STRONG ROOTS IN CENTRAL AND EASTERN EUROPE

GROUP ANNUAL REPORT **2008**

VIENNA INSURANCE GROUP

KEY FIGURES FOR VIENNA INSURANCE GROUP

		2005	2006	2007	2008
Income statement					
Premiums written	**EUR millions**	**5,007.84**	**5,881.51**	**6,911.93**	**7,898.87**
Property/Casualty	EUR millions	2,563.32	3,067.15	3,671.17	4,278.85
Life	EUR millions	2,156.43	2,516.46	2,934.16	3,305.73
Health	EUR millions	288.09	297.90	306.60	314.28
Premiums written	**EUR millions**	**5,007.84**	**5,881.51**	**6,911.93**	**7,898.87**
Austria	EUR millions	3,170.97	3,434.73	3,695.37	3,755.72
Czech Republic	EUR millions	891.51	1,048.00	1,130.47	1,419.72
Slovakia	EUR millions	330.94	387.68	494.52	605.60
Poland	EUR millions	74.07	335.06	543.14	795.14
Romania	EUR millions	136.17	236.89	413.49	608.22
Other CEE markets	EUR millions	127.04	198.37	383.77	496.35
Other markets	EUR millions	277.14	240.78	251.17	218.11
Investment income	**EUR millions**	**605.43**	**716.45**	**1,002.64**	**913.93**
Profit before taxes	**EUR millions**	**240.34**	**320.97**	**437.30**	**540.80**
Property/Casualty	EUR millions	145.47	175.69	265.07	414.23
Life	EUR millions	73.41	132.47	157.20	102.40
Health	EUR millions	21.45	12.81	15.03	24.17
Profit before taxes	**EUR millions**	**240.34**	**320.97**	**437.30**	**540.80**
Austria	EUR millions	144.52	209.06	286.80	344.33
Czech Republic	EUR millions	60.09	59.12	73.81	107.45
Slovakia	EUR millions	24.98	27.66	30.30	4.99
Poland	EUR millions	1.50	7.73	18.78	26.11
Romania	EUR millions	0.54	2.75	4.56	57.46
Other CEE markets	EUR millions	1.16	2.83	10.25	-14.41
Other markets	EUR millions	7.54	11.82	12.80	14.87
Net profit for the period after taxes and minority interest	**EUR millions**	**196.98**	**260.90**	**312.62**	**408.53**
Balance sheet					
Investments	**EUR millions**	**16,924.74**	**19,600.95**	**23,237.37**	**28,149.97**
Shareholders'equity	**EUR millions**	**2,059.33**	**2,283.21**	**2,615.56**	**4,138.79**
Underwriting provisions	**EUR millions**	**14,816.16**	**16,867.28**	**20,040.65**	**25,029.14**
Total assets	**EUR millions**	**19,441.45**	**22,483.45**	**26,745.07**	**33,665.12**
Share information					
Number of shares	**Shares**	**105,000,000**	**105,000,000**	**105,000,000**	**128,000,000**
Market capitalisation	**EUR millions**	**5,234.25**	**5,586.00**	**5,775.00**	**3,087.36**
Average number of share traded by day	**Shares**	**about 32,600**	**about 107,000**	**about 125,000**	**about 172,000**
Price as at 31 December	**EUR**	**49.85**	**53.20**	**55.00**	**24.12**
High	**EUR**	**52.20**	**54.27**	**57.90**	**58.20**
Low	**EUR**	**24.65**	**41.26**	**45.01**	**16.00**
Share performance for the year (excluding dividends)	**%**	**105.10**	**6.72**	**3.38**	**-56.10**
Dividend per share	**EUR**	**0.66**	**0.82**	**1.10**	**2.00**
Dividend yield	**EUR**	**1.32**	**1.54**	**2.00**	**8.29**
Earnings per share	**EUR**	**2.27**	**2.48**	**2.98**	**3.41**
Price-earnings ratio as at 31 December		**21.96**	**21.45**	**18.46**	**7.07**
Number of employees					
Total		**16,346**	**18,587**	**20,307**	**23,393**
thereof CEE		10,868	12,729	14,057	16,937
thereof Austria and Other markets		5,478	5,858	6,250	6,456

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

HIGHLIGHTS 2008

MARKET POSITION SUCCESSFULLY STRENGTHENED IN CENTRAL AND EASTERN EUROPE

- Premium shares from the CEE region: Total rises to about 50% for the first time. Already above 60% in the property/casualty segment
- Successful capital increase in the 1st half of 2008; 23 million shares issued, for proceeds of EUR 1.14 billion
- Acquisition of all Erste Group insurance operations including mutual cooperation agreement with the Erste Group in eight countries
- V.I.G. is leading in its core markets in the CEE region: overall and in the non-life segment
- Outstanding start of business for VIG RE, specialising in reinsurance in the CEE region

ONGOING DEVELOPMENT OF POSTIVE RESULTS

- Profit before taxes in 2008: EUR 540.80 million (+23.7%)
- Premium volume for the year: EUR 7,898.87 million (+14.3%)
- Combined ratio of 96.4% significantly below 100% in 2008

VIENNA INSURANCE GROUP

Consolidated financial statements of Wiener Städtische Versicherung AG Vienna Insurance Group

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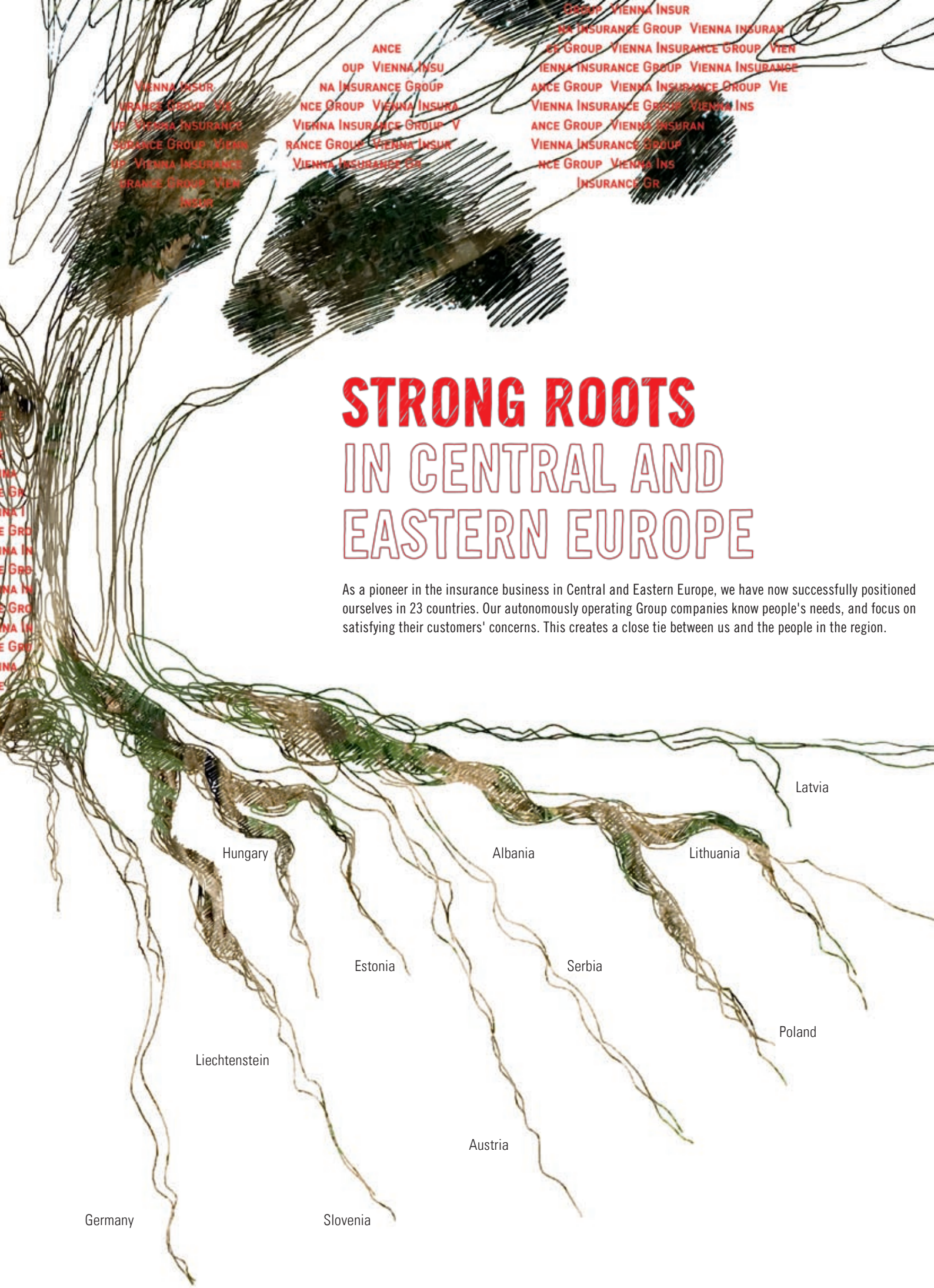
STRONG ROOTS IN CENTRAL AND EASTERN EUROPE

As a pioneer in the insurance business in Central and Eastern Europe, we have now successfully positioned ourselves in 23 countries. Our autonomously operating Group companies know people's needs, and focus on satisfying their customers' concerns. This creates a close tie between us and the people in the region.



LETTER FROM THE CHAIRMAN OF THE MANAGING BOARD

Dear Shareholders, Dear Madam/Sir!

In order to understand the development of the Vienna Insurance Group during the financial year just ended, I think it is helpful to take a quick look back at some of the strategic milestones in the history of the Group.

Dr. Günter Geyer, General Manager

In 1990, the Vienna Insurance Group became the first Western insurance company to make a move into the CEE region. This was consistent with the entrepreneurial spirit that had always characterised us in Austria. By this I mean the determination to continuously develop the Company and offer new services to our customers, acquiring new market share thereby. We uncovered great potential in the region at that time, as insurance products that were standard in Western Europe were still unknown there.

When we entered these new markets, we were already proceeding according to a plan that has since proven its outstanding value. We took our initial steps early but cautiously, and with little capital committed, i.e., with little risk. We then familiarised ourselves with the conditions existing in each country, and made further investments in our companies after becoming sufficiently confident regarding the stability of the markets. Strong customer demand for our services was likewise an essential requirement. In order to make contact with these customers, it was necessary to have as many channels of distribution available at the same time as possible.

The subject of insurance is closely associated with the name of the Vienna Insurance Group in the CEE region.

We have consistently made this our motto in all actions aimed at expanding the business. The same was true for expansion of existing organisations by, e.g., the acquisition of other insurance companies. In some countries we became the number one insurance company, while in other markets we strengthened our position. As a result, the Vienna Insurance Group is now the insurance group with the best access to people and their needs for protection. During that time, we focused continuously on our core business, the insurance business, where we could build upon our expertise.

We have developed our business steadily and now operate in 23 countries through around 50 companies. In recent years, we have consistently achieved double-digit growth in insurance premiums in this manner, an achievement scarcely matched by any other company in these markets. When the subject of insurance comes up today in the CEE region, the name of the Vienna Insurance Group and/or a brand name of our Group is inevitably mentioned.

We are not satisfied with this, however, since the achievement of success makes one wish to set the bar even higher. After our pioneering move into the East, we therefore made a strategic decision in 2008 that would mark another milestone in our history. In the past year, we were presented with a unique opportunity to acquire the s Versicherung Group, constituting the entire insurance operations of our valued banking partner, the Erste Group. We accepted this offer, as it opens up great opportunities for our future development.

We acquired not only s Versicherung Group companies in Austria and five CEE-countries, which we shall be developing further, but also concluded an extensive cooperation agreement with the Erste Group that extends over the next 15 years. The agreement provides for the Erste Group companies in Austria and seven countries in the CEE region to distribute our insurance products – not only life insurance, but also non-life insurance products that are well suited to bank customers and can assist them in protecting their assets. As the largest retail bank group in the CEE region, the Erste Group has an enormous potential market of around 16 million customers, which thus also becomes available to us. Of it we shall make use.

Our agreement goes far beyond this, however, differing significantly from most distribution agreements in Europe. We have also undertaken to offer Erste Group banking products to our customers, as we have already successfully done on a test basis for some products in recent years. We are also working together with the Erste Group in the area of asset management, an area where both parties can benefit from our combined know-how.

The partnership with the Erste Group is therefore another significant milestone on the path I described above. We are constantly looking for ways to expand our distribution network in order to achieve even better access to existing and new customers.

As previously announced, the Vienna Insurance Group plans to embark upon close cooperation in the area of legal protection insurance. This is intended to take account of economic and social changes in CEE countries, where we have identified an increasing demand for these products. We are aware, however, that avoiding undue risks in many of the countries where we operate requires extensive specialised knowledge. ARAG, one of the world's leading legal protection insurers, has precisely this knowledge and will be a strong partner for us. In addition,

the Vienna Insurance Group has a highly effective distribution network in Austria and the CEE region. It is clear to us that combining our strengths will make us stronger still. We therefore intend to combine the legal protection operations of both companies in Austria and use this as a common foundation for gradually supplying the CEE markets with our services.

Private health insurance is an essential precautionary product, offering our customers rapid access to the best treatment in the event of illness. We are a major provider in this area in Austria. But in the CEE region too, we have identified an increasing demand among key customer segments for coverage that exceeds the minimum offered by the government health care system. Therefore, we shall now also begin offering private health insurance in these markets and expect – even on a conservative estimate – that this will generate an appreciable contribution to our insurance premiums in coming years.

These measures also show that we will not let the current crisis deter us from following our path, our sights steadily focused on early discovery of the new opportunities to be realised in the future. The fact that our methods pay off is shown by our business performance in 2008. While many competitors in the financial sector suffered sharp declines in profits, the Vienna Insurance Group was once again able to meet its forecasts.

As a result, the trend of increasing profits in the Vienna Insurance Group can again be seen in the year just ended. Our profit before taxes increased from EUR 437 million in 2007 to EUR 541 million in 2008, corresponding to an increase of 23.7%. Inter alia, it was above all the Vienna Insurance Group companies in the Czech Republic that made a major contribution to this considerable profit, rising above the EUR 100 million mark for the first time. An expansion of our premium volume by more than 14%, to EUR 7.9 billion, served as a foundation for this outstanding result. Driving this growth was once again the CEE region, which generated around 50% of total Group premiums for the first time, thanks to an increase of 32.4% over the previous year. The share of premiums generated in the property and casualty area is already above 60%.

Even if times were to become harder, we remain confident of the growth potential of Central and Eastern Europe. Although there is no doubt that the current economic crisis will leave its mark on this region, we continue to believe, despite all the uncertainty in the forecasts, that growth will be higher in our core CEE markets than in the markets of Western Europe. Among people of the CEE region, we continue to note a widespread optimism, a determination to take advantage of the opportunities presented by the free market and create prosperity after a long period of economic regulation. These efforts to improve the standard of living are the underpinnings of a process of further catching up and a basis for looking ahead toward the future with a positive outlook.

Naturally, the Vienna Insurance Group could not escape the developments on the capital markets, with significant consequences for its financial result. The fact that we were less seriously affected than many others is mainly due to the careful investment policy we have consciously pursued at all times. We also benefited from the forward-looking precautions we implemented to deal with the possibility that we might also one day dispose of business units, as with the acquisition of the s Versicherung Group. In so doing, we have, to the best of our ability, protected the assets we have earned over the course of the years, with the result that they have stood us very much in good stead during the crisis.

Result in 2008 has shown the Vienna Insurance Group to be that which it desires to be for its stakeholders (customers, business partners, investors and employees) over the long term: a haven of stability, even in times of uncertainty.

I would therefore like to thank our customers for making use of our services. I would also like to give special thanks to our employees, whose commitment made our success possible. For in our business, people work for other people, and can only realise common goals by establishing personal relationships with customers and listening to what they have to say. And we can always reward successful, motivated employees with a secure job, even under difficult circumstances.

My thanks also go to our shareholders, both those who have accompanied us on our long journey and those that put their confidence in us as part of our capital increase in the year just ended. We would like to reward your commitment with an attractive dividend and by keeping our promise of achieving a long-term increase in the value of the Vienna Insurance Group.

Sincerely,

Günter Geyer

from left to right: Martin Diviš, Peter Hagen, Roland Gröll, Peter Höfinger, Erich Leiß, Christine Dornaus, Franz Fuchs, Günter Geyer, Robert Lasshofer, Judit Havasi, Martin Simhandl, Karl Fink

EXECUTIVE BOARD OF THE GROUP OF VIENNA INSURANCE GROUP

With the approval of the Supervisory Board, the Vienna Insurance Group plans to make adjustments to its top management structures to take account of the strong expansion experienced by the Group over the past years. Subject to the approval of the change in the articles of association by the Annual General Meeting on 24 April 2009, the entire Managing Board will be expanded.

Subject to the coming into effect of the change in the articles of association, which provides for an increased number of members of the Managing Board, four new members* have been appointed in addition to the Board's current members. As a result, the entire Managing Board of Wiener Städtische Versicherung AG Vienna Insurance Group will consist of ten members as of May 2009. Two committees will deal, on the one hand, with Group matters (Vienna Insurance Group Committee) and, on the other, with the management of Wiener Städtische Versicherung in Austria (Wiener Städtische Austria Committee).

MANAGING BOARD

VIENNA INSURANCE GROUP COMMITTEE

Dr. Günter Geyer
General Manager
Chairman of the Managing Board

Dkfm. Karl Fink
General Manager
Member of the Managing Board

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

Dr. Peter Hagen
Member of the Managing Board

Mag. Peter Höfinger
Member of the Managing Board

Dr. Martin Simhandl
Member of the Managing Board

WIENER STÄDTISCHE AUSTRIA COMMITTEE

Dr. Günter Geyer
General Manager
Chairman of the Managing Board

Mag. Robert Lasshofer
Deputy General Manager
Member of the Managing Board

Dr. Christine Dornaus*
Member Designate of the Managing Board

Dr. Judit Havasi*
Member Designate of the Managing Board

Erich Leiß*
Member Designate of the Managing Board

V.I.G. COMMITTEE:

Dr. Günter Geyer
General Manager
Chairman of the Managing Board Vienna Insurance Group Committee and Wiener Städtische Austria Committee

Vienna Insurance Group Committee areas of responsibility: Group management, strategic planning, Group matters, legal matters, marketing, human resources, public relations

Wiener Städtische Austria Committee areas of responsibility: management of the Company, strategic planning, public relations, internal communications, sponsoring, event coordination

Country responsibilities: Austria (including branch offices in Italy and)

Dkfm. Karl Fink
General Manager
Member of the Managing Board
Vienna Insurance Group Committee

Areas of responsibility: sponsoring, corporate and large customer business, reinsurance, coordination of TBIH investees

Ing. Martin Diviš, MBA
Member Designate of the Managing Board
Vienna Insurance Group Committee

Country responsibilities: Czech Republic, Belarus

Dr. Peter Hagen
Member of the Managing Board
Vienna Insurance Group Committee

Areas of responsibility: Group IT, SAP-SMILE Solutions, VIG RE, internal capital model project

Mag. Peter Höfinger
Member of the Managing Board
Vienna Insurance Group Committee

Areas of responsibility: corporate and large customer business, reinsurance
Country responsibilities: Russia, Hungary

Dr. Martin Simhandl
Member of the Managing Board
Vienna Insurance Group Committee

Areas of responsibility: asset management, ownership interest management, finance and accounting
Country responsibilities: Germany, Liechtenstein

EXTENDED V.I.G. COMMITTEE:

The dynamic expansion experienced by the Vienna Insurance Group in past years has resulted in challenges with respect to the optimal integration of and mutual support among the companies of the Group, now consisting of around 50 companies. To manage these challenges better, the Vienna Insurance Group´s Managing Board, fortified by selected members of management of Group companies in Austria and the CEE (Extended V.I.G. Commitee) region, has been constituted the Executive Board of the Group.

Dr. Rudolf Ertl
Country responsibilities: the Baltic states, Poland, Serbia

Franz Fuchs
Substitute Member of the Vienna Insurance Group Managing Board

Country responsibilities: Bulgaria, Georgia, Poland, Turkey, Ukraine

Mag. Roland Gröll
Substitute Member of the Vienna Insurance Group Managing Board

Areas of responsibility: finance and accounting

Dr. Franz Kosyna
Country responsibility: Slovakia

Mag. Gerhard Lahner
Country responsibility: Romania

Dkfm. Hans Raumauf
Country responsibilities: Croatia, Albania, Macedonia

SENIOR ADVISORY BOARD:

The Senior Advisory Board is comprised of experienced members of management from the Group and Group company levels, and advises the Managing Board on important Group matters. The Managing Board requests the Senior Advisory Board's opinion in specific circumstances and reports on the Senior Advisory Board's recommendations before the Supervisory Board makes a decision on the issue. The Senior Advisory Board has the following members:

Dr. Rudolf Ertl

Dkfm. Karl Fink

Dr. Günter Geyer

Ing. Juraj Lelkes

Ing. Vladimír Mráz

Dkfm. Hans Raumauf

Miklós Zsoldos

GENERAL SECRETARIAT:

Gabor Lehel
Head of department

THE COMPANY: VIENNA INSURANCE GROUP

The Vienna Insurance Group, headquartered in Vienna, is one of the largest internationally active insurance groups in Central and Eastern Europe (CEE). The insurance companies of the Vienna Insurance Group offer high-quality insurance services in both the life and non-life segments. The primary goal is to provide innovative local insurance solutions in all areas of life and excellent customer service. The Vienna Insurance Group currently has around 50 insurance companies, with approximately 23,000 employees, operating in 23 countries.

The Vienna Insurance Group is successfully represented by around 50 insurance companies in 23 countries.

Leading position in the CEE

The Vienna Insurance Group was one of the first insurance groups to recognise and take advantage of the growth opportunities afforded by a united Europe. The Vienna Insurance Group now participates in 23 markets, extending from Estonia in the north to Turkey in the south and from Vaduz in the west to Vladivostok in the east, thereby achieving a broad geographic diversification. After the acquisition of Erste Group's insurance activities in Austria, the Czech Republic, Slovakia, Hungary, Croatia and Romania, the Vienna Insurance Group strongly improved its position in this region.

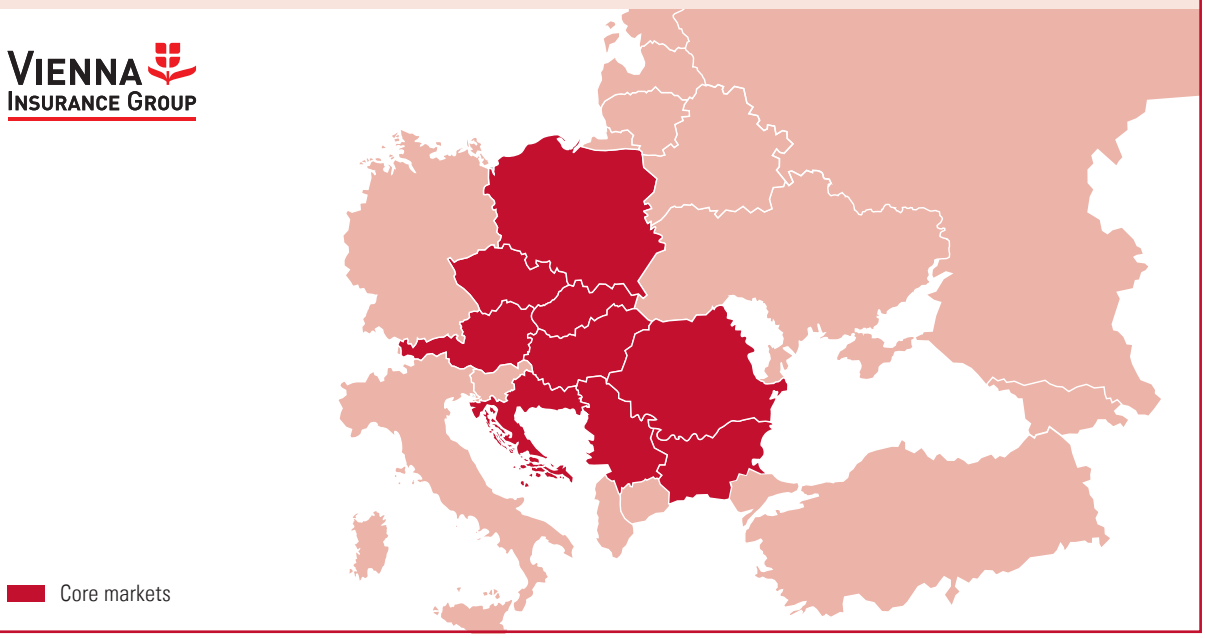
The Vienna Insurance Group is optimally positioned to profit from the rising standard of living and concomitant increase in the insurance requirements of countries in the CEE region. In 2008, the share of total Group premiums coming from group companies in the CEE region already rose to around 50%, in the property/casualty business now amounting to more than 60%. No other insurance company operating internationally generates such a high proportion of its premiums in this region.

Based on the knowledge of its markets in the CEE region, the Vienna Insurance Group believes that these insurance markets – not yet as saturated as those in Western Europe – can in coming years continue to provide premium growth considerably above that earned in Western Europe.

Clear strategic orientation

The Vienna Insurance Group aims to achieve long-term continuous growth in premiums and earnings. It has set itself the following objectives in this regard: strengthening the leading position held by the Vienna Insurance Group in Austria, and steady expansion of its insurance activities in the growth region of Central and Eastern Europe. For many years, the Vienna Insurance Group has pursued a clear strategy of value-oriented growth. The focus here has been on becoming the leader. This applies to the Group as a whole, as it does to management and to every employee.

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



In so doing, along with its strong market position, the Group builds upon excellent access to customers via multi-channel distribution, a systematic exploitation of synergies and a broad diversification of risk. For example, the broad diversification over markets and products leads to a correspondingly solid business structure, also reflected in an excellent Standard & Poor´s rating (A+, outlook stable). Another key factor in Vienna Insurance Group's success is its multi-brand strategy, which relies on the use in all markets of proven brand names having a rich tradition.

Employees stand for success

The performance of the Vienna Insurance Group depends critically on its employees, who develop high-quality products and services and create close relationships with customers and business partners.

Vienna Insurance Group by region (Status as of 31 December 2008)

	Premium volume					
	Total	Life	Non-life	Market position	Market share	Employees
	(EUR ´000)	(EUR ´000)	(EUR ´000)			
Austria	**3,755,723**	**1,872,365**	**1,883,359**	**1**	**24.6%**	**6,341**
Czech Republic	**1,419,724**	**436,967**	**982,757**	**2**	**31.4%**	**4,883**
Slovakia	**605,603**	**275,084**	**330,519**	**2**	**31.3%**	**1,793**
Poland	**795,135**	**381,682**	**413,452**	**6**	**5.1%**	**1,522**
Romania	**608,216**	**39,056**	**569,160**	**1**	**30.6%**	**4,239**
Other CEE markets	**496,353**	**151,866**	**344,487**	**-**		**4,500**
Bulgaria	104,494	9,899	94,595	1	17.9%	906
Croatia	96,985	46,951	50,035	4	8.4%	1,117
Serbia	53,607	21,127	32,480	4	8.0%	930
Turkey	83,791	0	83,791	14	2.3%	251
Ukraine	42,229	1,287	40,942	2	3.3%	1,008
Hungary	115,246	72,602	42,644	8	4.1%	288
Other markets	**218,112**	**148,713**	**69,399**	**-**	**-**	**115**
Germany	126,089	56,689	69,399	-	-	104
Liechtenstein	92,024	92,024	0	-	-	11

The CEE markets of Albania, Estonia, Georgia, Latvia, Lithuania, Macedonia, Russia and Belarus were not yet included in the scope of consolidation of the Vienna Insurance Group in 2008. Branch offices in Italy and Slovenia belong to Wiener Städtische Austria.

