany			
InterRisk Versicherungs-AG VIENNA INSURANCE GROUP	D-65203 Wiesbaden Karl-Bosch-Straße 5	+49 (611) 27 87-0 +49 (611) 27 87-222	info@interrisk.de www.interrisk.de
InterRisk Lebensversicherungs-AG VIENNA INSURANCE GROUP	D-65203 Wiesbaden Karl-Bosch-Straße 5	+49 (611) 27 87-0 +49 (611) 27 87-222	info@interrisk.de www.interrisk.de
Liechtenstein			
Vienna-Life Lebensversicherung AG VIENNA INSURANCE GROUP	LI-9487 Bendern Industriestraße 2	+423 235 06 60 +423 235 06 69	office@vienna-life.li www.vienna-life.li

ADDRESS · NOTES · GENERAL INFORMATION

Postal address
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP
Schottenring 30
1010 Vienna

Serviceline (24h)
Phone number – Austria: 050 350 350
Phone number – International: +43 50 350 350

Internet
Online annual report
www.wienerstaedtische.com

General secretariat
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP
Contact person: Gabor Lehel
Schottenring 30
1010 Vienna

Tel.: +43 (0) 50 350-21034
Fax: +43 (0) 50 350 99-21034
e-mail: g.lehel@staedtische.co.at

Notes

This annual report also includes forward-looking statements based on current assumptions and estimates that are made by the Management of the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP to the best of its knowledge. Information offered using the words "expectation" or "target" or similar formulations indicate such forward-looking statements. The projections that are 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 forecast if the assumptions underlying the forecast fail to materialise or if risks arise at a level that was not anticipated.

The annual report is available in the German and in the English languages and can also be downloaded in both languages as a pdf file from our website (www.wienerstaedtische.com) under Investor Relations. On the website, you will also find an online version of the annual report specially adapted for the Internet (including a search function).

Note regarding rounding: Calculation differences may arise when rounded amounts and percentages are summed automatically.

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

Our aim was to keep the Annual Report as easy to read and as fluent as possible. 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 cases of doubt, the German version is authoritative.

Editorial deadline: 12 March 2008

General Information:

Editor and media owner:
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP
Company register: 75687 f
DPR Number: 0016705

Project coordination: Mag. Elisabeth Karner
Project team: Brigitte Hafner, Mag. Ellen Janicek, Roland Fuhry, Gerald Hartl, Mag. Christoph Müllner
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