Welcome to the family of VIENNA INSURANCE GROUP

AUSTRIA

- WIENER STÄDTISCHE – Vienna Insurance Group
- donau – Vienna Insurance Group
- S-VERSICHERUNG – Vienna Insurance Group

GERMANY

- InterRisk – Vienna Insurance Group

LIECHTENSTEIN

- VIENNA-LIFE – Vienna Insurance Group

ITALY BRANCH

- WIENER STÄDTISCHE – Vienna Insurance Group

SLOVENIA BRANCH

- WIENER STÄDTISCHE – Vienna Insurance Group

BELARUS

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

CZECH REPUBLIC

- Kooperativa – Vienna Insurance Group
- ČPP – Vienna Insurance Group
- POJIŠŤOVNA ČESKÉ SPOŘITELNY – Vienna Insurance Group

HUNGARY

- UNION BIZTOSÍTÓ – Vienna Insurance Group
- ERSTE BIZTOSÍTÓ – Vienna Insurance Group

CROATIA

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

SERBIA

- WIENER STÄDTISCHE – Vienna Insurance Group

SLOVAKIA

- Kooperativa – Vienna Insurance Group
- KOMUNÁLNA poisťovňa – Vienna Insurance Group
- KONTINUITA – Vienna Insurance Group
- POISŤOVŇA SLOVENSKEJ SPORITELNE – Vienna Insurance Group

BULGARIA

- BULSTRAD TBIH – Vienna Insurance Group
- Life BULSTRAD TBIH – Vienna Insurance Group
- BULGARSKI IMOTI – Vienna Insurance Group

ALBANIA

- SIGMA – Vienna Insurance Group

MACEDONIA

- SIGMA – Vienna Insurance Group

RUSSIA

- СТРАХОВАЯ КОМПАНИЯ МСК-Лайф – Vienna Insurance Group

ROMANIA

- OMNIASIG – Vienna Insurance Group
- ASIGURARI DE VIATA OMNIASIG – Vienna Insurance Group
- ASIROM – Vienna Insurance Group
- BCR ASIGURARI – Vienna Insurance Group
- DE VIATA BCR ASIGURARI – Vienna Insurance Group

ESTONIA

- SEESAM – in redesign

LATVIA

- SEESAM – in redesign

LITHUANIA

- SEESAM – in redesign

TURKEY

- RAY SIGORTA – Vienna Insurance Group

POLAND

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

UKRAINE

- КНЯЖА – Vienna Insurance Group
- ГЛОБУС – Vienna Insurance Group
- ЮПІТЕР – Vienna Insurance Group
- УКРАЇНСЬКА СТРАХОВА ГРУПА – Vienna Insurance Group

GEORGIA

- GPIA – Vienna Insurance Group
- IRAO – Vienna Insurance Group

March 2009

VIENNA INSURANCE GROUP – MISSION STATEMENT

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

WE are at home in Central and Eastern Europe (CEE).
The CEE region offers a high 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 solid 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 business 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.

DYNAMIC EXPANSION ON A SOLID FOUNDATION

Our process of rapid, yet risk-aware internationalisation has given us an in-depth knowledge of our markets. This know-how provides a strong foundation for new business initiatives aimed at steadily expanding the outstanding positions we have already achieved.

STRATEGY, MARKET AND ACTIVITIES

OBJECTIVES AND STRATEGY

The Vienna Insurance Group aims to achieve long-term continuous growth in premiums and earnings.

It has set itself the following objectives in this regard:
- strengthening the leading position held by the Vienna Insurance Group in Austria, and
- steady expansion of its insurance activities in the dynamic growth region of Central and Eastern Europe.

This clear growth strategy, which the Group has already followed for many years with great success, is reflected in the proven business model used by the Vienna Insurance Group.

Vienna Insurance Group´s business model

The core business of the Vienna Insurance Group is to identify and respond to people's needs for security. As a result of its comprehensive range of products, exceptionally close customer relations and outstanding service, the Company has risen to become the leading insurance company in Austria.

Based on the success of this concept in Austria, in 1990 the Group set itself a strategic milestone that defined the path it would take in the future, namely, the beginning of the targeted geographic expansion into Central and Eastern Europe. This systematic internationalisation was a key factor marking the Company's subsequent development. The Vienna Insurance Group now operates in 23 countries, 19 of which are in the CEE region.

Focus on the CEE region
The political turbulence that in 1989/90 finally led to the introduction of democracy in the former Eastern Bloc countries also brought the region bordering Austria an entirely new and diverse range of opportunities for development. The management of the Vienna Insurance Group recognised the long-term potential of the radical change occurring in these countries and has since then utilised the associated growth opportunities in order to realise its objectives.

Early entry into the CEE region guaranteed the Vienna Insurance Group a substantial lead over its competition. The bold, while at the same time well-considered, steps in its expansion smoothed the path over the years for the Vienna Insurance Group to become number 1 in its core markets in the CEE region. Management and employees continue to create value today from the nearly two decades of experience that has now been accumulated. This know-how ensures that Group companies in each country are optimally positioned to benefit their customers and employees. In spite of the current deterioration of the short and medium-term outlook for the CEE region, the business trend in this region can be expected to continue at a significantly higher level than forecast for Western Europe. Over the long term, the increasing prosperity of the population will lend support to the economic convergence of these markets, and will also be reflected in expenditures for insurance services.

Locally managed companies in each country provide the Vienna Insurance Group with information on customer needs, allow it to react quickly and flexibly to market trends and, given its position in the market, even to actively set such trends.

The demand for products in the insurance business
The catch-up process as concerns the living standards of the population of Central and Eastern Europe is basically driven by a desire for mobility. Many give top priority to the purchase of a car of their own. Due to the fact that, in accordance with European standards, motor vehicle liability insurance is mandatory in the CEE region as well, and due to the vehicle own-damage insurance required by the lease financing frequently employed, motor vehicle insurance is one of the first and most important insurance segments in these markets. Fortunately, the motor vehicle business, which is highly significant for the Vienna Insurance Group, also proves to be extremely stable in difficult economic times, as the personal car and the mobility that it brings have become indispensable to many.

The demand for household and homeowner insurance is also increasing in significance. What is important here is that these insurance segments are not only attractive for newly purchased homes. The greatest potential lies instead in the large percentage of apartments and houses that are already occupied, but currently still do not have the insurance protection that has long become the standard in Western Europe. As a result, the non-life segment of markets that are already further developed, such as the Czech Republic and Slovakia, still offer quite considerable growth opportunities that the Vienna Insurance Group is developing with targeted sales initiatives.

The subject of providing for old age is a concern to people in Central and Eastern Europe even before their primary consumption needs have been satisfied. In view of the low level of coverage provided by the government pension system compared to Western Europe and the resulting increase in the need for personal old-age provision products, the potential for life insurance is many times higher in the CEE region than in Western markets. The awareness that individuals must make appropriate private provisions for their own old-age is causing demand to rise in the individual markets for savings and life insurance

products. This trend is strengthened as income rises, causing the life insurance business to increase in importance as markets become more developed. People want to ensure that the standard of living attained and the risen level of expectations will continue in the future.

These demands can also be seen in the expectations made of medical care in the event of illness. In 2009, the Vienna Insurance Group is therefore offering private health insurance in the CEE region as a new business initiative. The Vienna Insurance Group is beginning to market private health insurance in the Czech Republic, Slovakia, Poland, Romania and Hungary in particular, in order to position itself early on in this business as a capable partner actively addressing customer needs.

Sales

The Vienna Insurance Group's business model is primarily aligned to the retail business. A strong, committed sales force that actively approaches customers in the field and offers professional advice and information on insurance products is a requirement for success in the retail customer business. In order to offer its products to the greatest number of people possible, the Vienna Insurance Group relies on proven multi-channel distribution using a combination of different distribution channels. Depending on the market circumstances in a particular country, these include – in addition to our own sales employees – brokers, agents, multi-level marketing, direct marketing and, with increasing importance, banks. This diversification ensures the Vienna Insurance Group optimal access to customers and decreases its dependence on individual distribution channels.

The Vienna Insurance Group also takes the great importance of sales into account when making acquisitions. High-performance, sustained sales power is always the main criterion used when acquiring a new company. The systematic development and expansion of distribution channels in the course of the Vienna Insurance Group's expansion is responsible for the excellent position of the Group in Austria and the CEE region. Excellent distribution channels also enable the business potential of the future to be exploited and therefore represent an essential factor in achieving the objectives of the Vienna Insurance Group.

Cooperation with the Erste Group

Further development of our sales strength was the main factor behind the acquisition of the insurance activities of the Erste Group. This acquisition and the many years of mutual cooperation between the two groups allowed the Vienna Insurance Group to realise a unique opportunity to further implement its strategy of sustained growth. Sales of each other's products represents an important element and guarantee of the success of the cooperation: employees of the Erste Group sell Vienna Insurance Group products and the field sales force of the Vienna Insurance Group offers Erste Group banking products. This sales arrangement with the Erste Group has enabled the Vienna Insurance Group to secure an additional exclusive distribution channel that plays an important role in the sale of life insurance products in particular, and will contribute in this way to the Vienna Insurance Group's long-term growth.

Multi-brand strategy

The multi-brand strategy consciously followed by the Vienna Insurance Group forms an important foundation for the implementation of its business model. This strategy is used in combination with multi-channel distribution as an ideal tool for generating customer and employee loyalty. Newly acquired companies retain their brand names, which are already well established and enjoy good customer recognition, so that the Vienna Insurance Group in a single country may appear to the public through a variety of companies and company names. Maintaining existing brand names is important for the loyalty and motivation of management and employees, and also allows existing customer loyalty to a local insurance company to be preserved and further developed.

The Vienna Insurance Group relies in all markets on the power of proven brand names steeped in tradition.

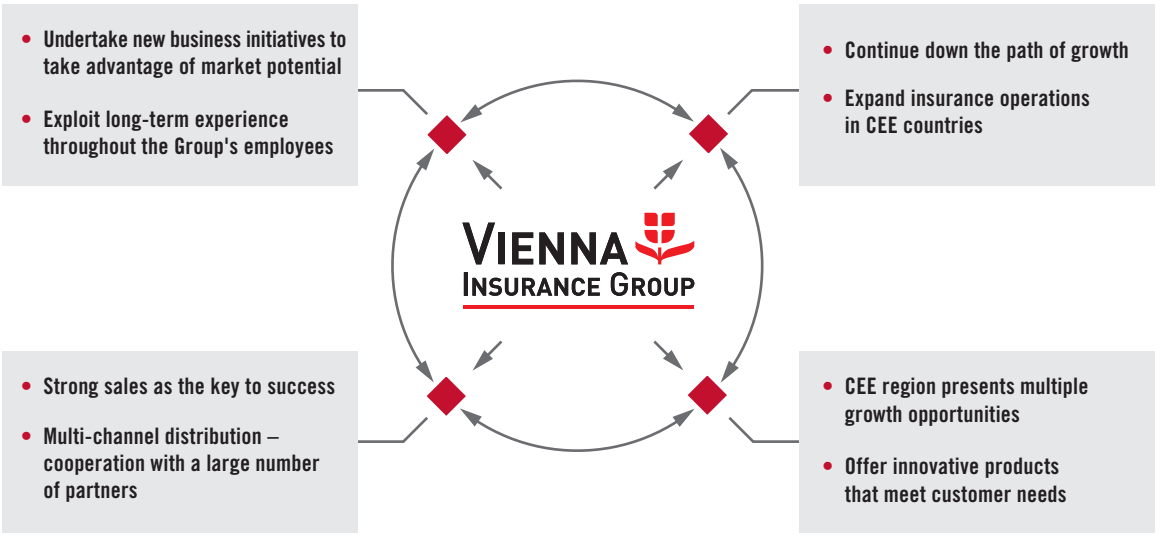
Regardless of the different brand names that are important for sales, when the Vienna Insurance Group is represented by more than one company in a country, it always endeavours to exploit back office synergies. Thus, areas without direct customer contact, such as accounting, purchasing, payroll, IT, investment, etc. are centralised within a country, with the Group benefiting from the cost savings this generates. Local management supports initiatives of this nature because back office cost reductions make it easier for Group companies to achieve their budget profit targets.

Management and communication

The personal experience gained by the top management of the Vienna Insurance Group in the Central and Eastern Europe region and their personal involvement on site promote direct communication between local management and the Executive Board of the Vienna Insurance Group. This allows necessary decisions to be made quickly in coordination with the Vienna Insurance Group and for support to be provided by the Group if needed.

Group companies are routinely assisted and supported in key business areas such as investments, as well as with corporate customer support or actuarial problems, by staff at the Vienna Insurance Group's corporate headquarters. This combination of Group expertise and the know-how of local subsidiaries makes possible the successful long-term development of the Vienna Insurance Group. Following the pattern of ongoing, direct communication between local management and the Manag-

V.I.G. BUSINESS MODEL



ing Board of the Vienna Insurance Group, management and employees of Group companies also routinely exchange information with one another. Extensive networking and discussion generates innovative product ideas and successful concepts and solutions over a broad range of areas, which are then made available for use by the entire Group. This exchange of know-how and flexible communication within the Vienna Insurance Group is a key factor in the successful implementation of the Group's business model and the achievement of its objectives.

Next steps in furtherance of the business model

The strengths of the Vienna Insurance Group lie in its rapid, flexible accommodation to local market conditions as well as in its active development of attractive products to satisfy customer needs, which are combined with customer-oriented sales efforts to further expand the Vienna Insurance Group's market position.

The Vienna Insurance Group believes that it can achieve both the planned strengthening of its leading position in Austria and the further development of its insurance activities in Central and Eastern Europe in spite of the current deterioration of the economic environment. The business model, broadly diversified by country, distribution channel and product, is continuously influenced and shaped by the experience and solid market knowledge of the individual companies of the Vienna Insurance Group. Owing to the process of economic convergence, the CEE region continues to remain a region of dynamic long-term growth, where the Vienna Insurance Group has the knowledge needed to selectively take advantage of opportunities available in the insurance business. Successful implementation of the business model in Austria and the CEE region will enable growth to be achieved both in premiums and, combined with the conservative investment strategy followed by the Vienna Insurance Group, the earnings of the Group.

CENTRAL AND EASTERN EUROPE – A REGION WITH GROWTH POTENTIAL

The Vienna Insurance Group has operations in Central and Eastern Europe, a region that offers the insurance industry significant opportunities for long-term growth. Vienna Insurance Group´s expansion into the CEE countries is based on a business potential primarily rooted in two factors:

- Insurance density in the CEE region (per capita premiums) is considerably below the Western European level, and
- Insurance markets in the region show growth rates that are likely to remain above those in Western Europe, even during volatile periods.

The Vienna Insurance Group believes that the CEE region will continue to offer growth and catch-up potential over the business cycle and in the long term.

Significant growth and catch-up potential for insurance density

The long-term growth and catch-up potential of the CEE region can be seen in its insurance density. Insurance density indicates the average amount each inhabitant of a country spends each year for insurance services. The CEE countries, for example, recorded an average insurance density of USD 273 in 2007, versus an average of USD 3,668 for the EU-15 countries.

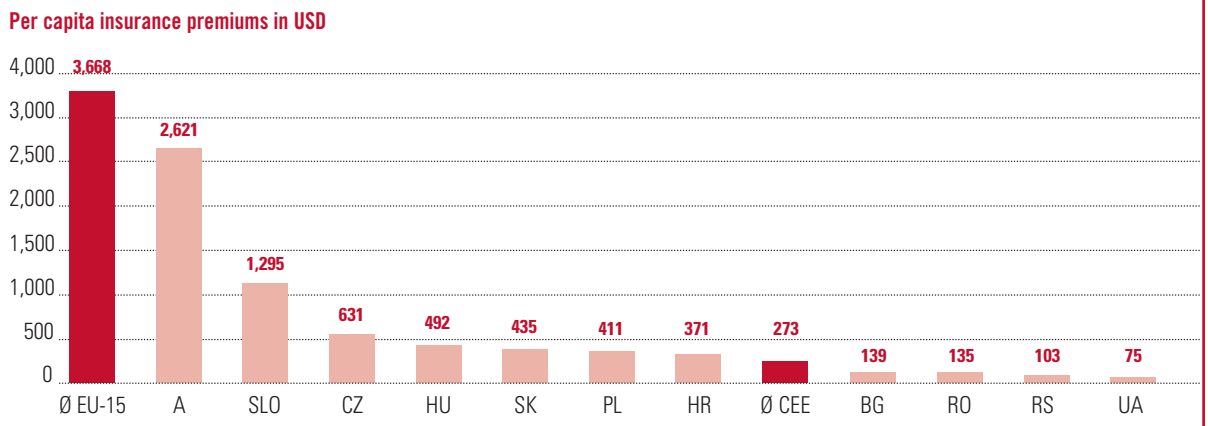
Insurance density in the non-life insurance segment is currently USD 164 for the CEE region and USD 1,292 for the EU-15 countries, which means that current insurance density for the CEE region is approximately one-eighth of the Western European level in this segment.

Insurance density in the life insurance segment is currently USD 109 for the CEE region and USD 2,376 for the EU-15 countries. These figures clearly show that the CEE region has great growth and catch-up potential in both the life and non-life insurance segments.

Economic area with a future

Central and Eastern Europe is an economic area with a future. Due to the region's long-term growth potential, its markets, despite the current turbulence, are still growing more strongly than those in Western Europe, as demand for insurance services will continue to rise in the future. In particular, insurance segments such as motor vehicle liability insurance, in which the Vienna Insurance Group is strongly positioned in all CEE countries, are viewed as relatively crisis-resistant. Over the longer term, the Vienna Insurance Group, given its broad geographic base and leading position in the region, will also continue to benefit especially well from the high growth and catch-up potential offered by the CEE region.

2007 INSURANCE DENSITY: LONG-TERM GROWTH POTENTIAL IN THE CEE MARKETS



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

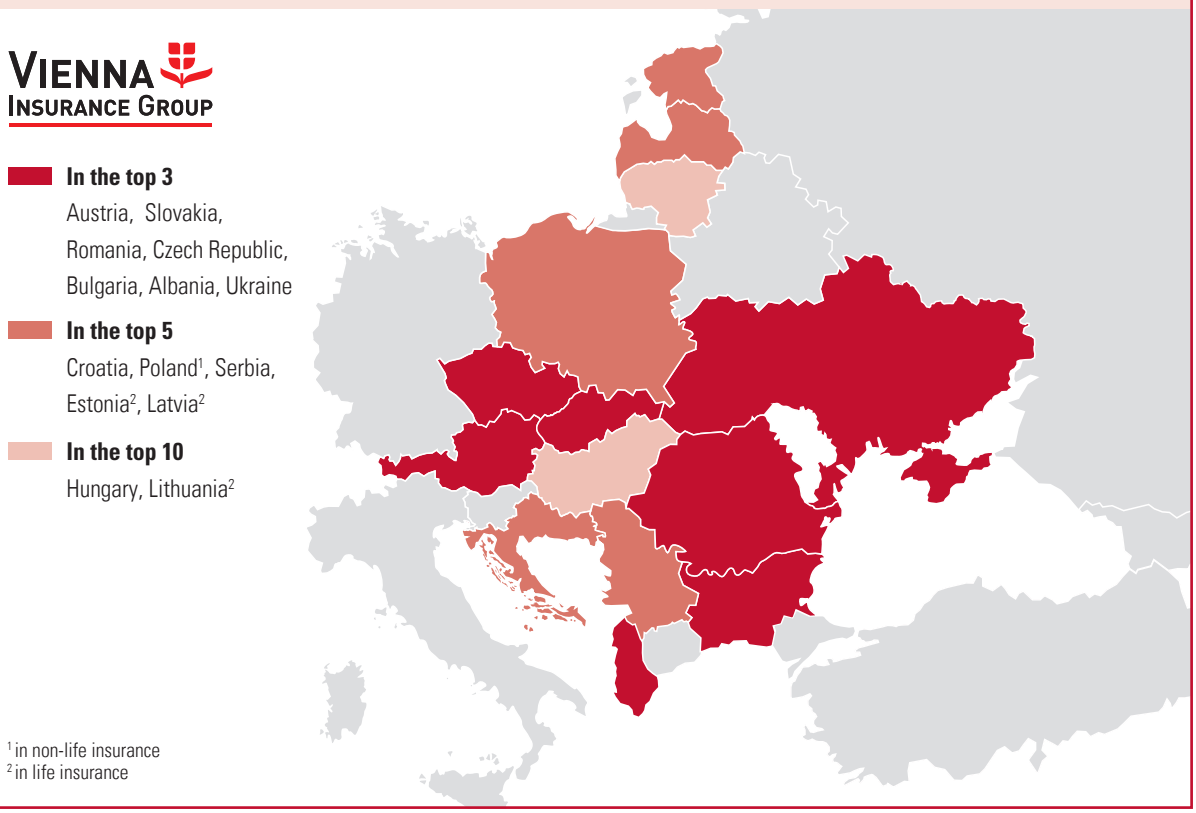
(Source: Sigma)

Broad geographical base and top positions held in the CEE region

The Vienna Insurance Group has achieved its goal of rising to become the leading insurer in Central and Eastern Europe. The Group is now the clear number 1 both overall and in the non-life insurance business in its core markets in the CEE region. The successful acquisition of Erste Group's insurance companies strongly fortified VIG's position in life insurance as well, making it one of the leading insurers in this segment in the CEE region.

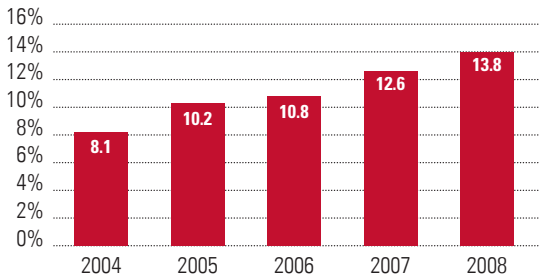
This success story is the result of the combined efforts of our Group companies in all of these countries. The section below provides examples of selected countries showing how the Vienna Insurance Group was able to successfully develop its market presence over the last few years. The Group's broad geographical base in the CEE region and the top positions it holds in many markets allow its approximately 23,000 employees in 23 countries to take optimal advantage of the opportunities and great growth potential presented by Europe. The challenge of maintaining and further expanding this position as the overall number 1 in its core markets is our driving force and objective for the future.

TOP POSITIONS OF THE VIENNA INSURANCE GROUP IN CEE



Over the past years, the Vienna Insurance Group has continuously expanded its market position in the CEE region through organic growth and acquisitions, thereby making the Company one of the leading insurance companies in this region, with a market share of around 14%. The Vienna Insurance Group has been among the top players in the non-life segment for years, and its acquisition of the s Versicherung Group has also made it a leading life insurer in its core CEE markets. Thus, the Company now has a strong presence in both segments of insurance – life and non-life – in Central and Eastern Europe.

V.I.G. MARKET SHARE CEE IN %

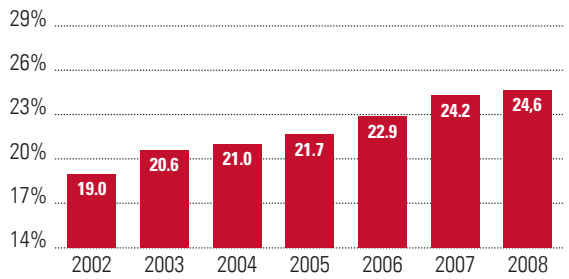


(Source: Underwriting associations / controlling institutions)

Austria

In spite of the sale of BA-CA Versicherung, the Vienna Insurance Group used its acquisition of Sparkassen Versicherung AG Vienna Insurance Group[1] to further strengthen its market leadership in 2008. Its market share of 24.6% at the end of the period makes it the clear number 1 in Austria. Vienna Insurance Group is also the undisputed market leader in property/casualty insurance with a market share of 21.3% and life insurance with a market share of 28.7%.

V.I.G. MARKET SHARE AUSTRIA IN %

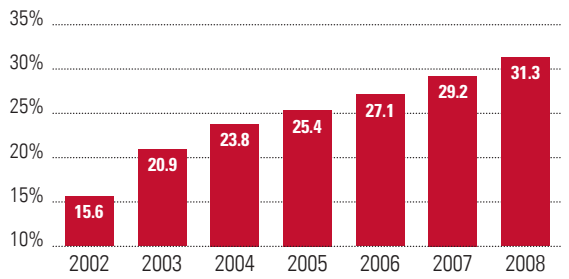


(Source: Austrian Insurance Association VVO)

Slovakia

In Slovakia too, the Vienna Insurance Group increased its market share to 31.3%, resulting from its acquisition of the Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group[1]. This considerably strengthened its second place position in the market. In addition, the Group has also risen to become the largest life insurance company in Slovakia. In motor vehicle insurance, the Vienna Insurance Group consolidated the market leadership position it achieved in 2007, increasing its market share to 40.5%.

V.I.G. MARKET SHARE SLOVAKIA IN %

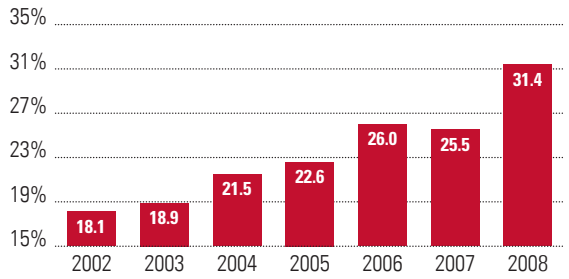


(Source: Underwriting association Slovakia SLASPO)

Czech Republic

With a market share of 31.4%, the Vienna Insurance Group holds an outstanding second place in the Czech Republic. As a result of the acquisition of Pojišťovna České spořitelny, a.s., Vienna Insurance Group from the s Versicherung Group and due to successful organic growth, market share in the life insurance business grew from 15.0% in 2007 to 27.4% in 2008, thereby giving the Vienna Insurance Group second place in this segment of the market as well. The Group's market share of 34.2% also put it in second place in the non-life insurance segment. Every third car in the Czech Republic is already insured by the Vienna Insurance Group, the second-largest motor vehicle insurer in the country.

V.I.G. MARKET SHARE CZECH REPUBLIC IN %

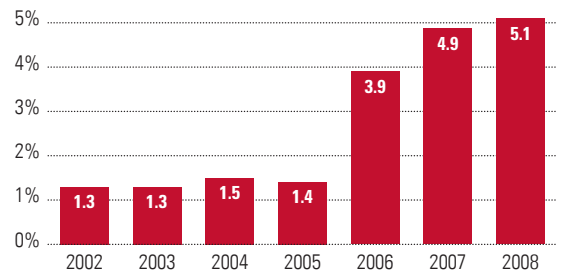


(Source: Underwriting association Czech Republic ČAP)

Poland

With a market share of 5.1%, the Polish companies of the Vienna Insurance Group took sixth place in the market at the end of the period, in 2008 once again posting strong organic growth in the non-life insurance segment. Vienna Insurance Group's market share in this segment grew from 6.9% to 8.0%. In motor vehicle insurance, the Vienna Insurance Group already holds an excellent third place in the market, with a market share of 8.7%.

V.I.G. MARKET SHARE POLAND IN %

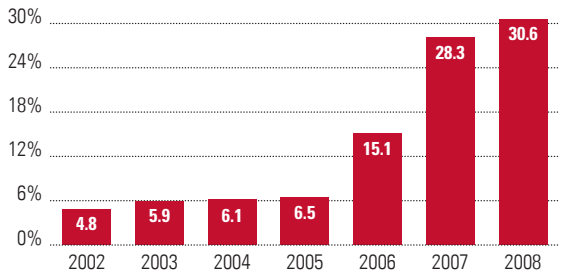


(Source: Financial Market Authority Poland KNF)

[1] New company name subject to approval by the appropriate executive bodies of the Company and registration of the amendment to the articles of association by the local authorities.

Romania
In spite of its sale of the Unita insurance company, the Vienna Insurance Group considerably strengthened its market leadership in Romania through organic growth and through acquisition of the SC BCR Asigurari de Viata Vienna Insurance Group S.A.[1] and SC BCR Asigurari Vienna Insurance Group S.A.[1], raising its market share to 30.6%. In motor vehicle insurance, the Group held the clear No. 1 position, with a market share of 35.4%. In addition, its acquisition of BCR Life made the Vienna Insurance Group one of the top 3 life insurers in the country.

V.I.G. MARKET SHARE ROMANIA IN %



(Source: Insurance Profile)

Albania
In Albania, the Vienna Insurance Group held an excellent third place with a market share of 14.3%. In motor vehicle insurance, Vienna Insurance Group is number 2, with a market share of 16.9%.

The Baltic states
The Vienna Insurance Group is represented by the Seesam life insurance company in the Baltic states, holding a leading position in life insurance in all three countries.

Bulgaria
In Bulgaria, the Vienna Insurance Group achieved a market share of 17.9%, thus making it the clear market leader. Market share in the motor vehicle insurance business rose to 18.9% at the end of the period, putting the Group in first place in the market.

Georgia
The Georgian companies of the Vienna Insurance Group, GPIH and IRAO, together hold a market share of 32.2%, giving them an outstanding first place in the market.

Croatia
The Vienna Insurance Group's market share of 8.4% in Croatia put it in fourth place in the market. The Group's acquisition of Erste osiguranje Vienna Insurance Group d.d.[1] gave it a market share of 16.2%, moving it up into second place in the life insurance market.

Serbia
In Serbia, the Vienna Insurance Group raised its market share to 8.0% at the end of the period, putting it in fourth place in the market. With a market share of 26.8% in the life insurance segment, our Serbian company already covers almost a third of the market.

Ukraine
The Group's purchase of UIG in 2007, and strong premium growth in its other previously acquired companies, moved the Vienna Insurance Group into the Top 3 in the Ukrainian insurance market.

Hungary
The Vienna Insurance Group's acquisition of Erste Vienna Insurance Group Biztosító Zrt.[1] and organic growth improved its market position in Hungary. With a market share of 4.1%, the Group now holds eighth place in the market. In life insurance, the Group has moved up to become one of the Top 10 companies in the market.

[1] New company name subject to approval by the appropriate executive bodies of the Company and registration of the amendment to the articles of association by the local authorities.

CURRENT GROUP ACTIVITIES

The success achieved by the Vienna Insurance Group in Central and Eastern Europe is shown not least by the strong premium growth posted by companies of the Group over the last few years. Vienna Insurance Group premium income has more than doubled over the past years (2004-2008). At the moment, around 50% of total premiums and more than 60% of premiums in the property and casualty area are now being earned in CEE markets. Profit before taxes has more than tripled since 2004. The Company hence continues to be one of the fastest-growing insurance groups in Europe.

In spite of difficult times, the Vienna Insurance Group in 2008 successfully implemented its strategy, continuing to consolidate and develop its position in the CEE region in a purposeful manner.

V.I.G. International

2008 Capital increase: issuance of 23 million new shares
In the spring of 2008, the Vienna Insurance Group carried out a capital increase of 23 million new shares, raising the total number of shares to 128 million. The capital increase was used to finance the acquisition of the insurance operations of the Erste Group, including the long-term mutual distribution partnership with the latter. The capital increase also makes it possible for the Vienna Insurance Group to finance additional activities aimed at continuing on its path of growth in CEE countries.

After a successful bookbuilding process, the Vienna Insurance Group set the subscription and offering price for the new shares at EUR 49.50 per share. Due to high demand, all 23 million of the new shares offered as part of the capital increase were placed. With a volume of around EUR 1.14 billion, this Vienna Insurance Group capital increase represents the largest share placement ever made by an insurance group on the Vienna Stock Exchange. The global offering was oversubscribed many times.

Demand by existing Vienna Insurance Group shareholders as well as a multitude of new private and institutional investors was particularly strong. The demand by institutional investors came primarily from Austria, Central and Eastern Europe, Great Britain, the U.S. and Asia. The new shares have full dividend rights for financial year 2008.

Issuance of a EUR 250 million hybrid bond
To increase its financial flexibility, the Vienna Insurance Group in June 2008 issued a EUR 250 million hybrid bond. The proceeds from the bond were used for general financing purposes and for further strengthening of the Company's equity. The terms of the bond were set based on current market terms and the demand shown during the bookbuilding process. Following the placement with institutional investors, private investors in Austria were given an opportunity to subscribe (from 2 to 4 June 2008), which met with enormous interest.

Outstanding Standard & Poor's rating:
At the beginning of March 2009, the internationally recognised rating agency Standard & Poor's explicitly confirmed its existing A+ rating for Wiener Städtische Versicherung AG Vienna Insurance Group. Standard & Poor's expects that management will be able to continue successfully along the current growth path. In view of this highly positive performance, the Vienna Insurance Group was assigned an outlook of "Stable". The Company therefore continues to enjoy a very good rating even in the current challenging economic environment.

Successful market entry – VIG RE start-up exceeds expectations
VIG RE zajišťovna, a.s. (VIG RE), established by the Vienna Insurance Group as the Group's in-house reinsurance company, commenced business operations in Prague at the beginning of September 2008. As a regional reinsurer for the CEE region, VIG RE provides special solutions to the oftentimes young insurance companies in these up-and-coming markets. Reinsurance coverage is offered for property and casualty insurance as well as for life and health insurance. The Vienna Insurance Group can thereby further establish itself as a specialist in the CEE region and will also be a contact for other insurance companies in its defined core markets in this region.

VIG RE was off to an outstanding start in its founding year, almost reaching its premium targets for 2011 in 2009. Policies for around EUR 280 million were signed. There is already high demand from outside insurers as well. In view of the excellent business performance thus far – outside business has even reached half of the planned 2011 target already – upward revision of the premium target for 2011 can be envisioned. The Group's expectations of a 20% RoE in 2011 can likewise be confirmed.

VIG RE was evaluated by the internationally recognised rating agency Standard & Poor's (S&P), in 2008 receiving an excellent S&P rating of A+, with a stable outlook.

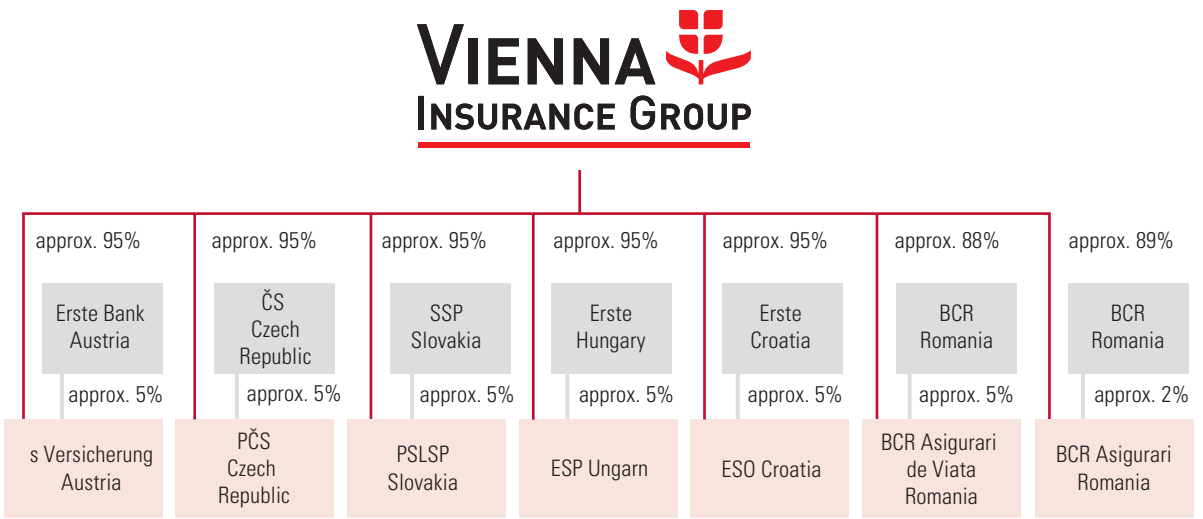
Cooperation with Erste Group in eight countries
The purchase of Erste Group's insurance operations in Austria and Central and Eastern Europe, approved by the Vienna Insurance Group in the 1st quarter of 2008, was successfully concluded in the 4th quarter of last year. The transaction carried out included the acquisition of all of Erste Group's insurance operations and the conclusion of a long-term distribution agreement.

As part of the transaction, the Vienna Insurance Group took over Erste Group's insurance companies in Austria, the Czech Republic, Slovakia, Hungary, Croatia and Romania, for a purchase price of approximately EUR 1.44 billion. The long-term distribution agreement concluded by the two groups

in connection with the acquisition gives Vienna Insurance Group access to Erste Group's international distribution network, with more than 16 million customers and more than 2,900 branches. Individual national distribution agreements have been entered into for Austria, the Czech Republic, Slovakia, Hungary, Croatia, Romania, Serbia and Ukraine.

As part of a "preferred partnership", both groups undertook to give preference to distributing the other partner's products over their distribution networks. The Vienna Insurance Group, with its extensive expertise in bank distribution, is in an excellent position to develop additional products and services custom-tailored for this distribution channel in the future. It can be expected that bancassurance will increase in significance as a distribution channel for life insurance.

CHART OF OWNERSHIP INTERESTS IN S VERSICHERUNG GROUP INSURANCE COMPANIES



Austria

Sparkassen Versicherung AG Vienna Insurance Group[1] (s Versicherung) was established in 1985 by the Sparkasse Group and commenced business operations on 2 January 1986. The products offered by s Versicherung comprise all forms of personal and corporate old-age provision that make use of life, casualty and pension insurance. s Versicherung holds second place in the Austrian insurance market in the area of life insurance.

Czech Republic

In November 2000, s Versicherung expanded into the Czech Republic, doing business in both the life and non-life markets via the company Pojišťovna České spořitelny, a.s., Vienna Insurance Group (PČS), established in 1992. Since 1 January 2004, the company has been operating as a pure life insurance company, following the sale of its non-life business to Kooperativa, a company belonging to the Vienna Insurance Group.

Slovakia

Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group[1] (PSLSP), began its operations at the start of 2003 as a pure life insurance company. It is now the eighth largest life insurance company in Slovakia.

Romania

The Romanian companies SC BCR Asigurari Vienna Insurance Group S.A.[1] (BCR non-life) and SC BCR Asigurari de Viata Vienna Insurance Group S.A.[1] (BCR life) were established in 2001 as members of the Banca Comercială Română (BCR), offering insurance solutions in the non-life and life insurance segments, respectively.

Croatia

Erste osiguranje Vienna Insurance Group d.d.[1] (ESO) commenced business operations in June 2005, with Erste & Steiermärkische Bank d.d. as its main distribution partner. The company has around 30 employees working together to achieve the goal of becoming one of the most important life insurance companies in the Croatian market as well.

Hungary

Erste Vienna Insurance Group Biztosító Zrt.[1] (ESB), which sells its life insurance products through the branch network of Erste Bank Hungary Nyrt., began its business operations at the beginning of 2000. ESB, with its approximately 40 employees, is supported here by ERSTE s Biztositási Alkusz Kft., Budapest, a brokerage company that is a wholly owned subsidiary of s Versicherung.

Serbia and Ukraine

The Erste Group had no insurance companies in Serbia or Ukraine. Distribution agreements were nevertheless also concluded in these two countries between companies of the Erste Group and insurance companies in the Vienna Insurance Group.

V.I.G. Austria

Sale of shares in Bank Austria Creditanstalt Versicherung

In the course of acquiring Erste Group's insurance operations, the Vienna Insurance Group sold its shares (60.54%) in Bank Austria Creditanstalt Versicherung to the ERGO Insurance Group. Acquisition of these shares was approved by the European Commission on 19 September 2008, following its simplified procedure.

The Vienna Insurance Group is now positioned in the Austrian market with the following companies:

- Wiener Städtische Versicherung AG Vienna Insurance Group
- Donau Versicherung AG Vienna Insurance Group
- Sparkassen Versicherung AG Vienna Insurance Group[1]

V.I.G. Romania

Sale of shares in Romanian company Unita

In connection with its acquisition of an approximately 88% interest in life insurer SC BCR Asigurari Vienna Insurance Group S.A.[1] and an approximately 89% interest in the non-life insurance company SC BCR Asigurari Vienna Insurance Group S.A.[1], the Vienna Insurance Group sold all of its shares in the Romanian non-life insurance company Unita to Uniqa Group. The sale was concluded on 3 November 2008.

As a result, the Vienna Insurance Group is now the market leader in Romania, represented by the following companies:

- Omniasig Vienna Insurance Group S.A.
- Omniasig Asigurari de Viata S.A.
- Asigurarea Romaneasca – Asirom Vienna Insurance Group S.A.
- SC BCR Asigurari Vienna Insurance Group S.A.[1]
- SC BCR Asigurari de Viata Vienna Insurance Group S.A.[1]

[1] New company name subject to approval by the appropriate executive bodies of the Company and registration of the amendment to the articles of association by the local authorities.

V.I.G. Poland

Exploitation of synergies
Over the course of 2008 the Polish V.I.G companies Royal Polska and Benefia Life were merged, enabling the Vienna Insurance Group to have a uniform market presence in the life insurance segment. In the future, the merged companies, under the common trade name Benefia Life, will distribute their products throughout the country using bank cooperation agreements. This will make Benefia Life an even more attractive partner for banks and alternative distribution partners.

Greater integration of Vienna Insurance Group companies in Albania, Bulgaria and Croatia.

At the end of April, the acquisition of 100% of the shares of FinLife was successfully concluded, upon receipt of official approval. In the second half of 2008, FinLife was merged into Group company Compensa to take advantage of synergy effects and ensure a uniform market presence for the Vienna Insurance Group on the Polish life insurance market.

V.I.G. Poland is now represented by six insurance companies on the Polish market:

- TUnZ Compensa S.A. Vienna Insurance Group
- TU Compensa S.A. Vienna Insurance Group
- Benefia TUnZ S.A. Vienna Insurance Group
- Benefia TU S.A. Vienna Insurance Group
- TU InterRisk S.A.
- PZM TU S.A. Vienna Insurance Group

V.I.G. Albania, V.I.G. Bulgaria and V.I.G. Croatia

V.I.G. acquires TBIH's interests in insurance companies
For purposes of stronger integration, the Vienna Insurance Group will acquire TBIH's interests in those Group insurance companies held together with TBIH in Albania, Bulgaria and Croatia.

Albania, Macedonia, Kosovo
Sigma was established in 1998 in Tirana. Besides its operations in Albania, it also operates through a branch office in Kosovo. Sigma is also represented in Macedonia as a Vienna Insurance Group company. The companies have a total of 160 employees and focus their operations on the motor vehicle insurance area. In 2008, the companies generated premium volume of EUR 18.65 million.

Acquisition of the shares held by TBIH in the Albanian and Macedonian Sigma companies will raise the Vienna Insurance Group's interest in each of these companies to around 87% (including shares yet to be acquired from minority shareholders). Acquisition of the shares in Albania and Macedonia is conditional on receipt of the necessary official approvals and is expected to be concluded in 2009.

Croatia
Kvarner is the fifth largest insurance company in Croatia, operating successfully in both the life and non-life insurance segments. In 2008, Kvarner generated a premium volume of EUR 74.48 million through its nationwide distribution network of 128 sales offices.

Helios is a successful composite insurer founded in 1991. The main focus of its business is the non-life insurance business. With more than 250 employees, the company was able to generate premium volume of EUR 15.57 million in 2008. Acquisition of the 23% interest held by TBIH in each of Kvarner and Helios increased the Vienna Insurance Group's holdings in these companies to around 99% and 100%, respectively. Acquisition of these interests was already completed by the start of 2009.

Bulgaria
Bulstrad Non-life has been operating successfully in the Bulgarian market for over 45 years. In 1994, Bulstrad Life was established. The two companies held the number 1 position in the Bulgarian insurance market in 2008, generating a premium volume of EUR 123.64 million.

The Vienna Insurance Group's acquisition of the shares indirectly held by TBIH will raise its indirect majority interest in Bulstrad Non-life to around 99% and its interest in Bulstrad Life to around 93%.

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Latest V.I.G. activities

Joint development of new legal protection markets with the ARAG Group
In January 2009, the Vienna Insurance Group and ARAG Allgemeine Rechtsschutz-Versicherungs-AG (ARAG) signed a letter of intent relating to cooperation in the legal protection business. The goal is to develop a joint business model for the Austrian market and for those countries in the CEE region where the Vienna Insurance Group is represented. Negotiations are scheduled to be completed by the summer of 2009.

The Vienna Insurance Group and ARAG have reached agreement on developing ARAG Austria into the leading supplier of legal protection insurance in Austria. To this end, Vienna Insurance Group will enter into a joint venture with ARAG in Austria, with the Vienna Insurance Group contributing its entire Austrian legal protection insurance portfolio to the joint venture company, ARAG Austria. At the same time, the new company ARAG Austria will also provide a launching pad for tapping the dynamic growth markets of the CEE region in the area of legal protection products.

The Austrian legal protection insurance portfolio that the Vienna Insurance Group is to contribute to the new company ARAG Austria has a volume in excess of EUR 40 million. As a result, the new company will manage a total premium volume of around EUR 84 million, making it the number 1 company in the market for legal protection insurance.

V.I.G. sells majority interest in Ringturm KAG to the Erste Group
The Vienna Insurance Group sold a 95% interest in its investment company Ringturm KAG to the Erste Group. In the future, Vienna Insurance Group will increase its domestic and foreign sales of Erste Bank products, and possibly also Erste Sparinvest products.

The acquisition of Ringturm KAG adds a further EUR 3.14 billion (mainly mixed funds) to the previous EUR 23.04 billion of assets under management by Erste Sparinvest (primarily bond funds). The two companies have total assets under management of EUR 26.18 billion, thereby raising market share by 2.5%, to 20.8%, and moving Erste Sparinvest well along the path to becoming number 1 among investment companies. Sparinvest currently has 150 employees. Ringturm KAG and its 19 employees will be managed by the Erste Group in the future, but will remain in existence.

Health insurance: further growth potential in the CEE region
The Vienna Insurance Group is planning its entry into the private health insurance segment in the CEE region. The initial steps are planned for the Czech Republic, Slovakia, Poland, Romania and Hungary. Private health care expenditures in the CEE region are currently still far below the level in Western Europe. By contrast, however, the nation-wide availability of suppliers of highly professional medical services has risen rapidly in the CEE region over recent years.

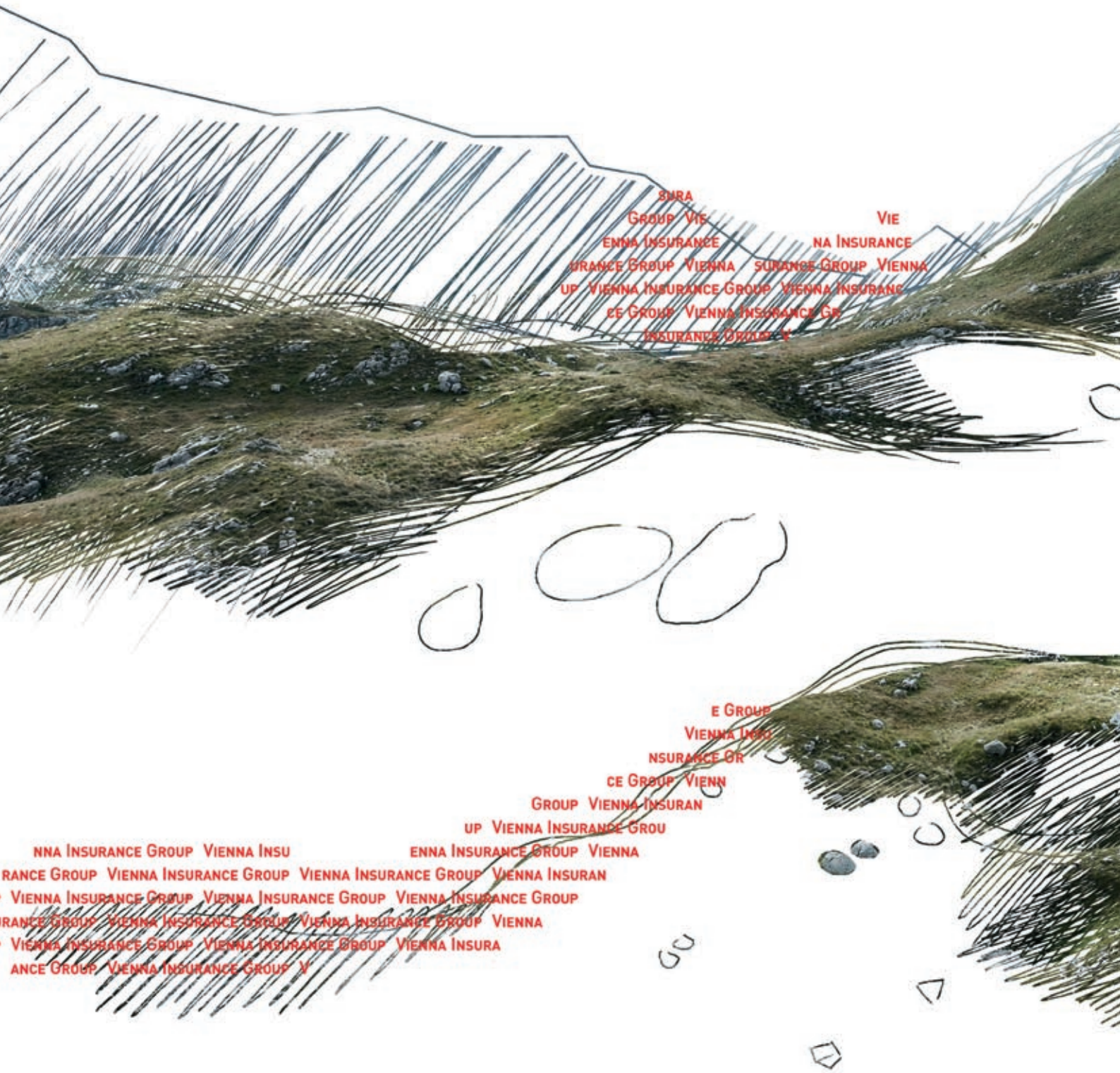
The Vienna Insurance Group in the future will enter into the private health insurance area in the CEE region.

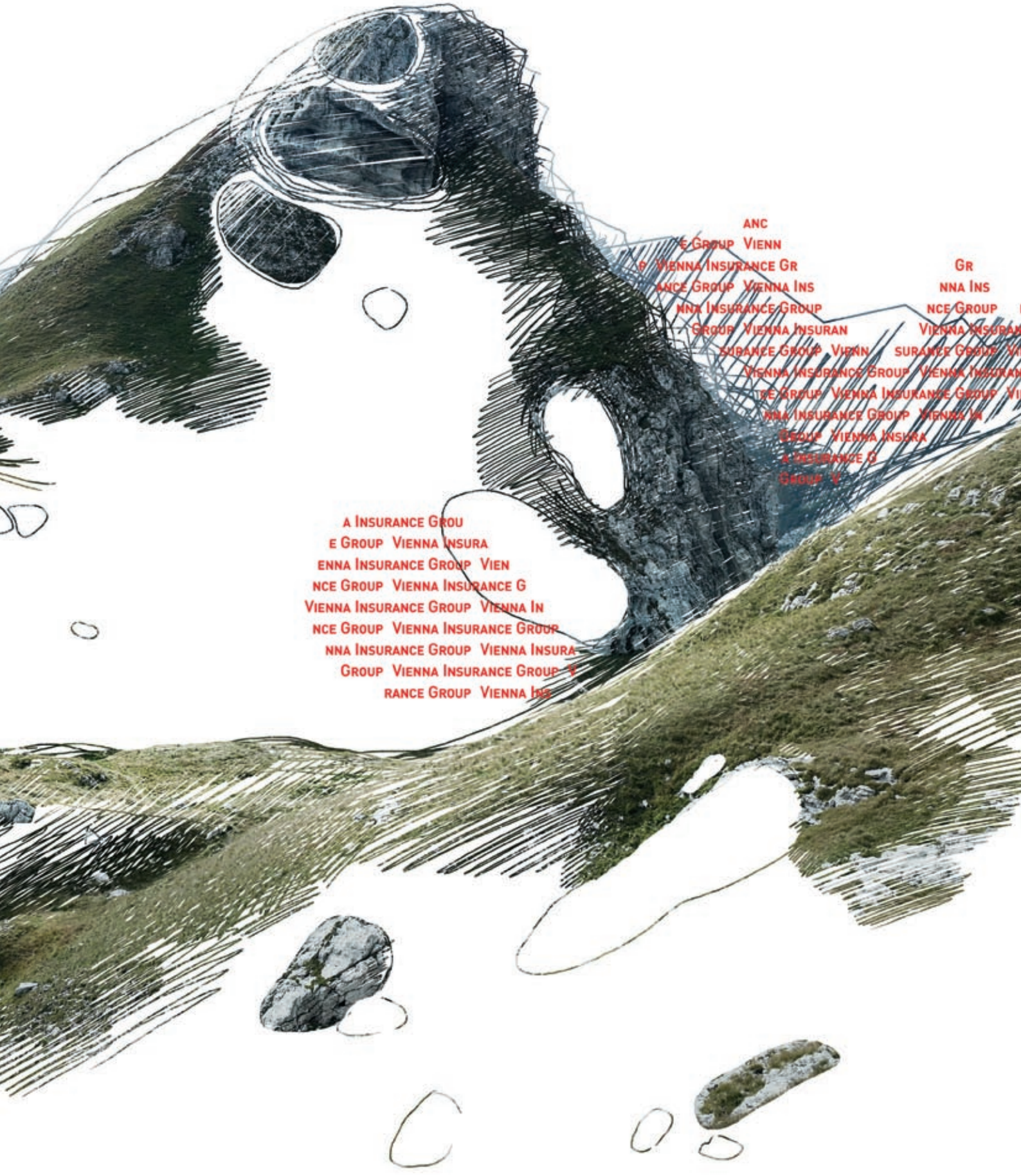
The convergence of private health care expenditures to the Western European level is therefore expected to accelerate. Due to its many years of experience in the area of health insurance and its broadly based distribution network covering the entire CEE region, the Vienna Insurance Group anticipates a large share of the existing market potential.

V.I.G. sold its private hospital interests
The Vienna Insurance Group sold its 25.0% ownership stake in a number of Austrian private hospitals, so as to concentrate more strongly on its core business in the future.

VISION AND CONFIDENCE

Detailed information on strategy, development and results provides a basis that financial markets can use to properly value the Group. We maintain continuous communications with our stakeholders in order to ensure this in the long term.

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INVESTOR RELATIONS

International equity markets

The emergence of the economic crisis in 2008 led to massive price drops in capital markets. Many stock exchanges recorded the worst price corrections seen since the Second World War.

Capital market performance had already been negatively impacted at the beginning of the year by the real estate crisis that broke out in the U.S. in the middle of 2007. Large write-downs in the annual reports published at the beginning of 2008 caused prices to fall dramatically. The many monetary policy measures implemented by the U.S. Federal Reserve in the hopes of stabilising capital market prices, such as sizeable interest rate reductions and increases in liquidity, only brought temporary calm to the situation. A speculative bubble in commodity markets that was causing high inflation rates worldwide prevented further price support measures by international central banks. As a result, another price correction occurred during the summer months.

In order to prevent an even greater downturn in real estate prices in the U.S., the two largest real estate financing institutions, the government-sponsored enterprises Fannie Mae and Freddie Mac, continued to pursue an expansionary business model at the behest of the U.S. government. However, these two institutions were placed under government conservatorship at the beginning of September after high write-downs had reduced their capital to an insufficient level. In addition, the U.S. investment bank Lehman Brothers filed for chapter 11 bankruptcy protection in mid-September after negotiations to raise additional equity collapsed and, contrary to market expectations, the government did not provide any funding for the company.

This triggered a massive crisis of confidence among banks. The interbank market that banks use to provide each other with short-term liquidity collapsed, since after this time it could no longer be assumed that financially distressed banks would be rescued. The capital markets reacted very negatively to this development. Within a period of only two months, equities lost around 40% of their value worldwide, as measured by the MSCI World Index.

In order to ease the tension and stem the developing global economic crisis, policymakers were impelled to prepare bank rescue packages. These provided for both equity infusions as well as government guarantees for bank refinancing, and prevented further acceleration of the financial crisis. Alarming economic data received since that time led policymakers to announce support packages. In addition, due to strong declines in commodity prices that led to a reduction in inflation rates, central banks were also able to implement drastic interest rate reductions. The result was a slight recovery of prices in the final weeks of 2008 relative to the lows for the year.

Although the economic crisis began in the U.S., prices dropped less there than in Europe or Japan. This is primarily due to the U.S. Federal Reserve's quick and decisive reaction to the crisis, reducing prime interest rates from 4.25% to 0.00 to 0.25% in the space of a year. Money market liquidity was also increased significantly. In contrast, still dominated by fears of inflation, the European Central Bank raised interest rates by 25 basis points to 4.25% in the summer of 2008. The rounds of interest rate reductions did not start in the Eurozone until October.

The U.S. Dow Jones Industrial Index fell 33.8% in 2008, and the Eurostoxx 50 Index by 44.3%. The Japanese Nikkei 225 lost 42.1% over the year.

As a result of high investor risk aversion and the particularly high expectations they had previously held for these economic areas, emerging market performance was even weaker than the established markets in 2008. The Eastern European CECE Index, which is calculated in euros, recorded a drop of 53.5% over the year as a whole. This included the effects of currency devaluations affecting the countries of the CEE region in the 4th quarter of 2008.

Vienna Stock Exchange

In 2008, the Vienna Stock Exchange was also affected by the negative developments occurring in international capital markets. This was primarily the result of a lack of confidence in the future development of the CEE economies.

A large proportion of the companies listed in Vienna invest in this economic area. Investors' fears were based on a belief that the economic crisis could also have long-term negative effects in this region. Higher loan default rates affecting bank balance sheets and currency devaluations are expected in the future. This differs from the opinion held by the companies operating in this region. Based on decades of experience gathered in economic times both good and bad, they believe the natural catch-up process will once again lead to a corresponding increase in growth in the near future.

The Viennese leading index, the ATX, clearly outperformed the European capital market during highly volatile trading in the first half of the year, recording a loss of only 12.6% versus a drop of 23.8% in the Eurostoxx 50 benchmark index. This was due to the outstanding corporate earnings of listed companies heavily involved in Eastern Europe.

As mentioned above, investor risk aversion increased once the effects of the capital market crisis began to be felt in the real economy, causing the ATX to fall by 61.2% over the year as a whole. However, the situation on the Vienna Stock Market

eased up toward the end of the year, with the ATX rising almost 16% from its low for the year of 1,516.09 on 21 November 2008 to close the year at 1,750.83.

Vienna Insurance Group share information

Key share information for 2008

High (19.02.2008)	EUR 58.20
Low (27.10.2008)	EUR 16.00
Year-end price	EUR 24.12
Market capitalisation	EUR 3.1 billion
Proposed dividend	EUR 1.10
Proposed bonus dividend	EUR 0.90
Average daily stock exchange trading volume*	EUR 7.1 billion
Annual performance	-56.10%

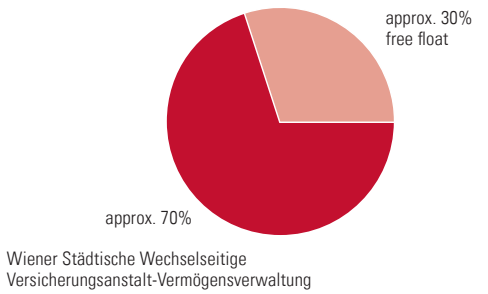
*using single counting

Performance in 2008

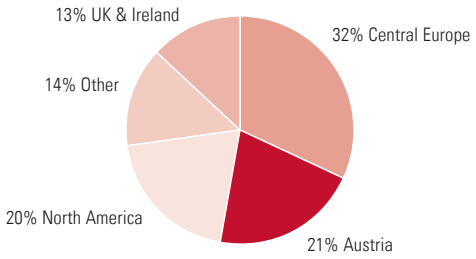
2008 was a mixed year for Vienna Insurance Group shareholders. The share's year-end closing price of EUR 24.12 represented a loss of more than 56%, which meant that the VIG share outperformed the ATX by around 5%. Nevertheless, this was the first time the VIG share has recorded a year-on-year price drop since the capital increase in 2005.

The VIG share was able to separate itself from the effects of international developments at the beginning of the year, reaching an all-time high of EUR 58.20 on 19 February 2008. The share then followed the market in a sideward movement, which is all the more remarkable since the capital increase implemented during this period had a diluting effect on equity of around 22%. When this is included in the calculation, the VIG share outperformed the ATX. Due to the escalation of the financial market crisis described above, the share fell to its low for the year of EUR 16.00 on 27 October 2008. The share gained considerably in value after that time, rising more than 50.0% by the end of the year and outperforming the ATX Index by 46.0% over the same period. Developments in the current year have also not been pleasant. Shares of Vienna Insurance Group experienced price setbacks in line with the international developments, and closed on 27 February 2009 at a price of EUR 17.71.

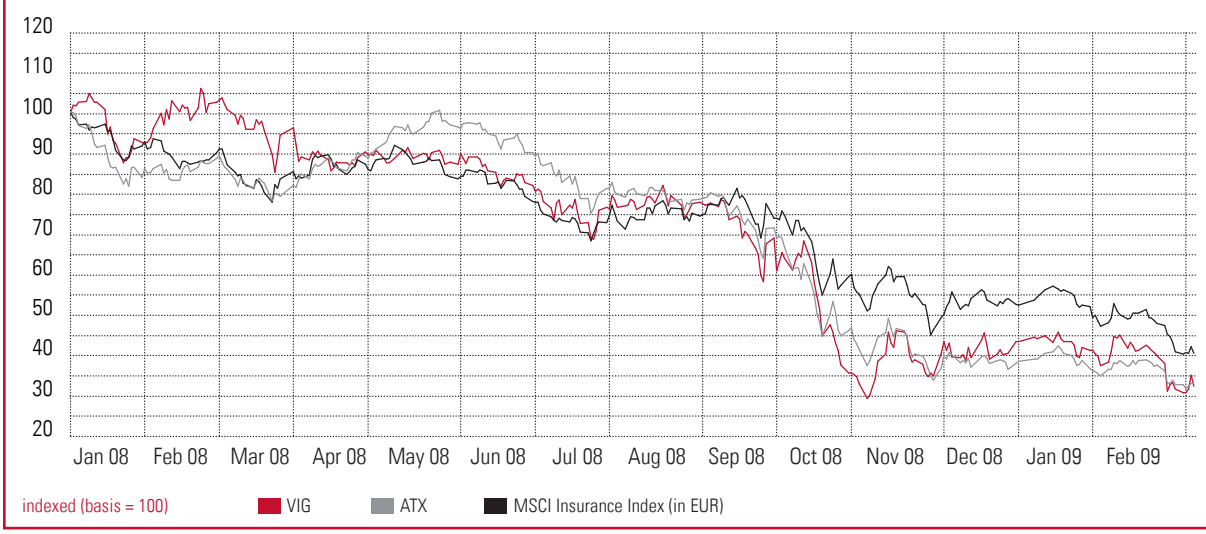
SHAREHOLDER STRUCTURE OF THE VIENNA INSURANCE GROUP



GEOGRAPHICAL DISTRIBUTION OF FREE FLOAT SHARES



VIENNA INSURANCE GROUP (VIG) COMPARED TO THE ATX AND MSCI INSURANCE INDEX (IN EUR)
1 January 2008 - 27 February 2009



Liquidity

The annual trading volume of Vienna Insurance Group shares on the Vienna Stock Exchange increased significantly over the previous year, reaching around 43.0 million shares to set a new record high of EUR 1.7 billion in 2008. This corresponds to an average daily volume of around 172,000 shares or EUR 7.1 million with single counting. The share had a weighting of 6.6% in the ATX leading index as of 31 January 2009.

Trading volume did not fulfil expectations in the first year of listing in Prague. The main reason was low demand by emerging market funds due to the tense economic environment, which was also not fully offset by increased retail demand. The liquidity of the shares rose as high as 10% of total daily volume on both stock exchanges. The shares of the Vienna Insurance Group are included in the PX leading index of the Prague Stock Exchange.

Successful capital increase in 2008

23 million new shares were placed at a price of EUR 49.50 under the 2008 capital increase. Due to strong demand, an additional 933,000 shares were issued under an over-allotment option (Greenshoe) from the holdings of the principal shareholder, Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung. Existing shareholders were permitted to exercise their pre-emptive rights during this capital increase, with 14 existing shares entitling a shareholder to acquire three new shares.

Hybrid capital issue

In addition to the capital increase, a hybrid bond with a nominal value of EUR 250 million was issued. This bond has an indefinite term, an ordinary right to call the bond after ten years, and a coupon rate of 8% for this initial period, after which the bond bears interest at a variable rate. A bookbuilding procedure was used to place the bond with both institutional and retail investors. After a short time, the offering had to be closed early due to extremely high retail demand.

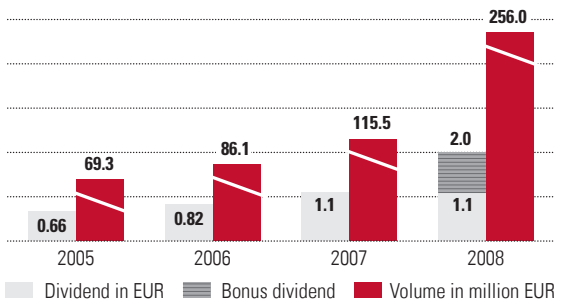
Overview of the VIG share

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

Dividend

The Vienna Insurance Group strives to distribute at least 30% of its Group net profit each year. In spite of the 23 million additional shares issued, a proposal will be made to distribute a dividend of EUR 1.10 per share, with a dividend payment date of 4 May 2009. To recognise the commitment shown by shareholders in the 2008 capital increase, a further proposal will be made to distribute a bonus dividend of EUR 0.90 per share to shareholders in late autumn 2009.

DIVIDEND TREND



Financial communications

Active communication with the capital market was again one of the key duties of the IR team in financial year 2008. Personal contact with analysts and investors is an important tool for establishing and strengthening investor confidence, particularly in difficult market situations. The Vienna Insurance Group participated in a total of 13 bank conferences, and also used four roadshows organised by the Vienna Stock Exchange and a variety of investment banks to hold meetings with interested investors. Management presented the equity story and history of the Vienna Insurance Group in ten additional roadshows, including those used to place the capital increase, which took management to more than 20 cities, as far away as Japan, and in roadshows for the hybrid bond issue.

For the first time, the focus in the previous year was also placed on visits to investors in a variety of regions in the United States to present Vienna Insurance Group's strategy and potential. A total of close to 400 contacts took place with investors and analysts in 2008.

The significant increase in interest in the Vienna Insurance Group is also reflected in the renewed rise in the number of investment banks publishing regular analyses of VIG shares. At the beginning of February this year, Deutsche Bank began coverage of VIG shares with a "Buy" recommendation. A solid balance sheet, cautious investment strategy, and the long-

term growth outlook of Vienna Insurance Group in Central and Eastern Europe were the determining factors behind the Buy recommendation.

Investment banks

- Atlantik
- Bank of America | Merrill Lynch
- CA Cheuvreux
- Citigroup
- Credit Suisse
- Deutsche Bank
- Erste Group
- Equita Sim
- Goldman Sachs
- JP Morgan
- Keefe, Bruyette & Woods
- Morgan Stanley
- Sal. Oppenheim
- Société Générale
- UniCredit

The Vienna Insurance Group also implemented special measures for private investors in the previous financial year. The promotion offering VIG shares for purchase free of change, which was initiated when VIG shares received their second listing on the Prague Stock Exchange and originally ran until 30 June 2008, was particularly well received. Retail investors purchased around 2 million VIG shares during a total period of eleven months under this promotion, which was extended to year's end due to lively interest.

In order to provide private investors as well with direct access to Company information in a personal meeting, the Investor Relations department presented Vienna Insurance Group share information at one of the retail roadshows organised by "Börse Express" and "Aktienforum" as well as a discussion meeting held during the "Gewinnmesse" investment trade fair.
The information provided on the Vienna Insurance Group website at www.vig.com/ir includes up-to-date information and presentations on Vienna Insurance Group. A new "Bonds" menu item was added in 2008, providing for the first time a comprehensive overview of the bonds issued to date by the Wiener Städtische Versicherung AG Vienna Insurance Group.

V.I.G. financial calendar*

Annual General Meeting	24 April 2009
Ex-dividend day	4 May 2009
Dividend payment date	4 May 2009
Q results for 2009	12 May 2009
Q results for 2009	20 August 2009
Ex-bonus dividend day	27 October 2009
Bonus dividend payment day	27 October 2009
Q results for 2009	10 November 2009

* preliminary schedule

Investor Relations

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SUSTAINABILITY – A **STRONG FOUNDATION** FOR THE FUTURE

We are a strong company due to the commitment of our employees. Their motivation and efforts create the foundation for the sustained success of the Vienna Insurance Group – today and in the future.

RESOURCES AND RESPONSIBILITIES

HUMAN RESOURCES

The Vienna Insurance Group will continue to pursue the targeted development of its employees, thereby ensuring its continued success in the future. Capable, committed and motivated employees play a key role in the development and consolidation of the Vienna Insurance Group's market position.

The employees of the Vienna Insurance Group play a key role in the Company's success.

Once again in 2008, new human resource development measures and programmes were implemented and existing programmes were expanded.

People Strategy 2007-2010 – together down the same road
An innovative 2007-2010 People Strategy was developed for the Vienna Insurance Group's human resources area, addressing the three key strategic areas of human resources development, namely, recruiting, development and employee loyalty at every level:

- **Recruiting:** We are an attractive employer in CEE that stands out due to 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.
- **Retention:** We encourage motivation and workplace satisfaction, and are introducing a competitive compensation system. We are also responsible for ensuring equal opportunity, fairness and diversity.

Human resources development – for a common future
In addition to the "Mobile Mind - Job Rotation" programme introduced previously, ranging from a quick glimpse into other Company departments to a 10-month exchange inside an area within the Group, an International Talent Management programme was also instituted in 2008. This training programme offers young, highly talented employees the opportunity to be tutored for a year on all insurance-related topics by Vienna Insurance Group experts in Austria and a number of CEE countries. They then receive on-the-job training while working on projects allowing practical application of their newly acquired

Values – the roots that bind
Ever since its origins, the Company has been profitably managed on the basis of ethical values, now deeply rooted in the Vienna Insurance Group. These values are firmly anchored in the vision of the 2007–2010 People Strategy: The corporate behaviour of the Vienna Insurance Group toward its employees, customers and shareholders is guided by honesty and sustainability, leadership in matters large and small, customer satisfaction, diversity and equal opportunity.

VALUES

Honesty and Integrity – 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.

Customer satisfaction – we deliver …
We respect our customers, listen to their wishes, and understand their expectations. We strive to provide quality and service that exceeds our customers' expectations.

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.

People – we value …
We treat each other with respect and are proud of the considerable benefits brought by a diversity of employees and ideas. In order to continue our success, we need to provide our employees with opportunities for training and development, helping them grow to meet new responsibilities.

knowledge to complex business cases. This is supplemented by training in management techniques and soft skills. After successful completion of the programme, these talented employees take on strategic or operational duties within the Vienna Insurance Group.

Human resources development – in our focus
Starting in 2009, the newly founded VIU Underwriting Academy will offer specialised training to Vienna Insurance Group underwriters in the industrial and large customer segments as well as an opportunity to exchange know-how and best practices. This training concept was developed for employees of the insurance brokerage company Vienna International Underwriters (VIU), which specialises in assisting industrial and large customers in countries where they are expanding. It assists underwriters in VIU and creates a uniform understanding and awareness of the markets in question.

Mobility and internationalisation – our key ingredients
New Group-wide guidelines for the V.I.G. Internal Job Market provide information to all Vienna Insurance Group employees regarding opportunities available in the internal job market.

All positions are advertised on a Group-wide basis, with the objective of making the best possible use of the entire personnel pool available and promoting the mobility of employees by offering cross-border career opportunities. Employees thus receive an opportunity to further their careers within the Group by actively applying for positions offered by Vienna Insurance Group companies.

Exchange of know-how – by active design
The Vienna Insurance Group always seeks to offer its employees an environment allowing the active exchange of knowledge and experience. In 2008, there were two events of this kind:

Management Essentials XXL
A "Management Essentials XXL" workshop was held in Prague on 3 October 2008, the concluding event of the 2007-2008 "Management Essentials" international management development programme. International managers and participants in the first International Talent Management programme worked on concrete topics concerning the Group as a whole and on further development of our internal network.

International success due to an active exchange of knowledge and experience.

Next Generation:
Cre@te your future with V.I.G.
Around 120 highly talented trainees of the Vienna Insurance Group were invited to a joint event in Vienna's Austria Centre on 11 November 2008. Under the motto "We are family", concrete proposals were developed concerning the personal contributions that participants could make towards the implementation of the Group's strategy.

CORPORATE SOCIAL RESPONSIBILITY

The Vienna Insurance Group is very much aware of the social responsibility that it bears as one of the largest international insurance groups in Central and Eastern Europe.

As a result, it provides a large number of fringe benefits and extensive opportunities for advanced training to create an attractive working environment for its employees. The Vienna Insurance Group's international cooperation across borders and cultural groups provides a valuable contribution to mutual understanding and tolerance, and its readiness for dialogue and open communication increases confidence in the Company.

Customer advisory service – fairness and transparency from policy sale through claims settlement.

The Vienna Insurance Group also considers culture and the arts to be an important factor in a company's quality of life, and therefore promotes selected cultural initiatives and artists. The valuable work of relief organisations also receives strong support from the Group through numerous cooperative arrangements and active social sponsoring.

Although an insurance group has a relatively small effect on the environment compared to an industrial company, the Group also makes a contribution in this area. Respect for the environment is promoted within the Vienna Insurance Group, and observed in all areas of operations. From environmentally conscious purchasing all the way to disposal, the Vienna Insurance Group strives to conserve the world's resources. We also offer many products that should promote environmental awareness.

Responsibility to stakeholders

Comprehensive customer orientation
The Vienna Insurance Group follows social and economic developments very carefully and offers products that provide quick and innovative solutions. It maintains a continual dialogue with its customers in order to keep abreast of current issues and react quickly to the needs of the market. The Company believes in offering first-class products that meet customer needs at fair prices and transparent terms, just as much as in providing friendly customer service, detailed and understandable information, and advice tailored to individual needs.

Continuous improvement processes
If, in spite of our top quality service, criticisms or suggestions are received, our corporate complaints department makes it possible to provide a quick, customer-oriented response. The complaints department ensures that complaints are investigated quickly by the departments concerned and are brought to a conclusion that is appropriate to the circumstances and satisfies all parties involved. Suggestions are welcomed and forwarded to the appropriate departments. The Vienna Insurance Group takes customer complaints seriously and sees its complaint management system as an important tool for quality assurance.

Long-term partnerships
Partners that treat each other fairly are an essential requirement for long-term business success. The Vienna Insurance Group fulfils its obligations to business partners quickly, conscientiously and reliably at all times, and places great value on reliability and competence when choosing its business partners. In most cases, this results in long-term business relationships that also generate benefits for Vienna Insurance Group employees and customers.

LISTED IN A NUMBER OF SUSTAINABILITY INDICES

VÖNIX
VÖNIX is Austria's first sustainability index. It was created by the VBV Austrian pension fund and is comprised of listed Austrian companies that are leaders in terms of social and environmental performance. Companies undergo an annual sustainability analysis based on around 100 criteria that are evaluated using publicly available corporate information, questionnaires, company contacts, media reports, databases, etc. The Vienna Insurance Group's shares have been included in this index since the middle of 2005.

FTSE4Good
The FTSE4Good index series includes companies with a special commitment in the area of corporate social responsibility. FTSE4Good Index takes into account criteria in three areas: activities aimed at environmental sustainability, development of positive relationships with stakeholders, and observance of human rights. The Vienna Insurance Group was included in this global index in the middle of 2007.

Equal opportunity for all
The Vienna Insurance Group is an equal-opportunity employer. Positions are filled exclusively on the basis of a candidate's qualifications, without regard to sex, family background or religious affiliation. In fact, the resulting diversity of our employees and the range of their talents reflect the many differing requirements of our policyholders in Austria and the CEE region. The employees in our corporate controlling department, for example, speak 13 languages used in Central and Eastern Europe. Sexual equality is also not just a catchword, but a serious commitment in the everyday life of the Vienna Insurance Group.

Social responsibility and cultural commitment

The Vienna Insurance Group's activities in the area of social responsibility are also tailored by individual Group companies to match the needs and conditions existing in their particular countries. Assignment of this responsibility to the local management of each Group company is in line with our policy of allowing individual Group companies to be led by local management, whose many years of experience give them knowledge of the prevailing market environment in their countries. However, the Group's activities on behalf of needy children, promotion of culture and the arts, or support for relief organisations are carried out in every market under the name of the Vienna Insurance Group.

Examples of a few of the Group's activities are described below.

Vienna Insurance Group Kids Camp 2008
From 2 to 17 August 2008, around 480 children of Vienna Insurance Group employees from throughout Central and Eastern Europe took part in the second V.I.G. Kids Camp. The children could choose between the country camp in Strebersdorf, Vienna, and the mountain camp in Bad Goisern, Upper Austria. Fun, games and sports were part of the daily agenda in both camps. The young people at these international holiday camps had a chance to gather new experiences, make friendships beyond the limits of their homelands, and get to know Austria, home country of the Vienna Insurance Group. A tree planting event on 14 August 2008 marked a special high point in the Bad Goisern Kids Camp, while also representing a proactive symbol of environmental protection. The participants during these two eventful weeks at the Kids Camp were selected in a Group-wide drawing contest.

Kids Camp '08 offered children from Central and Eastern Europe exciting new experiences in an international environment and an opportunity to cross boundaries and make contact with other other languages and cultures. The Vienna Insurance Group's Kids Camp '07 won the "Crossing Cultures Award" at the Eastern European Mediamixx Festival taking place from 4 to 8 June 2008 on the Black Sea in Bulgaria.

Caritas campaign for South Eastern Europe
The Vienna Insurance Group has for many years sponsored national and international Caritas projects. Under the motto "Cold is no child's play", Caritas began a new campaign in February 2008 aimed at helping street children and youth during the winter months in the poorest countries of Eastern Europe. The Vienna Insurance Group also supported this initiative. Around 250 projects in Eastern Europe were financed through donations received by the Caritas campaign in February. As the largest insurance group in Central and Eastern Europe, the Vienna Insurance Group is especially concerned with supporting social initiatives which contribute to long-term improvements in living conditions, particularly for children and youth.

Ringturm once again becomes the "Tower of Art"
Once again in 2008 – and now for the third time – the Ringturm building that is the headquarters of the Vienna Insurance Group was transformed into a "Tower of Art". The Vienna Insurance Group headquarters were adorned by motifs of the Austrian artist Hubert Schmalix, a giant monument to the art of painting. With these annual artistic transformations of the Ringturm, the Vienna Insurance Group aims to create the broadest public awareness of the country's cultural creators, of Austrian artists and their works.

"Architecture in the Ringturm" exhibition series
Designed by the renowned architect Erich Boltenstern, the Ringturm, headquarters of the Vienna Insurance Group, has been a place for people to meet and exchange ideas since its opening in 1955. The former cash hall of the Ringturm, which was converted into a modern exhibition centre by Boris Podrecca, has regularly hosted the "Architecture in the Ringturm" exhibition series since 1998. Free admission to this series has made architecture accessible to a wide public.

The Vienna Insurance Group is a reliable partner for cultural and social projects.

Over recent years, "Architecture in the Ringturm" has concentrated primarily on Central and Easern European architecture. Vienna Insurance Group sees these exhibitions as an opportunity to provide the public with exposure to the unique architectural features of the region and the interrelationships between East and West.

The "Architecture in the Ringturm" series presented the following exhibitions in 2008: "Boris Podrecca: Architecture", "Slovenia: Master and Scene" and "Poland Architecture". From 21 January 2009 to 20 March 2009, interested visitors could view the most recent exhibition: "Vienna Residential Construction – Innovative. Social. Ecological."

Flow
Flow, the "Festival of Conversation for Culture and Science", took place in the Serbian city of Novi Sad at the end of May 2008. Creative artists and scientists from ten countries along the Danube came together for an opportunity to establish valuable contacts and develop projects in tandem. A conscious effort was made to bring together people from different realms of European experience so as to generate the maximum creative potential. Participants were selected by an advisory board established for the event. Eighty participants from ten countries entered into animated discussions aimed at making a reality of ideas that transcend national boundaries. The Vienna Insurance Group provided support for this festival.

CORPORATE GOVERNANCE

The Vienna Insurance Group adheres to the Austrian Corporate Governance Code. Since its presentation in October 2002, the Code has become the standard for good corporate governance and management control in the Austrian capital market.

The January 2009 version of the Code is comprised of 83 rules in the following three categories:

1. **Legal Requirement**
   Rules based on mandatory legal requirements

2. **Comply or Explain**
   Rules based on standard international requirements. Non-compliance with these rules must be declared and justified in order to attain conduct in compliance with the Code

3. **Recommendation**
   Rules of a purely recommended nature. Non-compliance with these rules need not be disclosed or justified

The Vienna Insurance Group complies with all of the "legal requirements" of the Austrian Corporate Governance Code in accordance with the law. The Vienna Insurance Group deviates from three "comply or explain" rules, as explained below:

Rule 31: The fixed and performance-linked remuneration components granted during the financial year are to be disclosed for each individual member of the management board in the corporate governance report. This also applies if the remuneration is provided via a management company.

Rule 51: The remuneration granted to supervisory board members during the reporting period is to be disclosed for each individual member of the supervisory board in the corporate governance report. As a rule, no provision has been made for stock option plans for members of the supervisory board. If stock option plans are granted in exceptional cases, all of the details of these plans are to be resolved by the general meeting.

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

Rule 41: The supervisory board shall set up a nomination committee. In cases of supervisory boards with not more than six 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.

The practical implementation of corporate governance is a continuous process, in which management receives support from a number of departments in the Group. All of the activities involved in putting corporate governance into actual practice focus on open and transparent communication with customers, investors, employees, business partners and the public in order to strengthen stakeholder confidence in the Company.

The Vienna Insurance Group has followed a clear strategy of value-oriented growth for many years, while at the same time placing great importance on compliance with the rules of the Code. The Vienna Insurance Group strives to make continuous improvements in its corporate governance and welcomes a refinement of existing rules.

The Vienna Insurance Group consequently publishes a corporate governance report in accordance with the requirements of the Austrian Code, as amended in January 2009. The report includes a declaration of adherence to the Code, notes to the Code, and detailed information on the composition of and procedures followed by the Managing Board and Supervisory Board, clearly listed and presented in a structured manner.

Vienna Insurance Group's corporate governance report for financial year 2008 can be found toward the end of the Group Annual Report on pages 160-165, and is also available for download on our website www.vig.com/ir.

RISK REPORT

Risk management

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

The risk management tools used by the Vienna Insurance Group consist of risk capital models for the different areas and countries in the Group. For example, an integrated model for calculating European embedded values has been used in the area of actuarial practice for years. The reinsurance and investment management departments in turn use quantitative state-of-the-art models designed for their particular requirements, such as value-at-risk or probable maximum loss calculation, to examine the current situation and limit earnings risk. Development of an integrated internal state-of-the-art model to be used for calculating economic risk capital and for future solvency requirements was begun in 2008.

The quantitative foundation provided by the various risk management tools is perfectly complemented in qualitative terms by our organisational structure. Internal guidelines, limit systems, minimum requirements and the use of a balanced scorecard in sales controlling provide clear risk specifications for management. In addition, our organisational structure also enables efficient communication between departments, resulting in a continuous exchange of relevant and easily understandable parameters. For example, the product design, underwriting, reinsurance and claims management departments regularly exchange information on claims frequency, claim sizes and cancellation rates. This communication between the departments is also used to develop continuous improvements and review original planning parameters.

Economic developments

2008 was a very tense year for capital markets and the financial sector. The largest bankruptcies in history, such as Lehman Brothers in September or the crisis in Iceland, created significant difficulties in the financial world. However, the credit and real estate crisis is also having a strong impact on large corporate groups, such as AIG or Citigroup, which have been rescued by government aid packages or taken over by other banks. For example, Bank of America took over the third-largest investment bank, Merrill Lynch.

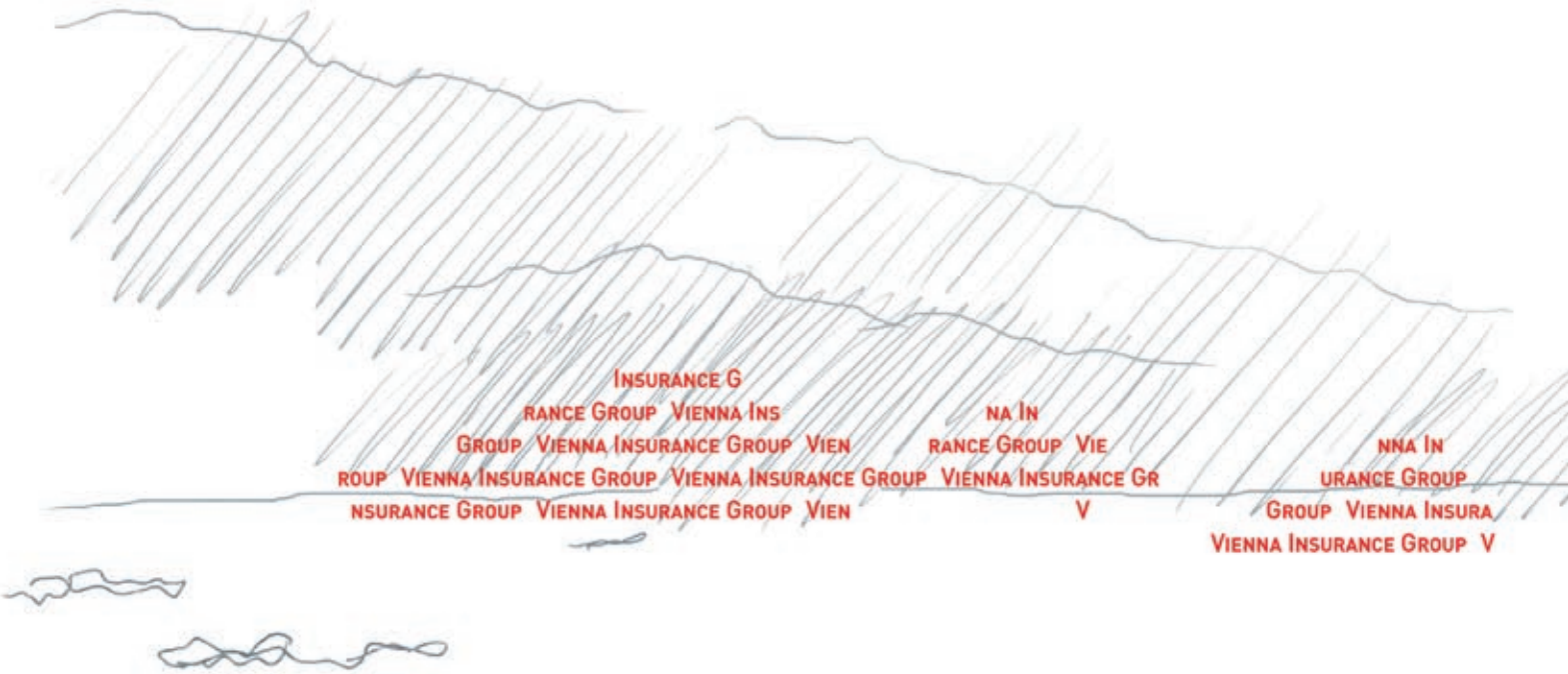
The worldwide financial crisis, which will continue to play a role in 2009, caused share volatility to rise to new highs and many capital markets to become illiquid. The lack of liquidity led, among other things, to panic prices, which in turn caused balance sheets to deteriorate further. The financial crisis painted a similar picture in England and Germany.

As a result of its conservative investment guidelines and strict limit system, the Vienna Insurance Group was early to identify and reduce the risk arising from investments. Vienna Insurance Group's cover fund contains hardly any of the speculative credit derivatives that banks were trading in unbelievable quantities, and which represented one of the factors triggering and accelerating the crisis. The active portfolio management practiced by the Vienna Insurance Group (reduction of the equity weighting, increase in the cash weighting) allowed it to effectively reduce the effects of the financial market crisis.

Dealing professionally with risk is part of the core competence of the Vienna Insurance Group.

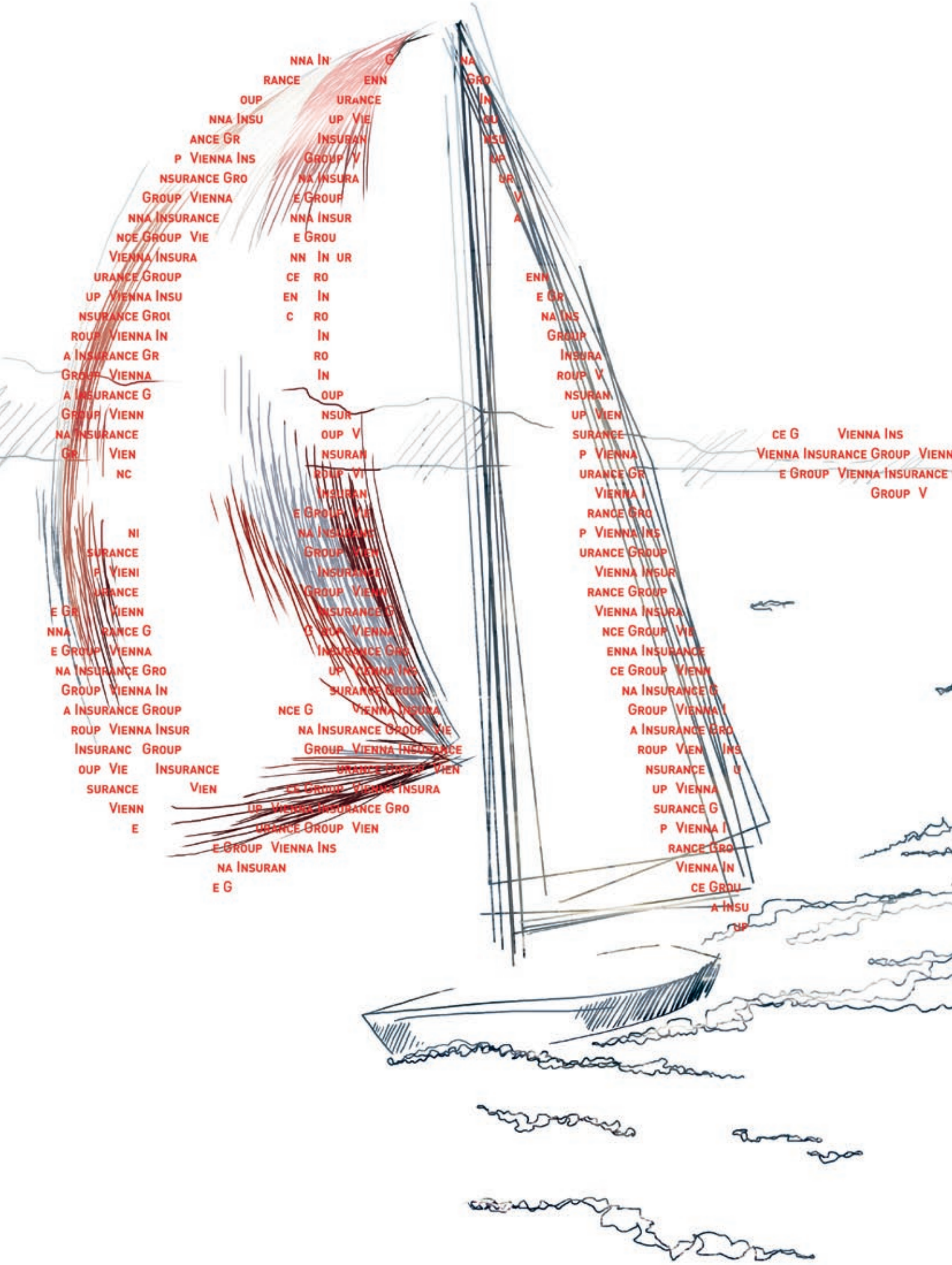
Outlook for 2009

The Vienna Insurance Group will continue to follow a conservative risk policy to the benefit of all interested parties, and this promises to be an important factor in 2009. A high level of diversification, both regional diversification as well as the diversification resulting from a broad product portfolio (property/casualty insurance, life insurance, health insurance), also creates stability in the Vienna Insurance Group during times of crisis. Our ALM model simultaneously analyses both the asset and liability sides of the balance sheet at a high level of detail in order to ensure the long-term security of our customers. The detailed risk report for the Vienna Insurance Group is provided in the notes to the consolidated financial statements on pages 94-107.



WE HAVE SET SAIL, AND OUR COURSE IS TRUE

The continuing integration of subsidiaries into the Group and expansion of distribution channels allow us to further strengthen our market position, thereby underscoring our goal of being the leader in Austria and in Central and Eastern Europe.



PERFORMANCE 2008

BUSINESS DEVELOPMENT OF THE GROUP IN 2008

The insurance companies in the Vienna Insurance Group operate in the property/casualty insurance, life insurance and health insurance segments. The Group's area of operations extends over 23 countries and is divided into the following seven geographical segments: Austria, the Czech Republic, Slovakia, Poland, Romania, Other CEE markets and Other markets.

Premiums grow to around EUR 7.90 billion

The Vienna Insurance Group generated an outstanding premium volume of EUR 7,898.87 million in 2008. This corresponds to an increase of EUR 986.94 million, or 14.3%, over the previous year. The Vienna Insurance Group retained EUR 7,041.76 million of the gross premiums written and ceded EUR 857.11 million to reinsurance companies. Major contributions to this premium growth came from high rates of growth in the CEE markets. The Czech Republic, for example, recorded a 25.6% increase in premiums and Slovakia increased its premiums by 22.5%. Poland (+46.4%) and Romania (+47.1%) were also drivers of this growth.

Overall, the Group generated around 50% of its premiums in the CEE region. In property and casualty insurance, the CEE companies even contributed 61.7% of the total property and casualty business. In the life insurance segment, 38.9% of premiums were generated in the CEE region.

Net earned premiums rose by 17.2%, from EUR 5,941.69 million in 2007 to EUR 6,961.61 million in 2008. Deferred premiums were EUR 81.28 million and deferred reinsurance cessions EUR 855.98 million.

Expenses for claims and insurance benefits

Expenses for insurance claims were EUR 5,607.36 million in 2008, after deducting the share allocated to reinsurance (EUR 606.23 million). This represented an increase of EUR 575.85 million, or 11.4%. This means that expenses for insurance claims rose more slowly than premium income relative to the year before.

Operating expenses

Total operating expenses for all of the consolidated companies in the Vienna Insurance Group were EUR 1,562.12 million in 2008, including acquisition costs and less reinsurance commissions received, which represents an increase of 16.1% over the previous year. Acquisition costs were EUR 1,375.96 million in 2008, which is an increase of 15.2% compared to 2007.

Profit before taxes increases by 23.7%

In spite of the negative factors affecting its financial result, the Vienna Insurance Group earned a profit before taxes of EUR 540.80 million in 2008. This constitutes a considerable increase of 23.7%, or EUR 103.50 million, over the profit before taxes in 2007. All business segments (property/casualty, life, health) made positive contributions to this result. Extraordinary write-downs due to negative developments in financial markets (e.g., Lehman, Iceland, etc.) were more than compensated by extraordinary income from sales (BA-CA Versicherung, Unita, various properties).

Earnings per share

Earnings per share, which is equal to the ratio of Group net profit for the year divided by the average number of shares outstanding, rose to EUR 3.41 in 2008. The increase in net profit therefore resulted in strong growth of 14.4% in earnings per share (2007: EUR 2.98). This was in spite of the additional 23 million shares issued under the capital increase carried out in the first half of 2008.

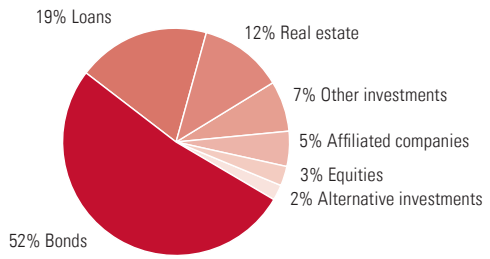
Combined ratio significantly below 100%

The Group's combined ratio (after reinsurance, not including investment income) was 96.4% in 2008. Given the many natural catastrophes occurring throughout all of Europe (predominantly storms in 2008), this is a remarkable achievement, including in comparison to other insurance groups. In order to increase earnings power, efforts are being made to bring the combined ratio of each individual Group company significantly below 100%.

Financial result

The Vienna Insurance Group had a financial result of EUR 913.93 million in 2008. In spite of the negative effects of the international crisis, this was a drop of only 8.4%, or EUR 83.63 million, thereby confirming that the Vienna Insurance Group's decision to follow a conservative investment policy was correct. Nonetheless, the financial crisis was not completely without effect on the Vienna Insurance Group, as extraordinary write-downs of around EUR 500 million were required in 2008. These write-offs were offset, however, by extraordinary income of around EUR 400 million.

BREAKDOWN OF INVESTMENTS



Investments nearly EUR 25 billion

The Vienna Insurance Group held investments totalling EUR 24,547.57 million as of 31 December 2008. This represented an increase of EUR 4,376.18 million or 21.7% in comparison to 2007. These investments include all land and buildings of the Vienna Insurance Group, all shares in at equity consolidated companies, and all financial instruments. They do not include unit-linked and index-linked life insurance investments, which rose 17.5%, from EUR 3,065.99 million to EUR 3,602.40 million, in 2008. Investments rose to EUR 3,751.38 million (+15.3%) in the property and casualty business, and by 24.4%, from EUR 16,047.24 million to EUR 19,965.45 million, in the life insurance business. Vienna Insurance Group´s investments in the health insurance business were EUR 830.74 million (-4.6%) as of 31 December 2008. The decrease in investments in the health insurance business was due to a regrouping of free assets.

Shareholders´ equity

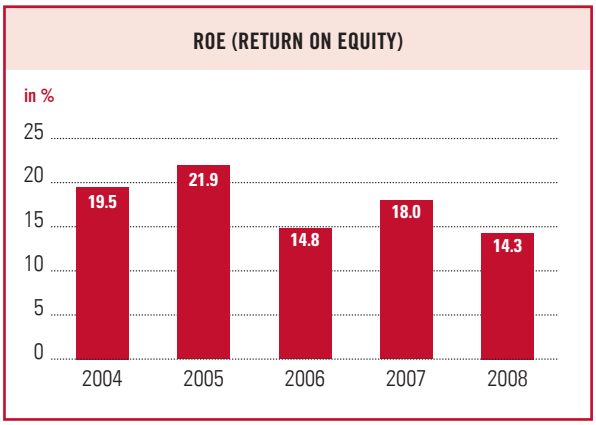
The Vienna Insurance Group's capital base was increased by 58.2% to EUR 4,138.79 million in 2008 (2007: EUR 2,615.56 million). The increase in equity resulted primarily from the capital increase carried out in the first half of 2008 and the issuing of hybrid capital.

Underwriting provisions

Underwriting provisions amounted to EUR 21,682.37 million as of 31 December 2008. This meant that the Vienna Insurance Group's underwriting provisions were 27.9% higher than their value of EUR 17,092.13 million on 31 December 2007. Underwriting provisions rose 9.7% compared to 2007 to EUR 4,101.24 million in the property and casualty segment, 33.3% to EUR 16,776.29 million in the life insurance segment, and 4.8% to EUR 804.84 million in the health insurance segment as of 31 December 2008. Underwriting provisions of unit-linked and index-linked life insurance also increased, from EUR 2,948.52 million in 2007 to EUR 3,346.77 million in 2008, up 13.5%.

RoE (Return on Equity)

RoE describes the relationship between Group profit and the Vienna Insurance Group's total average equity. In spite of the increase in equity resulting from the capital increase and issuing of hybrid capital in the first half of 2008, the Vienna Insurance Group achieved an outstanding return on equity (RoE) of 14.3% in 2008 (2007: 18.0%).



Cash flow

Cash flow from operating activities in 2008 rose by EUR 68.12 million, or 3.4%, to EUR 2,089.10 million. The Vienna Insurance Group's cash flow from investing activities was EUR -3,026.60 million in 2008 (2007: EUR -1,959.04 million). The largest items in the cash flow from investing activities resulted from the acquisition of available-for-sale securities and the acquisition of fully consolidated companies and at equity consolidated companies. The Vienna Insurance Group's financing activities produced a cash flow of EUR 1,173.69 million as compared to EUR -62.80 million in 2007. The Vienna Insurance Group had cash and cash equivalents of EUR 619.33 million at the end of 2008, and received a total of EUR 836.89 million in interest and dividends during 2008.

BUSINESS DEVELOPMENT IN DETAIL

Group premium income

In 2008, 54.2% of the Group's total premium volume was generated by the property and casualty segment, 41.8% by the life insurance segment, and 4.0% by the health insurance segment.

Gross premiums written by business segment

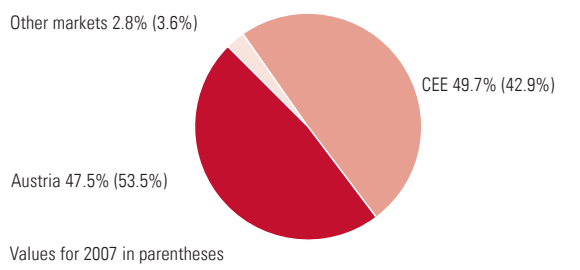
in million EUR	2006	2007	2008
Property/casualty	3,067.15	3,671.17	4,278.85
Life	2,516.46	2,934.17	3,305.73
Health	297.90	306.60	314.28
Total	**5,881.51**	**6,911.93**	**7,898.87**

Gross premiums written by geographical segment

in million EUR	2006	2007	2008
Austria	3,434.73	3,695.37	3,755.72
Czech Republic	1,048.00	1,130.47	1,419.72
Slovakia	387.68	494.52	605.60
Poland	335.06	543.14	795.14
Romania	236.89	413.49	608.22
Other CEE markets*	198.37	383.77	496.35
Other markets**	240.78	251.17	218.11
Total	**5,881.51**	**6,911.93**	**7,898.87**

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

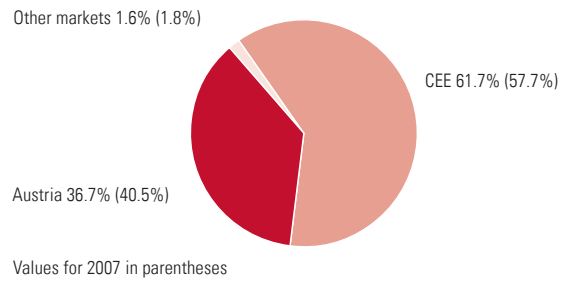
PERCENTAGE OF TOTAL PREMIUMS BY REGION IN 2008



Property and casualty insurance

Vienna Insurance Group companies generated EUR 4,278.85 million in property and casualty premiums in 2008 (2007: EUR 3,671.17 million), representing an increase of 16.6%. This increase in premiums was primarily due to the 17.3% increase in premiums (EUR 982.76 million) achieved by the Vienna Insurance Group companies in the Czech Republic, the 27.5% increase (EUR 413.45 million) achieved by the companies in Poland, and the 42.3% increase (EUR 596.16 million) achieved by the companies in Romania. The share of premiums generated in the CEE region has already reached 61.7% in the property and casualty segment. In comparison, the percentage was only 57.7% in 2007.

PERCENTAGE OF PREMIUMS BY REGION IN PROPERTY/CASUALTY IN 2008

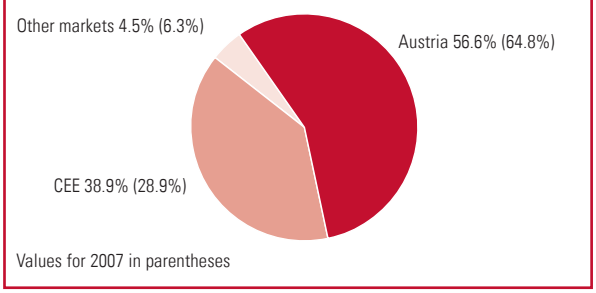


Double-digit growth in life insurance premiums

Vienna Insurance Group companies wrote a total of EUR 3,305.73 million in premiums in the life insurance segment, which is equivalent to an increase of 12.7% compared to a year ago.

The premium income of EUR 1,284.66 million generated by Group companies in the CEE region represented an outstanding 51.6% increase in premiums. This raises the CEE share of Group premiums generated in the life segment to 38.9%, ten percentage points higher than in the previous year. The share of premiums written in the Czech Republic already reached EUR 436.97 million in the life insurance segment, which is around 50.0% more than in 2007. EUR 275.08 million in premiums (+39.2%) was generated in this segment in Slovakia, and EUR 381.68 million (+74.4%) in the life insurance segment in Poland.

PERCENTAGE OF PREMIUMS BY REGION IN LIFE INSURANCE IN 2008



Health insurance premiums up 2.5%
Even in the health insurance business, which is only pursued in Austria to any relevant extent by Wiener Städtische, one of the leading health insurers, premiums written by the Vienna Insurance Group rose by 2.5%, to EUR 314.28 million.

Profit before taxes

All of the insurance segments in which the Vienna Insurance Group is active made major contributions to the outstanding increase in Group profit. Profit before taxes reached EUR 540.80 million in 2008, which corresponds to an increase of 23.7% over the previous year.

Profit before taxes by business segment

in million EUR	2006	2007	2008
Casualty/property	175.69	265.07	414.23
Life	132.47	157.20	102.40
Health	12.81	15.03	24.17
Total	**320.97**	**437.30**	**540.80**

Profit before taxes by geographical segment

in million EUR	2006	2007	2008
Austria	209.06	286.80	344.33
Czech Republic	59.12	73.81	107.45
Slovakia	27.66	30.30	4.99
Poland	7.73	18.78	26.11
Romania	2.75	4.56	57.46
Other CEE markets*	2.83	10.25	-14.41
Other markets**	11.82	12.80	14.87
Total	**320.97**	**437.30**	**540.80**

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

Growth driven by property and casualty insurance in 2008
The property and casualty business contributed EUR 414.23 million to the profit before taxes earned by the Vienna Insurance Group, which was EUR 149.16 million or 56.3% higher than the contribution in 2007.

Life insurance reaches EUR 102.40 million
Life insurance also contributed a total of EUR 102.40 million to the overall Group profit earned by the Vienna Insurance Group. In this case, due to the negative factors affecting the financial result, this corresponded to a decrease of 34.9%.

Health insurance profits grow by 60.9%
The health insurance segment contributed EUR 24.17 million, an increase of 60.9% over the previous year, to the total profit of the Vienna Insurance Group.

Employees

The Vienna Insurance Group had a total of 23,393 employees in 2008, which is 15.2% more than the previous year. Each of the 11,782 field employees and 11,611 office employees shares in the responsibility for the outstanding development achieved in the Group's business.

Employees by region

	2006	2007	2008
Austria	5,747	6,138	6,341
Czech Republic	4,565	4,638	4,883
Slovakia	1,586	1,697	1,793
Poland	1,385	1,359	1,522
Romania	2,657	2,767	4,239
Other CEE markets*	2,536	3,596	4,500
Other markets**	111	112	115
Total	**18,587**	**20,307**	**23,393**

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

Investments

The following companies became new members of the Vienna Insurance Group in 2008:

- Austria: Sparkassen Versicherung AG Vienna Insurance Group[1]
- Czech Republic: Pojišťovna České spořitelny, a.s., Vienna Insurance Group.
- Slovakia: Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group[1]
- Romania: SC BCR Asigurari de Viata Vienna Insurance Group S.A.[1] and SC BCR Asigurari Vienna Insurance Group S.A.[1]
- Croatia: Erste osiguranje Vienna Insurance Group d.d.[1]
- Hungary: Erste Vienna Insurance Group Biztosító Zrt.[1]

[1] New company name subject to approval by the appropriate executive bodies of the Company and registration of the amendment to the articles of association by the local authorities.

In addition, TBIH's interests were acquired in the insurance companies jointly held with TBIH in Albania and Macedonia (Sigma), Bulgaria (Bulstrad) and Croatia (Kvarner, Helios).

The interests in the Austrian BA-CA Versicherung and the Romanian company Unita (incl. Agras) were sold in 2008.

Risk management

The detailed risk report for the Vienna Insurance Group is provided in the notes to the consolidated financial statements (page 94-107).

Disclosures required under § 267(3a) in combination with § 243a UGB

Information on these disclosures is provided in Notes 13 and 36 in the Notes to the Consolidated Financial Statements.

GEOGRAPHIC SEGMENT REPORTING

AUSTRIA

The Vienna Insurance Group, consisting of the Wiener Städtische, Donau Versicherung and, since 2008, the s Versicherung, is the largest insurance group in Austria, with a market share of 24.6%. In the course of of its acquisition of the Erste Group's insurance operations, the Vienna Insurance Group sold its shares in Bank Austria Creditanstalt Versicherung to the ERGO Insurance Group.

V.I.G. companies in Austria

Wiener Städtische Versicherung AG
Vienna Insurance Group

Area of operations:	life and non-life
Employees:	approx. 3,860
Market position:	1st place
Market share:	14.8%
Offices:	approx. 170

Wiener Städtische is the largest insurance company in Austria, and offers innovative products providing its customers with modern insurance solutions in the property/casualty, life insurance and health insurance segments. Wiener Städtische is represented by more than 3,000 advisors in around 170 offices throughout Austria. In addition to Austria, Wiener Städtische also operates via branches in Italy and Slovenia.

Wiener Städtische's product range is characterised by great flexibility. Customers may choose from among a wide variety of core products, which can be supplemented with suitable modules and adapted to individual needs.

The "TOP MED Ambulant" product achieved a notable success in the health insurance area in 2008, gaining 4,500 new customers an increase of 28%. "TOP MED Ambulant" allows customers to receive the best possible personal medical treatment. The insurance covers the costs of conventional medical outpatient treatment, operations performed in a doctor's surgery, and complementary medical treatment methods.

Donau Versicherung AG
Vienna Insurance Group

Member of V.I.G. since:	1971
Area of operations:	life and non-life
Employees:	approx. 1,360
Market position:	7th place
Market share:	4.2%
Offices:	approx. 60

Donau Versicherung was established in 1867. It is one of Austria's top 10 insurance companies, and is represented throughout Austria by approximately 60 offices and service centres. Donau Versicherung has also been a capable partner for brokers and non-exclusive agents in Northern Italy since the establishment of its Italian branch office in 2006.

In the area of company pension plans, Donau Versicherung's flexible, custom-tailored product solutions have made it one of the market leaders in Austria and earned it an outstanding third place in the "AssCompact Award 2008". Donau Versicherung was the only insurance company that also achieved a position among the top five in the other award categories (occupational disability insurance and motor vehicle insurance).

With a market share of 24.6% the Vienna Insurance Group is the Number 1 in Austria

Donau Versicherung's new "LebensKasko" product offers basic protection, ensuring coverage of people's basic needs. In the case of serious injury to health, whether caused by accident or illness, "LebensKasko" provides a monthly annuity payment that helps policyholders to maintain their personal standard of living.

Sparkassen Versicherung AG
Vienna Insurance Group[1]

Member of V.I.G. since:	2008
Area of operations:	life and non-life
Employees:	approx. 140
Market position:	6th place
Market share:	5.5%

[1] New company name subject to approval by the appropriate executive bodies of the Company and registration of the amendment to the articles of association by the local authorities.

s Versicherung became a part of the Vienna Insurance Group when all of the Erste Group's insurance operations were acquired in 2008. Since being established in 1985, s Versicherung has steadily developed its position in the life insurance market, currently holding second place in the Austrian market in this segment. s Versicherung has more than 1,000 Erste Group and Sparkasse savings bank branches available to it as a distribution channel. The products offered by s Versicherung comprise all forms of personal and corporate old-age provision that make use of life, casualty and pension insurance.

In 2008, s Versicherung added innovative single-premium products to its product line, increasing its premium volume in this area by 17.7% compared to the year before.

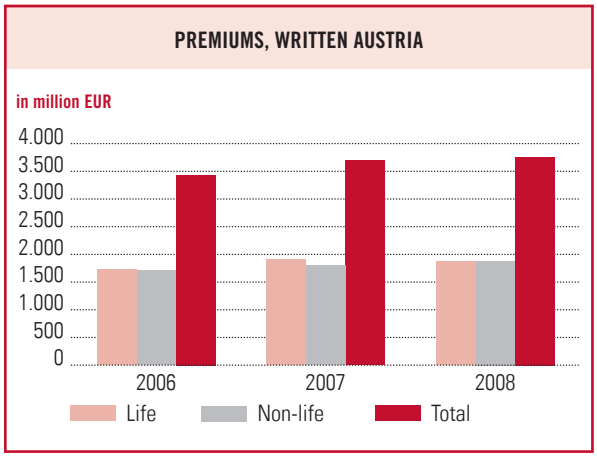
Of particular note is its "s Garantie Concept" product, a single-premium index-linked life insurance policy that s Versicherung was quick to offer in order to satisfy customers' needs for stability. The single-premium capital guarantee product has a 12-year term and offers a 166.5% capital guarantee and a return of 5.33% (before CGT) based on the net premium amount. The regular premium life insurance business, however, also recorded satisfying growth in 2008. Regular premium products represented approximately 53% of s Versicherung's total premium volume.

s Versicherung will add more Wiener Städtische non-life products to its product range in the future, with a focus on small and medium-sized businesses and professionals.

Business development in Austria in 2008

Premium growth

The Austrian companies of the Vienna Insurance Group wrote gross premiums of EUR 3,755.72 million in 2008. This represents an increase of EUR 60.35 million, or 1.6%, over the previous year. Net earned premiums rose from EUR 3,304.49 million in 2007 to EUR 3,409.34 million in 2008, corresponding to an increase of 3.2%.



EUR 1,569.08 million, or 41.8%, of the premiums were written in the property and casualty segment, which represented an increase of 5.5% compared to 2007. The Austrian companies recorded particularly high growth in the non-motor-vehicle segments. Life insurance contributed EUR 1,872.36 million, or 49.9%, of the premium volume in Austria, although the Vienna Insurance Group on the whole suffered a 1.5% drop in Austria in 2008 due to volatility of single-premium products. Health insurance generated EUR 314.28 million in premiums, corresponding to an increase of 2.5% over the previous year (2007: EUR 306.60 million).

Expenses for claims and insurance benefits

Despite numerous storms, expenses for insurance claims fell to EUR 3,165.92 million, down from EUR 3,258.25 million in the previous year. This represents a 2.8% decrease in expenses. The exceptionally rapid claims settlement provided by the Vienna Insurance Group sets it apart as a reliable partner in the event of storms. Claims can also be reported over the Internet (www.wienerstaedtische.at and www.donauversicherung.at).

Operating expenses

The Austrian companies of the Vienna Insurance Group had operating expenses of EUR 599.26 million in 2008, including acquisition costs and less reinsurance commissions received, which represents a slight increase of 3.7% over the previous year.

Profit of EUR 344.33 million

The profit before taxes earned in Austria by the Vienna Insurance Group grew 20.1% compared to the 2007, corresponding to an increase of EUR 57.53 million.

Combined ratio of 94.6%

Although the combined ratio of the Austrian Vienna Insurance Group was slightly above the value in the previous year, it was nevertheless once again far below 100%. To be precise, the combined ratio of the Austrian companies after reinsurance (not including investment income) was 94.6% in 2008 (2007: 93.8%). Effective claims management by the Vienna Insurance Group was the main factor permitting this favourable result to be achieved once again.

Vienna Insurance Group in Austria*

in million EUR	2006	2007	2008
Premiums written	**3,434.73**	**3,695.37**	**3,755.72**
Life	1,725.00	1,901.64	1,872.36
Non-life	1,709.73	1,793.73	1,883.36
Profit before taxes	**209.06**	**286.80**	**344.33**

* BA-CA Versicherung included until 30 June 2008.
s Versicherung included since 1st July 2008.

CZECH REPUBLIC

The Vienna Insurance Group is represented in the Czech Republic by Kooperativa, ČPP and, since September 2008, by Pojišťovna České Spořitelny (PČS), taken over in connection with the acquisition of the Erste Group's insurance operations. The Group's reinsurance company, VIG RE, is also part of the Czech Republic segment. The Vienna Insurance Group holds a market share of 31.4% in the Czech insurance market, making it number 2 in both the life and non-life segments. The Czech Republic already generates around 18% of the Vienna Insurance Group's total premium volume.

V.I.G. companies in the Czech Republic

Kooperativa pojišťovna, a.s., Vienna Insurance Group

Member of V.I.G. since:	1990
Area of operations:	life and non-life
Employees:	approx. 3,740
Market position:	2nd place
Market share:	22.5%
Offices:	approx. 300

Kooperativa is the largest Vienna Insurance Group company outside of Austria, and operates successfully as a composite insurer in both the life and non-life segments. Kooperativa is number 1 in the Czech industrial and corporate insurance market.

Plans have been made to expand further in the Czech insurance market by entering into the private health insurance business. Already in mid-2008, motor vehicle liability insurance with a free hospital stay was offered. More than 25,000 customers took advantage of this offer, and this strong popularity reflects the need individuals feel to make provisions of their own in this area.

In addition to insurance products being sold over the Internet, autumn 2008 saw the start of sales by telephone as well. Around 1,500 new policies were sold in this way over a very short period of time (motor vehicle liability, motor vehicle own damage, personal property and liability insurance). Numerous awards have been received, reflecting the success of the company and its products.

Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group

Member of V.I.G. since:	2005
Area of operations:	life and non-life
Employees:	approx. 970
Market position:	8th place
Market share:	4.0%
Offices:	approx. 300

ČPP is a composite insurer that has operated in the Czech insurance market for more than 10 years. The company has been one of the best on the market for some time, particularly in the segment of motor vehicle liability insurance, where the company's coverage of 830,000 vehicles once again placed it third in the market in 2008. At the beginning of 2008, ČPP introduced a unique bonus system to the motor vehicle insurance market, under the name "extrabonus Profi". This system guarantees a 15% reduction in premiums right from the start for motor vehicle liability and own-damage policyholders with a claims-free driving record.

Every third automobile in the Czech Republic is insured with the Vienna Insurance Group.

Demand for insurance products also increased in the life insurance segment, resulting in three new life insurance products being brought to market in the last year: "Garant V.I.P." endowment insurance, "Evropská penze plus" investment life insurance, and "Maximum", another life insurance policy with an investment component that enjoyed great sales success, achieving 3,500 policy sales in three months. ČPP's rapid growth is also reflected in the number of policies held, which passed the one-million mark for the first time in 2008. ČPP currently has 1.2 million insurance policies under management.

Pojišťovna České spořitelny, a.s., Vienna Insurance Group (PČS)

Member of V.I.G. since:	2008
Area of operations:	life and non-life
Employees:	approx. 150
Market position:	4th place (life)
Market share:	11.7% (life)

PČS has been operating in the Czech insurance market since 1992 and became a member of the Vienna Insurance Group in September 2008. The company holds an excellent seventh place on the Czech insurance market. As its distribution channels, PČS makes use of the more than 600 branches of Česká Spořitelna, the largest bank in the Czech Republic, with more than five million customers, and approximately 250 other external partners.

PČS focuses on the life insurance business. Its product "Flexi Invest 2008" was named "Best Life Insurance Policy of 2008". "Flexi Invest" life insurance is a modern, transparent and broadly risk-hedged investment product that combines the advantages of life insurance and a savings product. The flexibility of this product is achieved by allowing policyholders the option of putting together their own portfolios or selecting one of three investment strategies offered. By giving customers the ability to freely modify the funds they have invested at any time, the product can be tailored not only to customer needs but to current market developments as well.

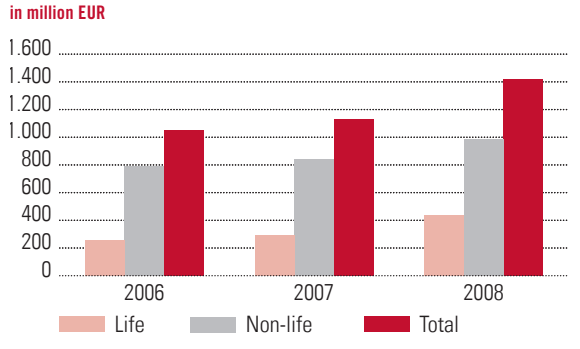
The Czech companies of the Vienna Insurance Group increased their premium volume by 25.6%.

Business development in the Czech Republic in 2008

Premiums increase by an outstanding 25.6%

In 2008, the Czech insurance companies in the Vienna Insurance Group wrote a total of EUR 1,419.73 million in premiums (2007: EUR 1,130.47 million), representing an increase of 25.6%. Kooperativa and ČPP contributed EUR 1,118.77 million and EUR 216.17 million to these premiums, respectively. This corresponded to a premium increase of 16.5% over the previous year for Kooperativa, while the increase for ČPP even was as high as 27.3%. Earned premiums were EUR 1,189.54 million, which represented an increase of 29.5%.

PREMIUMS WRITTEN, CZECH REPUBLIC



The non-life segment generated a premium volume of EUR 982.76 million in 2008 (2007: EUR 838.14 million), corresponding to an increase of 17.3% over the previous year. Kooperativa generated more than 80% of the premiums in the non-life segment.

The life insurance premium income generated by the Vienna Insurance Group in the Czech Republic increased 49.5% in 2008, rising from EUR 292.33 million to EUR 436.97 million. PČS' premium income of EUR 84.79 million for the 4th quarter of 2008 was included in consolidation for the first time.

Expenses for claims and insurance benefits

The Czech companies of the Vienna Insurance Group had expenses for insurance claims of EUR 806.31 million in 2008 (2007: EUR 631.35 million). This represented an increase in expenses for insurance claims (less reinsurance) of EUR 174.95 million, or 27.7%.

Operating expenses

The Vienna Insurance Group's Czech companies incurred operating expenses of EUR 281.58 million in 2008, including acquisition costs and less reinsurance commissions received, which represents an increase of 28.6% over the value of EUR 218.88 million the year before.

Czech Republic already contributing EUR 107.45 million to Group profit

The Vienna Insurance Group's 2008 profit before taxes of EUR 107.45 million earned in the Czech Republic represented an impressive 45.6% increase over the previous year, or an increase in Group profit before taxes of EUR 33.64 million over 2007.

Combined ratio of 92.2%

The Czech Vienna Insurance Group had a combined ratio after reinsurance of 92.2% in 2008 (not including investment income), which was significantly below 100% (2007: 93.7%). The combined ratio improved significantly by 1.5 percentage points compared to the previous year.

Vienna Insurance Group in the Czech Republic*

in million EUR	2006	2007	2008
Premiums written	**1,048.00**	**1,130.47**	**1,419.73**
Life	259.51	292.33	436.97
Non-life	788.48	838.14	982.76
Profit before taxes	**59.12**	**73.81**	**107.45**

* PČS included since 1st October 2008.

SLOVAKIA

The Vienna Insurance Group further consolidated its presence on the Slovakian insurance market by its acquisition of Poisťovňa Slovenskej sporiteľne in 2008. Vienna Insurance Group now operates in Slovakia through a total of four insurance companies: Kooperativa, Komunálna, Kontinuita and Poisťovňa Slovenskej sporiteľne. The Vienna Insurance Group's market share of 31.3% makes it number 2 in the overall Slovakian market, while a market share of 29.3% makes it number 1 in the life insurance segment. Close to 8% of the Vienna Insurance Group's total premium volume comes from Slovakia.

V.I.G. companies in Slovakia

Kooperativa poisťovňa a.s., Vienna Insurance Group

Member of V.I.G. since:	1990
Area of operations:	life and non-life
Employees:	approx. 1,230
Market position:	2nd place
Market share:	22.0%
Offices:	approx. 400

Kooperativa, the largest Vienna Insurance Group insurer active on the Slovakian market, operates in both the life and non-life segments.

Products are distributed in the market by a strong, employed field sales force of around 640 employees serving the needs of their customers.

Kooperativa, jointly with Komunálna, is planning to reorganise its non-life claims processing into three to four new regional centres over the course of 2009. By combining their know-how and making use of synergies, claims processing by these companies will become more customer-friendly and economical.

Kooperativa was selected as the "Insurance Company of 2008". This is already the sixth time that the company has won this award for the most successful insurance company of the year.

Komunálna poisťovňa a.s., Vienna Insurance Group

Member of V.I.G. since:	2001
Area of operations:	life and non-life
Employees:	approx. 300
Market position:	9th place
Market share:	3.0%
Offices:	approx. 50

Komunálna mainly distributes motor vehicle liability insurance products through its own offices, specialising in covering the insurance needs of local authorities and companies. Products are also distributed through cooperative arrangements with leasing companies and agents. Numerous cooperative arrangements with automobile dealers and workshops provide customers with additional benefits in the form of favourable terms and faster processing in the event of a loss.

Komunálna is one of the Top 5 insurance companies in the non-life segment. The company even holds an outstanding 3rd place in the motor vehicle insurance market.

Komunálna earned points in 2008 for a new homeowner and household insurance product. This complex property insurance policy, which includes household and liability insurance, has been on the market under the name "ProDomo" since the summer of 2008. 500 policies have already been sold since the product was introduced.

Kontinuita poisťovňa a.s., Vienna Insurance Group

Member of V.I.G. since:	2002
Area of operations:	life
Employees:	approx. 200
Market position:	6th place (life)
Market share:	8.1% (life)
Offices:	approx. 50

Kontinuita has operated successfully on the Slovakian life insurance market for more than 10 years. The company focuses primarily on the sale of unit-linked old-age provision products, a segment where Kontinuita is benefitting chiefly from the ever-increasing awareness in Slovakia of the importance of making personal provisions for one's old age. Life insurance products are sold through brokers, multi-level marketing organisations and a employed field sales force.

The unit-linked life insurance product "Kapitál" is particularly successful with Slovakian customers. This product combines the benefits of life insurance with the opportunity to make an effective long-term investment. Customers are also given the option of choosing the intervals between premium payments. "Symsite Research" has named "Kapitál" the best unit-linked life insurance product four times now.

The Vienna Insurance Group's market share of close to 30% makes it number 1 in life insurance in Slovakia.

Poisťovňa Slovenskej sporiteľne, a.s.
Vienna Insurance Group[1] (PSLSP)

POISŤOVŇA SLOVENSKEJ SPORITEĽNE
VIENNA INSURANCE GROUP

Member of V.I.G. since:	2008
Area of operations:	life
Employees:	50
Market position:	8th place (life)
Market share:	3.8% (life)

[1] New company name subject to approval by the appropriate executive bodies of the Company and registration of the amendment to the articles of association by the local authorities.

Since 2008, PSLSP too has been a part of the Vienna Insurance Group family. PSLSP commenced its insurance operations at the beginning of 2003 and is now the eighth largest life insurance company in Slovakia. PSLSP's main channel of distribution is Slovakia's largest commercial bank, Slovenská sporiteľňa, which has around 2.5 million customers and more than 270 branches.

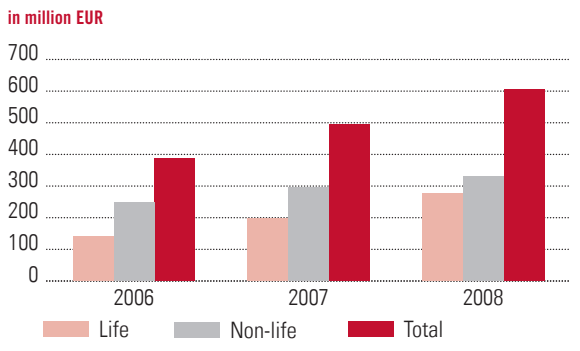
PSLSP operates successfully in the life insurance business and offers its customers a full range of products. In addition to single-premium life insurance policies, the sale of products with regular premium payments is now being promoted. In June 2008, PSLSP successfully launched its "Index-Fix 150" product. Along with insurance protection covering death and the long-term effects of an accident, this life insurance policy offers a 50% return on funds paid in at the end of the policy term, generating strong demand among Slovakian customers.

Business development in Slovakia in 2008

Premium growth

The Vienna Insurance Group wrote a total of EUR 605.60 million in premiums in Slovakia in 2008 (2007: EUR 494.52 million), representing an increase of 22.5%. Kooperativa, Komunálna and Kontinuita were included in consolidation, as was the new acquisition, Poisťovňa Slovenskej sporiteľne, as of 1 October 2008.

PREMIUMS WRITTEN, SLOVAKIA



The non-life business generated premium volume of EUR 330.52 million in Slovakia in 2008 (2007: EUR 296.86 million), corresponding to an increase of 11.3% over the prior year. Kooperativa contributed the majority of these premiums, EUR 278.08 million, equal to around 85% of total non-life premiums generated in Slovakia.

The life insurance premium income generated by the Slovakian companies of the Vienna Insurance Group rose 39.2%, to EUR 275.08 Mio., in 2008 (2007: EUR 197.66 Mio.). Komunálna's premiums in the life insurance segment grew an impressive 74.4%. The strong growth in premiums is due to good business in single-premium products.

Expenses for claims and insurance benefits

Expenses for insurance claims (less reinsurance) were EUR 388.40 million in Slovakia in 2008 (2007: EUR 279.59 million). This represented an increase of EUR 108.81 million or 38.9%. These expenses were affected by the formation of a special reserve for previous losses in connection with the former government monopoly insurer.

Operating expenses

The Vienna Insurance Group had operating expenses, calculated including acquisition costs and less reinsurance commissions received, of EUR 96.72 million in Slovakia in 2008 (2007: EUR 84.33 million) This corresponds to an increase of 14.7% over the previous year, which is thus less than the increase in premium volume generated by Vienna Insurance Group companies in Slovakia.

Slovakian companies contribute profit before taxes of EUR 4.99 million

The four Slovakian Vienna Insurance Group companies earned a profit before taxes of EUR 4.99 million in 2008. This represents a decrease of 83.5% compared to 2007. The profit before taxes of the Vienna Insurance Group companies in Slovakia was significantly affected by the difficult capital market situation and a transfer to a reserve for previous losses in connection with the former government monopoly insurer.

Combined ratio of 93.3%

The combined ratio was 93.3% in 2008 (2007: 92.9%).

Vienna Insurance Group in Slovakia*

in million EUR	2006	2007	2008
Premiums written	**387.68**	**494.52**	**605.60**
Life	141.22	197.66	275.08
Non-life	246.47	296.86	330.52
Profit before taxes	**27.66**	**30.30**	**4.99**

* PSLSP included since 1st October 2008

POLAND

The Vienna Insurance Group operates via a total of six companies and four brand names on the Polish insurance market. Vienna Insurance Group companies include Compensa life and non-life, Benefia Life and Non-life, InterRisk and TU PZM. Finlife, a life insurance company acquired in 2007, was merged with Compensa Life over the course of 2008, and the subsidiary Royal Polska was merged with Benefia Life. The Polish companies generated more than 10% of Vienna Insurance Group premiums in 2008.

V.I.G. companies in Poland

TU Compensa S.A.,
Vienna Insurance Group

TU na Zycie Compensa S.A.,
Vienna Insurance Group

Member of V.I.G. since:	2001
Area of operations:	life and non-life
Employees:	approx. 770
Market position:	16th place
Market share:	1.3%
Offices:	approx. 100

Compensa Non-life and Compensa Life share a nationwide distribution network of more than 100 branch offices and more than 3,000 agents and brokers in the Polish market.

Compensa non-life is one of the Top 5 companies on the Polish motor vehicle insurance market, and has significantly outgrown the market in this segment. Growth in the motor vehicle own-damage business was a major factor in the increase in the company's premium income. In addition to the motor vehicle business, Compensa Non-life is also promoting the distribution of household and homeowner insurance through brokers and agents.

In the second half of the year, Compensa life merged with the life insurance company FinLife. The company has been operating on the Polish insurance market under the brand name Compensa Life since that time. Compensa Life distributes both individual and group policies, and uses its own marketing company, Vienna Finanse, to distribute its products.

Benefia TU Majątkowych S.A.,
Vienna Insurance Group

Benefia TU na Zycie S.A.,
Vienna Insurance Group

Member of V.I.G. since:	2005
Area of operations:	life and non-life
Employees:	approx. 130
Market position:	23rd place
Market share:	0.5%
Offices:	approx. 30

The Benefia Group operates as a composite insurer on the Polish insurance market. Benefia was awarded the position of 2nd best insurance company in a ranking of the best insurance companies conducted by the "Rzeczpospolita" daily newspaper, thereby moving up an outstanding 12 places in the ranking as compared to the previous year.

Benefia Non-life operates primarily in the motor vehicle insurance segment, and successfully distributes its products by means of cooperative distribution arrangements with a number of automobile dealers, as well as through brokers and agents. Benefia Non-life further increased its premium volume in 2008 through new cooperative arrangements with automobile dealers and the successful distribution of its products over the Internet. Benefia Non-life is one of the Top 10 insurance companies in the motor vehicle own-damage business.

Benefia Life acquired the portfolio of Royal Polska in the second half of the year. As a result, Benefia life is now one of the ten largest life insurers in Poland. The company distributes traditional life insurance products with both regular premium payments and single premiums, and uses cooperative arrangements with a number of regional banks to distribute its insurance products.

TU InterRisk S.A.

Member of V.I.G. since:	2005
Area of operations:	non-life
Employees:	approx. 620
Market position:	6th place (non-life)
Market share:	3.6% (non-life)
Offices:	45

The Polish non-life insurance company TUiR Cigna STU S.A. has been operating in the Polish insurance market under the new company name TU InterRisk S.A. since February 2008. The company has been operating successfully in the Polish insurance market for 15 years. As a non-life insurance company, it provides an optimal complement to the Vienna Insurance Group's portfolio in Poland.

The Polish company InterRisk operates successfully in both the motor vehicle and non-motor vehicle segments and significantly outgrew the market in the year just ended. Its insurance products are primarily distributed through more than 2,500 agents and brokers. InterRisk's license was expanded to include all insurance segments this year, and the company now offers its customers additional products in the own-damage segment for rail vehicles and own-damage and liability insurance for the marine segment.

TU Polski Związek Motorowy S.A., Vienna Insurance Group

Member of V.I.G. since:	2007
Employees:	approx. 120
Market position:	18th place (non-life)
Market share:	0.8% (non-life)
Offices:	28

At the start of 2007, the Vienna Insurance Group acquired a majority interest in TU PZM, which thereupon developed over the course of 2008 into a top newcomer on the Polish insurance market. The company is particularly successful in the motor vehicle insurance business. 90% of TU PZM's product portfolio consists of motor vehicle liability and own-damage products. In addition to motor vehicle insurance, the company is also promoting roadside assistance insurance and other non-life products such as household and casualty insurance.

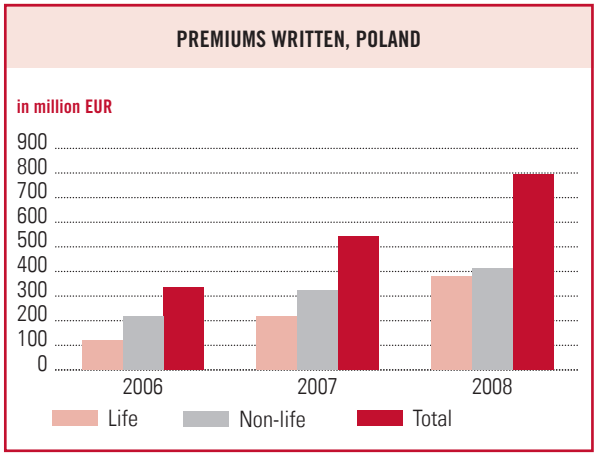
The PZM automobile association's nationwide network of branches, offices and workshops is available for distribution. In addition, distribution through agents was increased in the year just ended, with more than 3,000 agents now active in the Polish market for TU PZM. TU PZM was not yet included in the scope of consolidation of Vienna Insurance Group in 2008.

Business development in Poland in 2008

Premium growth

The Vienna Insurance Group wrote a total of EUR 795.14 million in premiums in Poland in 2008 (2007: EUR 543.14 million), representing an increase of 46.4%. Earned premiums in 2008 grew by 54.5% over the previous year, to EUR 747.55 million.

The non-life segment generated premium volume of EUR 413.45 million in 2008 (2007: EUR 324.34 million), an increase of 27.5% over the previous year. InterRisk contributed a particularly impressive EUR 202.47 million to premiums, an increase of 26.1%. Compensa Non-life's premium volume rose to EUR 164.87 million, a 29.0% increase over the year before, primarily due to strong growth in the motor vehicle own-damage segment.



The Vienna Insurance Group's companies in Poland increased their life insurance premium income by an outstanding 74.4% to EUR 381.68 million in 2008 (2007: EUR 218.80 million). Benefia life generated close to three-quarters of the life insurance premiums (EUR 280.71 million), which is due to the merger of Benefia Life and Royal Polska.

claims and insurance benefits

The Vienna Insurance Group had expenses for insurance claims of EUR 456.39 million in Poland in 2008 (2007: EUR 269.57 million). This represented an increase of EUR 186.81 million, or 69.3%, in Vienna Insurance Group expenses for insurance claims (less reinsurance) in Poland. The increase in expenses for insurance claims is due to the strong growth in premiums in the life insurance segment.

Operating expenses

The Polish companies had operating expenses of EUR 255.40 million in 2008 (2007: EUR 207.04 million). These expenses are calculated including acquisition costs and less reinsurance commissions received. Operating expenses increased 23.4% over the previous year.

Polish companies increase their profit before taxes by 39.0%

The Polish companies earned a profit before taxes of EUR 26.11million in 2008. This was an increase in profit before tax of EUR 7.33 million, or 39%, compared to 2007.

Combined ratio of 98.7%

The combined ratio is 98.7% in Poland (2007: 99.2%), which is well below the 100 per cent mark. The combined ratio was 0.5 percentage points better than the previous year.

Vienna Insurance Group in Poland*

in million EUR	2006	2007	2008
Premiums written	**335.06**	**543.14**	**795.14**
Life	119.34	218.80	381.68
Non-life	215.72	324.34	413.45
Profit before taxes	**7.73**	**18.78**	**26.11**

* TU PZM 2008 and FinLife 2007 not yet included.
InterRisk included since April 2006.

ROMANIA

The Vienna Insurance Group is represented on the Romanian market by five insurance companies. These Vienna Insurance Group companies include Omniasig life and non-life and Asirom, as well as two insurance companies acquired at the end of 2008, BCR Asigurari and BCR Asigurari de Viata. The Vienna Insurance Group's market share of 30.6% makes it number 1 in the Romanian market. The Romanian companies generated 7.7% of the Group's premiums.

V.I.G. companies in Romania

Omniasig Vienna Insurance Group S.A. (Omniasig Non-life)

Omniasig Asigurari de Viata S.A. (Omniasig Life)

Member of V.I.G. since:	2005
Area of operations:	life and non-life
Employees:	close to 2,200
Market position:	2nd place
Market share:	14.3%
Offices:	approx. 300

The Omniasig Group in Romania includes Omniasig Life and Non-life. The focus of business is on the property/casualty segment, in particular the segment of motor vehicle insurance. The company is also one of the leading providers of insurance to large customers, and includes well-known industrial and commercial customers in its portfolio.

Omniasig Non-life has a highly developed distribution network comprised of more than 1,000 sales employees and around 18,000 agents and brokers, as well as outstanding cooperative sales arrangements with leasing companies and banks. Banca Comercială Română (BCR), a member of the Erste Group, is one of the companies working with Omniasig in the business of bank sales. Omniasig Non-life is number 1 in the Romanian market for motor vehicle liability insurance.

Omniasig Life is one of the Top 10 life insurance companies in Romania. Its life insurance products are sold primarily through agents.

SC Asigurarea Romaneasca Asirom Vienna Insurance Group S.A.

Member of V.I.G. since:	2007
Area of operations:	life and non-life
Employees:	approx. 2,050
Market position:	3rd place
Market share:	8.6%
Offices:	approx. 180

Asirom is one of the leading insurance companies in Romania, operating in both the life and non-life segments of the Romanian insurance market. The company's products are primarily sold by a employed field sales force and a large number of agents. Asirom focuses its sales efforts on the non-life insurance business. Development has been particularly good in the company's motor vehicle liability insurance business, and it currently occupies an outstanding 2nd place in the market, following Omniasig Non-life, another Vienna Insurance Group company.

SC BCR Asigurari Vienna Insurance Group S.A.[1] (BCR Non-life)

SC BCR Asigurari de Viata Vienna Insurance Group S.A.[1] (BCR Life)

Member of V.I.G. since:	2008
Area of operations:	life and non-life
Employees:	approx. 1,350
Market position:	4th place
Market share:	7.7%
Offices:	approx. 170

[1] New company name subject to approval by the appropriate executive bodies of the Company and registration of the amendment to the articles of association by the local authorities.

BCR Non-life has been operating in the Romanian insurance market as a member of Banca Comercială Română (BCR) since 2001. The company distributes its products through around 170 offices as well as a nationwide network of BCR branches providing access to a large number of customers. BCR Non-life is constantly expanding its product range and improving its quality of service so as to further establish itself on the market and better serve its customers' needs.

SC BCR Asigurari and SC BCR Asigurari de Viata are new members of the Vienna Insurance Group.

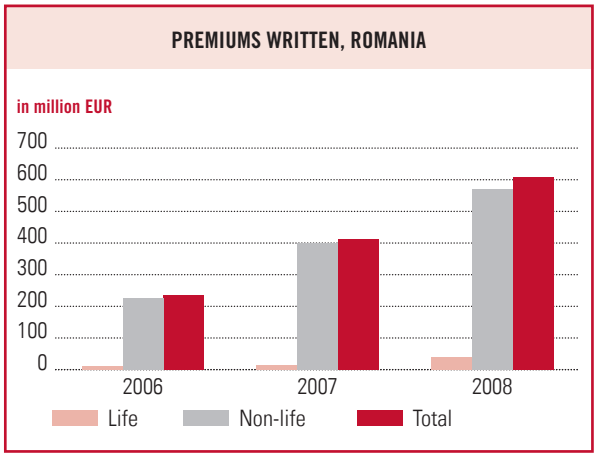
BCR Non-life is one of the Top 5 insurers in the non-life segment in Romania, and focuses its sales efforts on motor vehicle insurance.

BCR Life was established in October 2005 by Banca Comercială Română (BCR), and has offered innovative personal life insurance products and group life insurance since that time. Some of the products in the company's product portfolio include savings and future provision products (including those specifically aimed at children), pension insurance and unit-linked life insurance. BCR enjoys an excellent position in the Romanian market, which makes bank distribution profitable for BCR Life. Distribution of traditional life insurance policies is particularly successful.

Business development in Romania in 2008

Premium growth

The Romanian companies in the Vienna Insurance Group wrote EUR 608.22 million in premiums in 2008 (2007: EUR 413.49 million). This corresponded to an increase of 47.1%. Earned premiums grew by 67.7% over the previous year, rising to EUR 528.17 million in 2008. Omniasig non-life achieved the highest organic growth in premiums among the Romanian companies, generating an increase of 20.1%, to raise its premium volume to EUR 316.65 million. The company's premium growth was primarily due to good development in both the motor vehicle and non-motor vehicle non-life segments.



The non-life segment generated a premium volume of EUR 569.16 million in 2008 (2007: EUR 399.89 million), representing an increase of 42.3% over the previous year. Omniasig non-life generated around 52% of the premiums, and Asirom contributed EUR 203.71 million of this premium volume. Unita, which has already been divested, was only included in the first half of 2008.

The Vienna Insurance Group recorded premium growth of close to 50% in Romania.

The life insurance premium income earned by the Vienna Insurance Group's Romanian companies increased by 187.1%, to EUR 39.06 million, in 2008 (2007: EUR 13.60). This above-average increase in premiums is due to the first-time consolidation of Asirom in 2008. Asirom contributed around 65% of the total premiums generated in the life insurance segment.

Expenses for claims and insurance benefits

The Romanian companies of the Vienna Insurance Group had expenses for insurance claims of EUR 395.44 million in 2008 (2007: EUR 208.51 million). This represented an increase of EUR 186.93 million, or 89.7%, in Vienna Insurance Group expenses for insurance claims (less reinsurance). The increase in expenses for insurance claims was due to the fact that the profit from the sale of Unita was used in Romania to form reserves relating to the more volatile situation that had developed in the market.

Operating expenses

The Romanian companies of the Vienna Insurance Group had operating expenses (including acquisition costs and less reinsurance commissions received) of EUR 171.57 million in 2008 (2007: EUR 113.91 million), which is an increase of 50.6% compared to the year before. This increase in operating expenses is consistent with the increase in premiums.

Profit before taxes increases to EUR 57.5 million in Romania

The Romanian companies earned a profit before taxes of EUR 57.46 million in 2008, achieving an increase in profit before taxes of EUR 52.9 million relative to the previous year. This result was also affected by the sale of the insurance company Unita.

Combined ratio of 104.7%

The combined ratio was 104.7% in Romania this year (2007: 100.9%), which is above the 100 per cent mark. The combined ratio of 104.7% can be explained by the reserves that the companies formed for expected claims growth in the Romanian market.

Vienna Insurance Group in Romania*

in million EUR	2006	2007	2008
Premiums written	**236.89**	**413.49**	**608.22**
Life	12.09	13.60	39.06
Non-life	224.80	399.89	569.16
Profit before taxes	**2.75**	**4.56**	**57.46**

* Asirom included since 2008.
BCR Life (incl. Agras) and BCR Non-life not included in 2008.
Unita (incl. Agras) included until 30 June 2008.

OTHER CEE MARKETS

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

Bulgaria
The Vienna Insurance Group is represented in Bulgaria by Bulstrad Insurance JSC, Bulstrad Life Insurance JSC, Bulgarski Imoti Non-Life Insurance Company, and Bulgarski Imoti Life Insurance Company. Bulstrad non-life, with its approximately 500 employees and 92 offices, is the leading insurance company in Bulgaria. Bulstrad life focuses on traditional life insurance, as well as casualty and health insurance products. The Bulgarski Imoti companies successfully distribute both life and non-life insurance products.

Croatia
The Vienna Insurance Group companies in Croatia are Kvarner Vienna Insurance Group d.d., Cosmopolitan Life Vienna Insurance Group d.d. za osiguranje and Helios Vienna Insurance Group d.d. In 2008, the company Erste osiguranje Vienna Insurance Group d.d.[1] (ESO) also joined the Group. Kvarner and Helios are composite insurers. Cosmopolitan Life has been successfully operating on the Croatian life insurance market since 1989. ESO, established in June 2005, is also a life insurance company. It primarily distributes its products through its main cooperation partner Erste & Steiermärkische Bank d.d.

Serbia
Wiener Städtische osiguranje a.d.o. Beograd has represented the Vienna Insurance Group as composite insurer in Serbia since 2003, and is the leading life insurance company in Serbia. The company has a strong, employed field sales force, with more than 900 employees in 13 branches and 29 sales offices contributing to the company's success. Wiener Städtische osiguranje concluded a long-term distribution agreement with Erste Bank a.d. Novi Sad in 2008.

Turkey
The Vienna Insurance Group is represented on the Turkish insurance market by Ray Sigorta A.Ş. The company was established in 1958, has around 250 employees in eight offices, and operates in the non-life segment with a focus on motor vehicle insurance. Ray Sigorta works in cooperation with more than 500 agents and 38 brokers.

Ukraine
The Vienna Insurance Group operates through four insurance companies in Ukraine: CJS UIC Kniazha, IC Globus Insurance Company, CJSC Life Insurance Jupiter Vienna Insurance Group and CJSC Insurance Company (UIG). Kniazha, established in 1997, is a non-life insurer operating successfully in the segment of motor vehicle insurance, and is number 2 in the Ukrainian market for motor vehicle liability insurance. Globus and UIG help to strengthen the Vienna Insurance Group's position in the motor vehicle insurance market. Jupiter represents the Vienna Insurance Group in the life insurance business. Distribution alternatives were expanded by means of a cooperative arrangement concluded in 2008 with the Erste Group's Ukrainian subsidiary in order to take advantage of additional potential in the Ukrainian insurance market.

Hungary
The Vienna Insurance Group is represented in Hungary by the composite insurer Union Vienna Insurance Group Biztosító and the life insurance company Erste Vienna Insurance Group Biztosító Zrt.[1] (ESB), newly acquired in 2008. Union has close to 300 employees in more than 20 offices, and offers a full range of insurance solutions for both retail and corporate customers. ESB sells its products through the branch network of Erste Bank Hungary Nyrt.

In the Other CEE markets premium volume continues to grow strongly by 29.3%.

Business development in the Other CEE Markets segment in 2008

The companies in the CEE countries Albania, Estonia, Georgia, Latvia, Lithuania, Macedonia, Russia and Belarus, and the Ukrainian company UIG were not yet included in the Vienna Insurance Group's scope of consolidation.

The newly acquired companies Erste osiguranje Vienna Insurance Group d.d.[1] (ESO) and Erste Vienna Insurance Group Biztosító Zrt.[1] (ESB) have been included in the Vienna Insurance Group reporting entity since 1 October 2008.

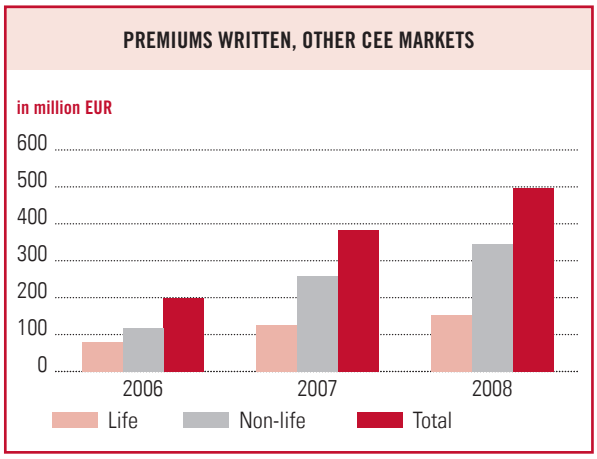
Premium growth
The Vienna Insurance Group wrote total premiums of EUR 496.35 million in the Other CEE markets segment in 2008 (2007: EUR 383.77 million). This corresponded to an increase of 29.3%. EUR 378.78 million in earned premiums was generated (2007: EUR 300.32 million), which was an increase of 26.1% compared to 2007.

The non-life segment generated a premium volume of EUR 344.49 million in the Other CEE markets segment in 2008 (2007: EUR 258.85 million), representing an increase of 33.1% over the previous year.

The life insurance premium income generated by the Vienna Insurance Group companies in the Other CEE markets segment increased 21.6%, to EUR 151.87 million, in 2008 (2007: EUR 124.92 million). The top contribution came from Hungary, which recorded an increase of 31.1%.

[1] New company name subject to approval by the appropriate executive bodies of the Company and registration of the amendment to the articles of association by the local authorities.

Expenses for claims and insurance benefits
The Other CEE markets segment incurred expenses for insurance claims of EUR 254.84 million in 2008 (2007: EUR 199.78 million). This represented an increase of EUR 55.06 million, or 27.6%, in Vienna Insurance Group expenses for insurance claims (less reinsurance) in Bulgaria, Croatia, Serbia, Turkey, Ukraine and Hungary.



Operating expenses
The Vienna Insurance Group had operating expenses of EUR 136.44 million in the Other CEE markets segment in 2008 (2007: EUR 114.22 million). These expenses are calculated including acquisition costs and less reinsurance commissions received, and corresponded to an increase of 19.5%.

The Vienna Insurance Group also offers an extensive range of products in Germany and Liechtenstein.

Profit before taxes
Due to the general deterioration in conditions, the Vienna Insurance Group companies in the Other CEE markets segment suffered a loss of EUR 14.41 million in 2008.

Combined ratio of 105.8%
The Vienna Insurance Group's combined ratio in the other CEE markets segment was 105.8% in 2008 (2007: 102.8%) and remains currently above 100%.

Vienna Insurance Group in Other CEE markets*

in million EUR	2006	2007	2008
Premiums written	**198.37**	**383.77**	**496.35**
Life	80.68	124.92	151.87
Non-life	117.69	258.85	344.49
Profit before taxes	**2.83**	**10.25**	**-14.41**

* Bultstrad Life, Bulstrad Non-life (Bulgaria) and Helios (Croatia) included since April 2006. Ukraine included since 2007. Ray Sigorta (Turkey) included since 1st July 2008. ESB (Hungary) included since October 2008. ESO (Croatia) included since October 2008.

OTHER MARKETS

The Other markets segment includes the Vienna Insurance Group companies in Germany and Liechtenstein. The companies in the Other Markets segment contributed EUR 218.11 million in premiums, or 2.8% of the total premiums of the Group.

Germany
The Vienna Insurance Group operates via two companies in Germany, the non-life insurance company InterRisk Versicherung AG Vienna Insurance Group and the life insurance company InterRisk Lebensversicherung AG Vienna Insurance Group.

Both companies offer a full range of products in the German insurance market and stand out for their outstanding customer service. High service standards are particularly important to both companies, which have set themselves the goal of becoming market leaders in customer satisfaction. InterRisk, which distributes its insurance products solely through brokers, has around 10,000 independent distribution partners and serves more than 550,000 customers. Its broad range of products includes insurance products for private and commercial customers.

InterRisk non-life specialises primarily in casualty insurance and other selected non-life insurance products, such as building and commercial risk insurance.

InterRisk life focuses on term life insurance and occupational disability insurance. InterRisk can provide coverage for the risk of death in the form of endowment insurance, term insurance or even a simple death benefit.

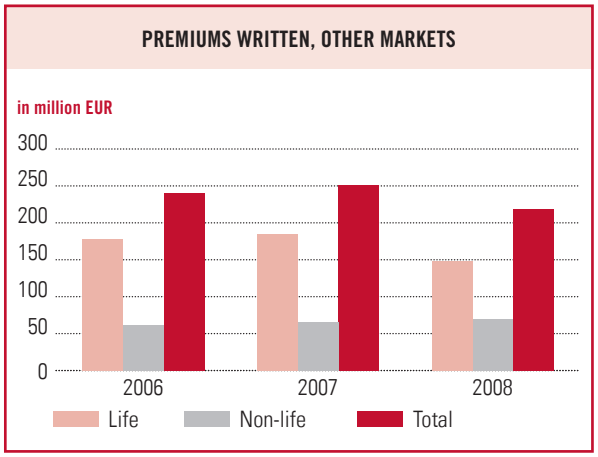
InterRisk's products and services regularly receive awards relating to price comparisons, product quality or even the InterRisk company itself. For example, InterRisk life was awarded a score of "above-average" in Morgan & Morgan's rating of life insurance companies. "Business success", "financial reserves" and "distributions to customers" were among the criteria analysed.

Liechtenstein
The Vienna Insurance Group is represented in Liechtenstein by Vienna-Life AG Vienna Insurance Group. Vienna-Life operates exclusively in the life insurance segment and concentrates predominantly on unit-linked and index-linked life insurance. The emphasis is on custom-tailored insurance solutions that allow the company to respond to the needs of its customers.

Business development in the Other markets segment in 2008

Premium growth

The Vienna Insurance Group wrote total gross premiums of EUR 218.11 million in the Other markets segment in 2008 (2007: EUR 251.17 million). This represented a decline of 13.2% for the German and Liechtenstein companies. EUR 185.00 million in earned premiums was generated (2007: EUR 220.34 million), which was a decrease of 16.0% compared to 2007.



InterRisk in Germany is the only company in the Other markets segment operating in the non-life segment. This company generated EUR 69.40 million in premiums in 2008 (2007: EUR 65.95 million), representing an increase of 5.2% over the previous year.

The life insurance premium income generated by the Vienna Insurance Group in Germany and Liechtenstein fell 19.7%, to EUR 148.71 million, in 2008 (2007: EUR 185.22 million). This decrease was due to the Vienna Life company in Liechtenstein, which posted a significant decline in single-premium business this year. The InterRisk company operating in the life insurance segment increased its premium volume by 1.3% to EUR 56.69 million in 2008.

Expenses for claims and insurance benefits

The Other markets segment incurred EUR 140.07 million in expenses for insurance claims in 2008. This corresponds to a decrease of 24.1% compared to the EUR 184.45 million in expenses for insurance claims (less reinsurance) incurred in 2007.

Operating expenses

The Vienna Insurance Group had operating expenses of EUR 21.16 million in the Other Markets segment in 2008 (2007: EUR 28.79 million). These expenses include are acquisition costs, and less reinsurance premiums received. This represented a 26.5% drop in operating expenses compared to the year before.

Profit before taxes increases 16.2% in Other markets segment

The Vienna Insurance Group companies in the Other markets segment earned a profit before taxes of EUR 14.87 million in 2008. This corresponds to an increase of 16.2%, or EUR 2.07 million, over the previous year. InterRisk non-life's outstanding underwriting result had a positive effect on the profit before taxes.

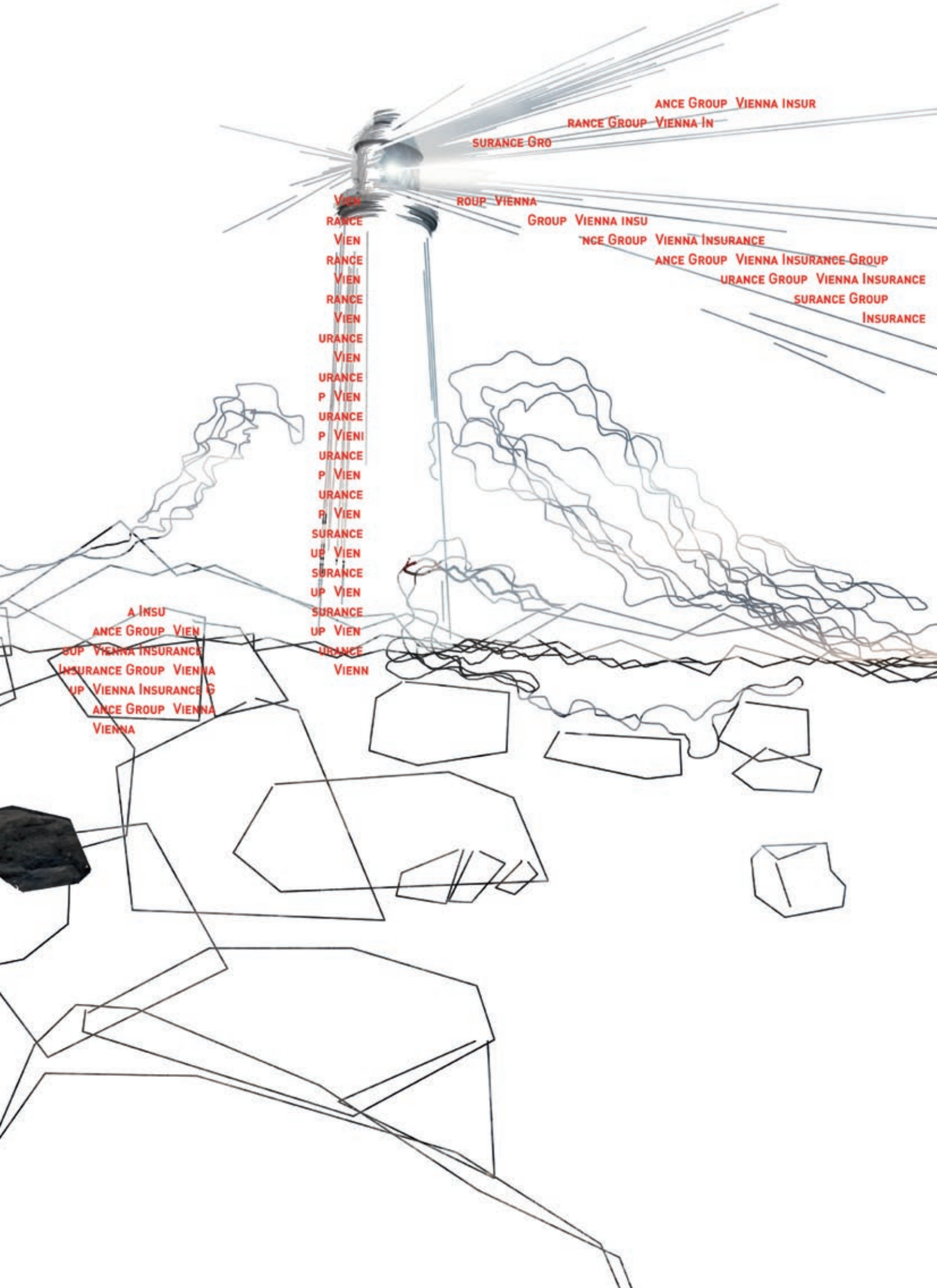
InterRisk in Germany achieves outstanding combined ratio of 74.0%.

Combined ratio of 74.0%

InterRisk had an outstanding combined ratio of 74.0% in 2008, once again below 100% as it was in the previous year (2007: 88.4%). The company was particularly successful in the property and casualty segment in 2008, enabling it to lower its combined ratio by 14.5 percentage points.

Vienna Insurance Group in Other markets

in million EUR	2006	2007	2008
Premiums written	**240.78**	**251.17**	**218.11**
Life	178.61	185.22	148.71
Non-life	62.16	65.95	69.40
Profit before taxes	**11.82**	**12.80**	**14.87**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RESULTS THAT POINT THE WAY

As a result of the perspectives gained through our solid business operations and many years of experience in our markets, we never lose sight of the horizon.

OUTLOOK FOR 2009

ECONOMIC DEVELOPMENT

Austria

The Austrian economy is being hit by the full effect of the international financial crisis in 2009, falling into a recession. The European Commission is forecasting a 1.2% decrease in economic output. Although this decrease in gross domestic product still leaves Austria a rate that is 0.9% better than the expected development in the EU-15 countries. Nevertheless Austria's growth advantage is melting away compared to the recent past.

The economic research institute "Wirtschaftsforschungsinstitut (WIFO)" expects the collapse of the capital goods and automobile industries in Austria's trading partner Germany to have a particularly negative effect on Austrian economic output. Exports to the Central and Eastern European region will also slow considerably. In addition, the tourism sector, which has been a major driver of economic growth in the past, will also react negatively to weak international growth. Moreover, WIFO also predicts that rising uncertainty will make it more difficult for private households to raise further debt for new housing construction and consumption, and that the financial crisis will limit the ability of companies to obtain risk capital.

The Austrian federal government has approved a package of measures to cushion the effects of the economic crisis. A EUR 2.2 billion tax reform aimed at strengthening personal consumption, along with two economic stimulus packages, are expected to result in a total economic stimulus of around EUR 6 billion.

The inflation rate, on the other hand, will amount only 1.2%. This two percentage point reduction is due to large decreases in commodity prices.

CEE

The European Commission expects that the strongly export-driven economies of the Central and Eastern European (CEE) region will not be able to fully avoid the effects of the global economic crisis.

As a result, it is expected that the record economic growth recorded in previous years will be followed by a short-term economic cooling off. The expectation is for an average growth of 1.1%. It should also be noted that forecasts for the CEE region are widely varying. In Hungary, for example, economic output is forecast to decline by 1.6%, while in the Czech Republic, Slovakia and Poland, robust growth in the range of 1.7% to 2.7% is expected to continue in 2009.

The slow-down in economic momentum is seen to be the result of the economic peak's having been passed. Also to be cited here is the dramatic 2.1% reduction in economic output predicted for the EU-15 countries (the region's most important trading partners and investors), a direct consequence of the economic crisis originating in the U.S.

Apart from the expected reductions in exports, growth in personal consumption, which inter alia had also led to high demand for personal credit up until now, will also flatten off considerably. Due to higher refinancing costs and the lower availability of capital from banks (a consequence of financial institutions' loss of confidence in one another), there will be a drastic increase in the cost of personal credit and hence a drop-off in demand. This weakening of demand for credit is nevertheless expected to have a positive effect on sustained medium to long-term economic growth in many countries of the CEE region, where credit growth led to a large expansion in current account deficits.

The large decrease in inflation rates, from an average of 6.3% to 3.5%, will lead to increases in real wages, thereby also helping to stabilise demand from private consumption.

Therefore, in spite of the declining trend in economic growth, it can generally be expected that the momentum of this region's economic catch-up process will remain largely intact.

THE 2009 INSURANCE MARKET

Austria

According to information from the Austrian Insurance Associations (Versicherungsverband Österreich - VVO), the Austrian insurance market grew by 2.5% in 2008. This moderate increase in premiums is based on a 3.5% increase from single-premium products, which most recently were showing a decline. Growth in premium income remained relatively stable, at 2.4%, when single-premium products are not included. Premiums in the non-life segment also experienced only moderate growth, 2.7%.

Given the expected economic downturn, VVO expects growth of only 1.8% in the property/casualty segment in 2009. Income growth is expected to slow from 3.5% to 3.1% in the health insurance segment.

Income from life insurance products with regular premiums is expected to increase slightly, by 2.8%, while the VVO expects a 5.0% decrease in premiums from single-premium products, stemming from the economic turbulence. As a result, growth for the life insurance segment as a whole is expected to be only 0.8%.

Growth for the Austrian insurance market as a whole is projected to be 1.5%.

CEE

Due to the strong economic catch-up process, insurance markets in the CEE region remain among the fastest growing markets worldwide. In spite of the projected economic slowdown, the growth in insurance markets can be expected to continue in 2009.

This view is also based, among other things, on past experience. These markets went through a difficult economic period just in the previous decade. Nonetheless, due to a burgeoning middle class, the CEE region displayed a rising demand for insurance services.

Because of their relative lack of maturity, the insurance markets of this region continue to be growth markets even today. The long-term catch-up potential can be seen from the insurance density in the region. Insurance density indicates the average annual amount each inhabitant of a country spends on insurance services. The CEE countries, for example, recorded an average insurance density of USD 273 in 2007, versus an average of USD 3,668 for the EU-15 countries.

Since it is generally expected that the CEE economies will be able to partially decouple themselves, as described above, from the trend in the EU-15 markets, and the need for insurance products is far from being covered, the coming years continue to hold out the promise of strong growth.

VIENNA INSURANCE GROUP – OUTLOOK

In 2008, as a result of its acquisition of Erste Group's insurance operations and through organic growth, the Vienna Insurance Group sustainably expanded its position of market leadership in its core CEE markets. After achieving a leading position in the non-life segment in 2007, a systematic implementation of the Group's strategy and its rapid identification of and reaction to current developments have now permitted it to become one of this region's leading life insurers as well.

Despite the challenging economic environment, the Vienna Insurance Group is expecting premium growth in 2009. A precise forecast is not possible at the moment, due to the high exchange rate volatility being experienced by CEE currencies. New business areas are intended to contribute a portion of the expected premium increase. As an immediate need is seen for health insurance in the CEE region, the first step is being taken by expanding the health insurance business from its current exclusive base of operations in Austria to the CEE region. An expansion of legal protection insurance into this economic area, in collaboration with a partner, is being contemplated as a second step.

The Vienna Insurance Group has set itself the goal of keeping its combined ratio significantly below 100% throughout the economic cycle. In order to ensure that this goal is achieved, an efficiency improvement project has been begun that has identified potential optimisations of at least EUR 100 million. Most of the measures in this Group-wide, forward-looking action program, which focuses on material costs and extensive process improvements at both the individual company and Group levels, are to be implemented over the current year. Company management anticipates that it can increase the potential for optimisation by as early as 2010.

The Vienna Insurnce Group has set itself the goal of keeping its combined ratio significantly below 100%.

Due to the uncertain situation on the financial markets, the Group does not currently feel able to make a precise forecast of profit before taxes for the year 2009 as a whole. The current volatility makes a serious forecast of the financial result, a major driver of insurance company earnings, impossible at the present time. Based on the current outlook, this also applies to the following year.

A STRONG TREE WEATHERS EXTREME CONDITIONS

Our 2008 result confirms the validity of our strategic orientation. This result is due to a successful combination of dynamic business development and responsible management – even under difficult circumstances..


Vienna Insurance Group
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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 2008
Reporting period	1.1.2008–31.12.2008
Balance sheet comparison date	31.12.2007
Income statement comparison period	1.1.2007–31.12.2007
Currency	EUR

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2008

ASSETS	Notes	31.12.2008	31.12.2007
in EUR '000			
A. Intangible assets	**1**		
I. Goodwill		1,416,089	422,300
II. Purchased insurance portfolios		67,569	30,629
III. Other intangible assets		165,283	71,576
Total intangible assets		**1,648,941**	**524,505**
B. Investments			
I. Land and buildings	2	3,090,411	2,868,725
II. Shares in at equity consolidated companies	3+4	119,651	51,799
III. Financial investments		21,337,503	17,250,865
a) Loans and other investments	5	5,765,808	1,858,350
b) Other securities	6	15,571,695	15,392,515
Financial investments held to maturity		2,347,061	373,273
Financial investments available for sale		11,707,295	13,877,579
Financial instruments recognised at fair value through profit or loss*		1,517,339	1,141,663
Total investments		**24,547,565**	**20,171,389**
C. Investments of unit- and index-linked life insurance	**7**	**3,602,404**	**3,065,985**
D. Reinsurers' share in underwriting provisions	**8**	**1,222,261**	**1,186,664**
E. Receivables	**9**	**1,500,067**	**1,200,283**
F. Deferred tax assets	**11**	**131,170**	**33,861**
G. Other assets	**12**	**393,385**	**284,686**
H. Cash and cash equivalents	**10**	**619,327**	**277,700**
Total ASSETS		**33,665,120**	**26,745,073**

* including trading assets

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2008

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31.12.2008	31.12.2007
in EUR '000			
A. Shareholders' equity	**13**		
I. Share capital		132,887	109,009
II. Other capital reserves		2,109,003	1,035,029
III. Capital reserves from premiums paid on hybrid capital		245,602	0
IV. Retained earnings		1,423,144	1,057,693
V. Other reserves		-38,763	136,374
VI. Minority interests		266,917	277,458
Total shareholders' equity		**4,138,790**	**2,615,563**
B. Subordinated liabilities	**14**	**501,242**	**442,910**
C. Underwriting provisions			
I. Unearned premiums	15	1,030,712	960,354
II. Mathematical reserve	16	16,861,965	12,502,836
III. Provision for outstanding insurance claims	17	3,370,508	3,008,951
IV. Provision for profit-independent premium refunds	18	46,744	43,126
V. Provision for profit-dependent premium refunds	18	348,994	557,762
VI. Other underwriting provisions	19	23,444	19,100
Total underwriting provisions		**21,682,367**	**17,092,129**
D. Underwriting provisions of unit- and index-linked life insurance	**20**	**3,346,773**	**2,948,522**
E. Non-underwriting provisions			
I. Provisions for pensions and similar obligations	21	338,160	404,618
II. Provision for taxes	22	152,853	126,029
III. Other provisions	23	261,009	264,155
Total non-underwriting provisions		**752,022**	**794,802**
F. Liabilities	**24**	**2,842,755**	**2,688,674**
G. Deferred tax liabilities	**11**	**141,483**	**80,765**
H. Other liabilities	**25**	**259,688**	**81,708**
Total LIABILITIES AND SHAREHOLDERS' EQUITY		**33,665,120**	**26,745,073**

CONSOLIDATED SHAREHOLDERS´ EQUITY

Change in consolidated shareholders´ equity in fiscal years 2007 and 2008

in EUR '000	Share capital	Other capital reserves	Capital reserves from premiums paid on hybrid capital	Reatianed earnings	Unrealised gains and losses	Currency translation and other reserves	Shareholders' equity before minority interest*	Minority interests	Shareholders' equity
As of 1 January 2007	**109,009**	**1,035,029**	**0**	**775,701**	**245,128**	**47,542**	**2,212,409**	**70,799**	**2,283,208**
Exchange rate	0	0	0	0	0	10,686	10,686	-1,960	8,726
Change in scope of consolidation/ ownership interests	0	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	0	-176,662	0	-176,662	-6,020	-182,682
Profit for the period	0	0	0	312,618	0	0	312,618	36,253	348,871
Dividend payment	0	0	0	-86,100	0	0	-86,100	-15,755	-101,855
As of 31 December 2007	**109,009**	**1,035,029**	**0**	**1,057,693**	**78,146**	**58,228**	**2,338,105**	**277,458**	**2,615,563**
As of 1 January 2008	**109,009**	**1,035,029**	**0**	**1,057,693**	**78,146**	**58,228**	**2,338,105**	**277,458**	**2,615,563**
Exchange rate	0	0	0	0	0	-39,889	-39,889	-944	-40,833
Capital increase/Hybrid capital issue	23,878	1,073,974	245,602	0	0	0	1,343,454	0	1,343,454
Change in scope of consolidation/ ownership interests	0	0	0	72,418	0	0	72,418	-40,790	31,628
Unrealised gains and losses from financial investments available for sale	0	0	0	0	-135,248	0	-135,248	920	-134,328
Profit for the period	0	0	0	408,533	0	0	408,533	33,810	442,343
Dividend payment	0	0	0	-115,500	0	0	-115,500	-3,537	-119,037
As of 31 December 2008	**132,887**	**2,109,003**	**245,602**	**1,423,144**	**-57,102**	**18,339**	**3,871,873**	**266,917**	**4,138,790**

* Equity attributable to shareholders and other capital providers of the parent company.

Changes in unrealised profits and losses	31.12.2008	31.12.2007
Changes recognised directly in equity (gross)	-343,636	-498,633
Realised through profit or loss (gross)	-233,934	-72,844
Deferred profit participation	399,864	339,008
Deferred taxes	43,378	59,467
Net change	**-134,328**	**-173,002**

The change in the shareholders' equity of at equity consolidated companies is EUR 6,470,000 (EUR 5,086,000).

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY 2008 TO 31 DECEMBER 2008

in EUR '000	Notes	2008	2007
Premiums	**27**		
Premiums written – Gross		**7,898,866**	**6,911,931**
Premiums written – Reinsurers' share		-857,105	-843,335
Premiums written – Retention		**7,041,761**	**6,068,596**
Change due to provisions for premiums – Gross		-81,279	-139,443
Change due to provisions for premiums – Reinsurers' share		1,123	12,540
Net earned premiums		**6,961,605**	**5,941,693**
Financial Result	**29**		
Investment income		2,187,382	1,441,764
Investment and interest expenses		-1,273,451	-444,205
Total financial result		**913,931**	**997,559**
Other income	**30**	**127,457**	**51,960**
Claims and insurance benefits	**31**		
Expenses for claims and insurance benefits – Gross		-6,213,585	-5,523,539
Expenses for claims and insurance benefits – Reinsurers' share		606,228	492,032
Total expenses for claims and insurance benefits		**-5,607,357**	**-5,031,507**
Operating expenses	**32**		
Commission and other acquisition expenses		-1,375,963	-1,194,072
Adminstrative expenses		-373,126	-334,223
Reinsurance commissions		186,969	183,185
Total operating expenses		**-1,562,120**	**-1,345,110**
Other expenses	**33**	**-296,924**	**-182,384**
Result from shares in at equity consolidated companies	**28**	**4,205**	**5,085**
Profit before taxes		**540,797**	**437,296**
Tax expenses	**34**	**-98,454**	**-88,425**
Profit for the period		**442,343**	**348,871**
Attributable to Wiener Städtische shareholders		*408,533*	*312,618*
Minority interests in net income for the period	13	*33,810*	*36,253*
Earnings per Share	13		
basic = diluted earnings per share (in EUR)		3.41	2.98

CONSOLIDATED CASH FLOW STATEMENT FROM 1 JANUARY 2008 TO 31 DECEMBER 2008

in EUR '000	2008	2007
Profit for the period less minority interest	408,533	312,618
Minority interest	33,810	36,253
Profit for the period before minority interest	**442,343**	**348,871**
Net change in other underwriting provisions	1,247,502	2,063,411
Changes in underwriting receivables and payables	-42,044	-66,060
Changes in deposit receivables and payables, as well as in invoice receivables and payables	41,491	42,789
Changes in other receivables and payables	160,783	150,612
Changes in financial investments held for trading	409,401	-151,992
Realised gains and losses of investments	-460,472	-327,816
Write up/down of all other investments	439,772	113,109
Changes in provisions for pension, severance pay, and other personnel expenses	-71,718	-135,428
Changes in deferred tax assets/liabilities, excl, tax provisions	-33,881	11,100
Changes in other balance sheet items	149,720	-57,386
Changes in goodwill and intangible assets	41,735	-4,977
Other income and expenses affecting cash flow, and adjustments to net income for the period	-235,534	34,744
Cash Flow from operating activities	**2,089,098**	**2,020,978**
Receipts from the sale of fully consolidated companies and at equity consolidated companies	602,724	419
Pay offs from the sale of fully consolidated companies and at equity consolidated companies	-1,248,562	-58,384
Cash proceeds from the sale of available for sale securities	4,835,485	2,967,168
Payments for the acquisition of available for sale securities	-5,412,478	-3,848,026
Cash proceeds from the sale of securities held to maturity	40,977	47,555
Payments for the acquisition of securities held to maturity	-155,477	-99,123
Cash proceeds from the sale of land and buildings	48,071	84,668
Payments for the acquisition of land and buildings	-317,253	-242,448
Changes in unit- and index-linked life insurance items	-582,327	-608,243
Changes in other investments	-837,760	-202,624
Cash Flow from investing activities	**-3,026,600**	**-1,959,038**
Capital increase including premiums paid on hybrid capital	1,343,454	0
Minority interest in capital increase	0	5,952
Decrease/Increase subordinated liabilities	-160	9,463
Dividend payments	-119,037	-101,855
Cash proceeds from and payments for other financing activities	-50,566	23,639
Cash Flow from financing activities	**1,173,691**	**-62,801**
Net change in cash and cash eqivalents	**236,189**	**-861**
Cash and cash equivalents at beginning of period	**277,700**	**226,443**
Cash and cash equivalents at end of period	**619,327**	**277,700**
Including non-profit housing development corporations	*56,652*	*54,294*
Change in scope of consolidation	**97,437**	**49,117**
Foreign exchange differences in cash and cash equivalents	**8,001**	**3,001**
Additional information		
interest received	637,917	621,289
dividends received	198,973	142,619
interest paid	105,759	121,734
dividends paid	119,037	101,855
income taxes paid	81,626	59,007
Expected cash flow from reclassified securities	**25,984**	
Effective interest rate of reclassified securities	**6.41%**	

SEGMENT REPORTING

CONSOLIDATED BALANCE SHEET BY PRIMARY SEGMENTS (LINES OF BUSINESS)

ASSETS	Property/Casualty		Life		Health		Total	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007
in EUR '000								
A. Intangible assets	801,894	493,996	839,088	23,519	7,959	6,990	1,648,941	524,505
B. Investments	3,751,376	3,253,425	19,965,446	16,047,231	830,743	870,733	24,547,565	20,171,389
C. Investments of unit- and index-linked life insurance	0	0	3,602,404	3,065,985	0	0	3,602,404	3,065,985
D. Reinsurers' share of underwriting provisions	1,097,749	952,499	122,302	232,078	2,210	2,087	1,222,261	1,186,664
E. Receivables	943,227	759,713	526,685	420,574	30,155	19,996	1,500,067	1,200,283
G. Other assets	206,079	191,071	181,944	91,504	5,362	2,111	393,385	284,686
H. Cash and cash equivalents	197,254	159,522	418,279	111,800	3,794	6,378	619,327	277,700
Subtotal	**6,997,579**	**5,810,226**	**25,656,148**	**19,992,691**	**880,223**	**908,295**	**33,533,950**	**26,711,212**
Consolidated deferred tax assets							131,170	33,861
Total ASSETS							**33,665,120**	**26,745,073**

LIABILITIES AND SHAREHOLDERS' EQUITY	Property/Casualty		Life		Health		Total	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007
in EUR '000								
B. Subordinated liabilities	189,646	190,751	311,596	252,159	0	0	501,242	442,910
C. Underwriting provisions	4,101,240	3,738,667	16,776,290	12,585,461	804,837	768,001	21,682,367	17,092,129
D. Underwriting provisions of unit- and index-linked insurance	0	0	3,346,773	2,948,522	0	0	3,346,773	2,948,522
E. Non-underwriting provisions	426,524	449,832	276,396	300,365	49,102	44,605	752,022	794,802
F. Liabilities	634,701	605,458	2,063,294	1,861,729	144,760	221,487	2,842,755	2,688,674
H. Other liabilities	248,839	75,701	10,806	5,755	43	252	259,688	81,708
Subtotal	**5,600,950**	**5,060,409**	**22,785,155**	**17,953,991**	**998,742**	**1,034,345**	**29,384,847**	**24,048,745**
Consolidated deferred tax liabilities							141,483	80,765
Consolidated shareholders' equity							4,138,790	2,615,563
Total LIABILITIES AND SHAREHOLDERS' EQUITY							**33,665,120**	**26,745,073**

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	
	2008	2007	2008	2007	2008	2007	2008	2007
in EUR '000								
Premiums written – Gross	4,278,853	3,671,168	3,305,733	2,934,166	314,280	306,597	**7,898,866**	**6,911,931**
Net earned premiums	3,375,413	2,746,753	3,272,857	2,889,442	313,335	305,498	**6,961,605**	**5,941,693**
Net investment income, not incl. at equity consolidated companies	304,372	149,085	597,280	832,168	12,279	16,306	**913,931**	**997,559**
Other income	77,862	35,262	49,556	16,663	39	35	**127,457**	**51,960**
Claims and insurance benefits	-2,175,736	-1,764,361	-3,171,921	-3,000,226	-259,700	-266,920	**-5,607,357**	**-5,031,507**
Operating expenses	-958,339	-774,998	-562,171	-531,420	-41,610	-38,692	**-1,562,120**	**-1,345,110**
Other expenses	-211,985	-126,045	-84,377	-55,301	-562	-1,038	**-296,924**	**-182,384**
Result from shares in at equity consolidated companies	2,639	-627	1,174	5,876	392	-164	**4,205**	**5,085**
Profit before taxes	**414,226**	**265,069**	**102,398**	**157,202**	**24,173**	**15,025**	**540,797**	**437,296**

REGIONS	Austria		Czech Republic		Slovakia		Poland	
	2008	2007	2008	2007	2008	2007	2008	2007
in EUR '000								
Premiums written – Gross	3,755,723	3,695,374	1,419,724	1,130,465	605,603	494,524	795,135	543,137
Net earned premiums	3,409,342	3,304,487	1,189,538	918,955	523,226	398,756	747,549	483,902
Net investment income, not incl. at equity consolidated companies	730,894	841,952	57,052	46,002	3,454	26,441	5,146	22,103
Other income	14,468	13,784	19,406	13,616	6,780	2,084	6,565	2,922
Claims and insurance benefits	-3,165,917	-3,258,253	-806,307	-631,354	-388,400	-279,592	-456,386	-269,573
Operating expenses	-599,255	-577,929	-281,578	-218,883	-96,718	-84,333	-255,404	-207,040
Other expenses	-46,975	-43,665	-73,095	-53,186	-43,351	-33,060	-21,358	-13,531
Result from shares in at equity consolidated companies	1,770	6,425	2,435	-1,340	0	0	0	0
Profit before taxes	**344,327**	**286,801**	**107,451**	**73,810**	**4,991**	**30,296**	**26,112**	**18,783**

	Romania		Other CEE makets		Other markets		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
in EUR '000								
Premiums written – Gross	608,216	413,490	496,353	383,770	218,112	251,171	**7,898,866**	**6,911,931**
Net earned premiums	528,174	314,936	378,778	300,317	184,998	220,340	**6,961,605**	**5,941,693**
Net investment income, not incl. at equity consolidated companies	98,620	13,756	10,250	28,603	8,515	18,702	**913,931**	**997,559**
Other income	45,147	9,751	7,085	5,729	28,006	4,074	**127,457**	**51,960**
Claims and insurance benefits	-395,436	-208,509	-254,837	-199,780	-140,074	-184,446	**-5,607,357**	**-5,031,507**
Operating expenses	-171,567	-113,912	-136,443	-114,224	-21,155	-28,789	**-1,562,120**	**-1,345,110**
Other expenses	-47,479	-11,461	-19,245	-10,399	-45,421	-17,082	**-296,924**	**-182,384**
Result from shares in at equity consolidated companies	0	0	0	0	0	0	**4,205**	**5,085**
Profit before taxes	**57,459**	**4,561**	**-14,412**	**10,246**	**14,869**	**12,799**	**540,797**	**437,296**

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 listed insurance group in Austria as well. Its registered office is located at Schottenring 30, 1010 Vienna. As the ultimate parent company, Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung includes 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 the life and non-life segment in 23 countries of Central and Eastern Europe.

The primary segments in which the Vienna Insurance Group operates are property/casualty, life and health insurance. Its secondary segments are the regions Austria, Czech Republic, Slovakia, Poland, Romania, Other CEE markets and Other markets.

Significant accounting policies

The consolidated financial statements as of 31 December 2008 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 adopted by EU regulation, application of which was mandatory as of 31 December 2008. The present consolidated financial statements therefore implement the following changes in requirements: In October 2008, the IASB published changes to IAS 39 (Financial instruments: recognition and valuation) and IFRS 7 (Financial instruments: disclosures) under the title "Reclassification of financial assets" that entered into force retroactively as of 1 July 2008. 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). By the time the consolidated financial statements were prepared, additional standards, as well as changes to standards and interpretations, respectively approved by the IASB or IFRIC had been adopted by the EU and published in its Official Journal. Application of these standards and interpretations was not yet mandatory in financial year 2008, and the Vienna Insurance Group likewise did not apply them in advance of their dates of mandatory application. The effect of these provisions is insignificant and in some cases cannot yet be reliably estimated.

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

- Financial investments available for sale
- Financial instruments measured at fair value through profit or loss, including financial assets held for trading purposes
- Investments of unit-linked and index-linked life insurance and underwriting provisions of unit-linked and index-linked life insurance

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 valuationof 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

Wiener Städtische Versicherung AG Vienna Insurance Group, Vienna is the parent company of the Vienna Insurance Group. 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 AG is, directly or indirectly, in a position to determine the financial and business policy 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 28 domestic and 41 foreign companies. Subsidiaries that are immaterial for a true and fair presentation of the net assets, financial position and results of operations of the Group were not included in the scope of consolidation. A total of 21 domestic and 13 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 the business operations are conducted in in the associated enterprises, a 60% share of the latter is directly incorporated in the consolidated financial statements. During the reporting period, four companies were included in the consolidated financial statements using proportional consolidation.

Associated companies are companies over which Wiener Städtische AG has a significant influence, but does not exercise control. These companies are accounted for using the equity method. The present consolidated financial statements include 5 domestic at equity consolidated companies and 1 foreign at equity consolidated company. In addition, 13 affiliated companies that are of lesser importance for the results of operations of the Group were also accounted for using the equity method. In accordance with the requirements of IAS 39 "Financial instruments", 34 companies of minor importance were treated as available-for-sale financial instruments and measured accordingly at fair value. Wiener Städtische AG owns a 31.6% interest in 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 financial instruments. For more information, please refer to note 6, "Other securities", in the Notes to the Consolidated Financial Statements.

Fully controlled investment funds ("special funds") were fully consolidated in accordance with the requirements of 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.

The following non-profit housing development companies were included in the Vienna Insurance Group consolidated financial statements.

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

Distribution 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 total profit before taxes of all consolidated non-profit housing development companies was EUR 31,408,000 (EUR 35,253,000).

The share of all non-profit housing development companies in the Vienna Insurance Group real estate portfolio is EUR 1,922,048,000 (EUR 1,784,510,000).

First-time inclusion of a subsidiary is performed 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 the net assets acquired 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 recognition and valuation of the assets and liabilities acquired, the Vienna Insurance Group recognises this excess amount as income on the income statement.

With respect to subsidiaries, joint ventures, and at equity consolidated companies acquired before 1 January 2004, the previous inclusion or valuation rules were carried over to the IFRS opening balance sheet. In the consolidated financial statements prepared in accordance with the Austrian commercial code and insurance supervisory regulations up to 31 December 2004, asset-side differences from capital consolidation of acquired insurance companies were offset against consolidated reserves instead of being recognised as goodwill. There-fore, in accordance with IFRS 1, the revaluation related to these companies owing to the conversion to IFRS were also offset against consolidated equity. Intercompany transactions, receiv-ables, liabilities, and significant unrealized profits (intercompany profits) are eliminated. Unrealised losses are only eliminated if the unrealized loss is not the result of impairment.

In 2008, the following changes occurred in the scope of consolidation:

The following companies were deconsolidated during the financial year:

Deconsolidations	Deconsolidation date
Agras Vienna Insurance Group S.A., Bucharest	30.06.2008
Bank Austria Creditanstalt Versicherung AG, Vienna	30.06.2008
DBR Friedrichscarrée GmbH & Co KG, Stuttgart	31.03.2008
DBR Friedrichscarrée Liegenschaften-Verwaltungs GmbH, Stuttgart	31.03.2008
Unita Vienna Insurance Group S.A., Bucharest	30.06.2008

The deconsolidation of the above companies had the following effects:

Balance sheet

in EUR '000	
Intangible assets	387
Investments	3,191,070
Investment of unit- and index-linked life insurance	915,374
Reinsurers' share in underwriting provisions	332,944
Receivables	165,936
Other assests (incl. deferred tax assets)	8,508
Cash and cash equivalents	52,034
Total ASSETS	**4,666,253**
Shareholders' equity	158,128
Subordinated liabilities	87,029
Underwriting provisions	3,093,122
Underwriting provisions of unit- and index-linked life insurance	882,910
Non-underwriting provisions	58,598
Liabilities	386,165
Other liabilities (incl. deferred tax liabilities)	301
Total LIABILITIES AND SHAREHOLDERS' EQUITY	**4,666,253**

Income Statement

in EUR '000	
Net earned premiums	308,668
Financial result	70,412
Other income	11,684
Claims and insurance benefits	-303,867
Operating expenses	-33,611
Other expenses	-8,143
Profit before taxes	**45,143**

Total gains of around EUR 388 million were realised from the deconsolidation of real estate companies, or Bank Austria Creditanstalt Versicherung and Unita Vienna Insurance Group, respectively.

During financial year 2008, Benefia Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw, was merged with Royal Polska Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw, as the absorbing company. The name of the absorbing company was changed to Benefia Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw.

In addition, I.V., s.r.o., Bratislava, was merged with Kooperativa pojišťovna a.s. Vienna Insurance Group, Bratislava, as the absorbing company.

FinLife Towarzystwo Ubezpieczeń na Życie S.A., Warsaw, which was not previously consolidated, was merged in financial year 2008 with Towarzystwo Ubezpieczeń na Życie Compensa Spolka Akcyjna Vienna Insurance Group, Warsaw, as the absorbing company.

During the reporting period from 1 January 2008 to 31 December 2008, the Vienna Insurance Group acquired control over the following subsidiaries:

Companies acquired	Interest acquired in %	Date of first consolidation	Goodwill	Assets acquired	Liabilities acquired	Profit before taxes
Amount in million EUR						
Sparkassen Versicherung AG Vienna Insurance Group[1], Vienna*	85.00	01.07.2008	301.72	8,368.27	7,960.69	2.06
Erste Vienna Insurance Group Biztosító Zrt.[1], Budapest	95.00	01.10.2008	40.55	66.54	61.23	-0.13
Erste osiguranje Vienna Insurance Group d.d.[1], Zagreb	95.00	01.10.2008	23.43	23.19	19.81	0.03
Pojišťovna České spořitelny, a.s., Vienna Insurance Group, Prague	95.00	01.10.2008	303.84	657.09	526.26	7.98
Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group[1], Bratislava	95.00	01.10.2008	111.27	175.68	149.06	0.65

* This acquisition increased the Vienna Insurance Group's interest in the company Sparkassen Versicherung Aktiengesellschaft to 95.00%. Shares in the company Sparkassen Immobilien AG, Vienna, are indirectly held through Sparkassen Versicherung Aktiengesellschaft, Vienna, and are included in the consolidated financial statements using the equity method due to the existence of significant influence as defined in IAS 28.

Expansion of the scope of consolidation	Interest acquired in %	Date of first consolidation	Goodwill	Assets acquired	Liabilities acquired	Profit before taxes
Amount in million EUR						
Asigurarea Romaneasca - Asirom S.A. Vienna Insurance Group, Bucharest	98.46	01.01.2008	208.20	262.29	192.90	11.78

SC BCR Asigurari Vienna Insurance Group S.A.[1], Bucharest, and SC BCR Asigurari de Viata Vienna Insurance Group S.A.[1], Bucharest, were not included in the consolidated financial statements as of 31 December 2008 as the Vienna Insurance Group as of the reporting date had not yet acquired a controlling share of the voting rights as specified in IAS 27.13. For this reason, both companies will be included in the Vienna Insurance Group's consolidated financial statements in 2009.

It should be noted that the allocation of the purchase price for the newly consolidated companies is still provisional and that all company purchases were made with cash or cash equivalents.

[1] New company name subject to approval by the appropriate executive bodies of the Company and registration of the amendment to the articles of association by the local authorities.

Companies founded	Interest in %	Date founded
HOTELY SRNÍ, a.s., Most	72.43	01.07.2008
ČPP servis, s.r.o., Prague	91.72	25.07.2008

Information on the companies that are fully consolidated, proportionally consolidated, or accounted for using the equity method in the consolidated financial statements as of 31 December 2008 is provided in Note 4 "Ownership interests" in the Notes to the Consolidated Financial Statements.

Classification of insurance policies

Policies under which a Group company assumes a significant insurance risk from another party (the policyholder) as a result of a provision whereby the policyholder receives compensation if a specified uncertain future event (the insured event) adversely affects the policyholder are treated as insurance policies as defined in the 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 non-financial variable, the variable is not specific to one counterparty. In many cases, particularly in the life insurance area, insurance policies as defined in the IFRS also transfer financial risk.

Policies under which only an insignificant insurance risk is transferred from the policyholder to the Group company are treated as financial instruments ("financial insurance policies") for IFRS reporting purposes. Such policies exist only to a minor extent in the personal insurance segment.

Both insurance policies and financial insurance policies may include contractual terms that qualify as profit-dependent net income participation ("profit participation", "performance-based premium refund"). Contractual rights under which, in addition to guaranteed benefits, the policyholder also receives additional payments which will probably represent a significant portion of the total contractual payments, and are contractually based on:

- the profit from a certain portfolio of policies or a certain type of policy, or
- the realised and/or unrealised investment income from a certain portfolio of assets held by the insurance company, or
- the profit or loss of the company, the investment fund, or business unit (e.g. balance sheet unit), holding the policy

are considered to be performance-based net income participation.

Policies with profit-dependent net income participation exist in all markets in the Vienna Insurance Group, primarily in the life insurance segment, and to a secondary extent also in the property/casualty and health insurance segments, and are treated as insurance policies in accordance with IFRS 4. Net income participation in the life insurance segment 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 by means of net income participation are reported on the balance sheet in the provision for profit-dependent premium refunds. In addition the profit-dependent portion resulting from application of IFRS versus local valuation requirements ("deferred profit participation") is reported in the provision for profit-dependent premium refunds. The rate used in Austria for calculating deferred profit participation is approx. 80% of the difference between the value recognised in the local financial statements and the value recognised in the IFRS financial statements.

As permitted by IFRS 4, use is made of the option to present unrealised gains and losses with the same effects on balance sheet valuation of underwriting provisions, capitalised acquisition costs and acquired insurance portfolios as realised gains and losses. Consequently, net unrealised gains result in a "provision for deferred profit participation" in the Group company in question. Net unrealised losses are offset against any existing provision for profit-dependent premium refunds, with any remaining asset balance being reported as "deferred policyholder profit participation resulting from valuation differences". This deferred item is only recognised if it is highly probable, at the Group company level, that the item can be offset by future profits in which the policyholders participate.

Due to the current financial market crisis, negative valuation differences in the fixed-income securities area have resulted in asset-side items being reported at three Group companies for deferred policyholder profit participation resulting from valuation differences. Since the intention is to hold the securities in question for the long term, it can be assumed that these negative valuation differences will be offset in the future by increases in value. The Group companies in question have adequate underwriting provisions when this asset item is taken into account (see Note 12, "Other assets", in the Notes to the Consolidated Financial Statements).

Recognition and accounting methods for insurance policies

Wiener Städtische Versicherung AG Vienna Insurance Group fully applies the rules of IFRS 4 relating to the valuation of insurance policies. Accordingly, the values recognised in the consolidated financial statements prepared in accordance with applicable national law are carried over to the IFRS consolidated financial statements. Equalisation and catastrophe provisions are not recognised. No changes were made in accounting rules as compared to the various national accounting requirements. In individual cases, the provisions formed locally by an insurance company for outstanding insurance claims are increased in the consolidated financial statements based on appropriate analysis.

The provisions of IFRS 4.31 were applied for the initial consolidation of the s Versicherung Group. The Vienna Insurance Group made use of the disclosure option in the life insurance segmentwhen preparing the opening balance sheet, and recognised the underwriting provision at fair value, as provided for in IFRS 3. Since underwriting provisions are not calculated prospectively in the casualty insurance segment, the fair value of existing policies is recognised as an asset.

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

Adequacy test for liabilities arising from insurance policies

Liabilities from insurance policies and financial insurance policies are tested at each reporting date for adequacy of the insurance liabilities recognised in the financial statements. Up-to-date estimates of the various valuation parameters are examined, taking into account all future cash flows associated with the insurance policies, 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 policy portfolio values, the entire shortfall is immediately recognised in profit or loss.

Foreign currency translation

Transactions in foreign currency

The individual Group companies recognise transactions in foreign currency using the mean rate of exchange on the date of each transaction. Monetary assets and liabilities in foreign currency existing on the balance sheet reporting date are translated to euros using the mean rate of exchange on the balance sheet reporting date. Any resulting foreign currency gains and losses are recognised with direct 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 Eurozone is the currency of the country where they are located. All assets and liabilities reported in individual financial statements are translated to euros using the mean rate of exchange on the balance sheet reporting date. Income statement items are translated using the average month-end mean rate of exchange during the reporting period. Foreign exchange gains and losses arising since 1 January 2004 have been recognised directly in equity under the "Differences arising from foreign exchange trans-lation" item. The following table shows the relevant exchange rates for the consolidated financial statements:

Name	Currency	Price as of the 2008 reporting date	2008 average exchange rate
		1 EUR ≙	1 EUR ≙
Albanian lek	ALL	123.8000	123.0267
British pound	GBP	0.9525	0.7963
Bulgarian lew	BGN	1.9558	1.9558
Estonian kroon	EEK	15.6466	15.6466
Georgian lari	GEL	2.3648	2.2017
Croatian kuna	HRK	7.3555	7.2239
Macedonian denar	MKD	61.4123	61.2831
Turkish new lira	TRY	2.1488	1.9064
Polish zloty	PLN	4.1535	3.5121
Romanian lei	RON	4.0225	3.6826
Russian rouble	RUB	41.2830	36.4207
Swiss franc	CHF	1.4850	1.5874
Serbian dinar	RSD	88.6010	81.9092
Slovak koruna	SKK	30.1260	31.2617
Czech koruna	CZK	26.8750	24.9463
Ukraine hryvnia	UAH	10.8555	7.9070
Hungarian forint	HUF	266.7000	251.5121
US dollar	USD	1.3917	1.4708
Belarusian rouble	BYR	3077.1400	3158.3808

Impairment

Assets are tested at a minimum 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 signs of impairment. Since scheduled amortisation of goodwill resulting from mergers is not permitted under IFRS 3 (business combinations), the Vienna Insurance Group performs impairment tests at least once a year. For this reason, the subsidiaries are combined into an economic unit (CGU) at the level of the region (secondary reporting segment), separated into life and non-life (primary reporting segment). 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 earnings-based discounted cash flow 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.

Discount rates

Austria	9.25%
Czech Republic	11.35%
Slovakia	11.35%
Poland	11.65%
Romania	13.15%
Other CEE markets	14.57%
Other markets	9.25%

Information on the impairment testing of financial assets is provided in the section entitled "General information on the accounting for investments".

Estimates

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

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

Accounting policies for specific items in the 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 was offset directly against equity. Using the option afforded by IFRS 1, no adjustments were made to this accounting.

Goodwill is valued at acquisition cost less accumulated impairment losses. In the case of ownership interests in associated companies, goodwill is included in the amortised book value of the ownership interest. If goodwill arising from reorganisations was recognised in the consolidated financial statements of previous years, the book value of these goodwill items were carried over into the IFRS accounting in accordance with IFRS 1.

PURCHASED INSURANCE PORTFOLIOS

Purchased insurance portfolios relate primarily to the policy portfolio values recognised as a result of company acquisitions subsequent to 1 January 2004 using purchase price allocation under the election provided in IFRS 4.31. The values recognised correspond to the differences between the fair value and book value of the underwriting assets and liabilities acquired. Depending on the valuation of the underwriting provisions, amortisation of these items is performed using the declining-balance or straight-line method over a maximum of ten years.

In addition, the insurance portfolio 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 performed over a maximum of ten years.

OTHER INTANGIBLE ASSETS

Purchased intangible assets are recognised in the balance sheet at acquisition cost less accumulated amortisation and impairment losses. No intangible assets were created by the companies in the scope of consolidation. With the exception of the "Asirom" trademark, all intangible assets have a definite useful life. Amortisation of an intangible asset is therefore performed over its period of use. The useful lives of significant intangible assets are as follows:

Useful life in years	from	to
Software	3	15
Customer base (value of new business)	5	10

Software is amortised using the straight-line method. Amortisation of the customer base ("value of new business") recognised as an intangible asset from corporate acquisitions is also performed using the straight-line method.

Acquisition of the Romanian company Asigurarea Romaneasca - Asirom S.A. Vienna Insurance Group, Bucharest, led to recognition of the „Asirom" trademark at a value of EUR 70,000,000 in the financial year just ended. The fair value of this trademark, which has an indeterminate useful life, was calculated using two methods, the relief-from-royalty method and the incremental cash flow method. The relief-from-royalty method calculates the value of a trademark from future notional royalties that the company would have to pay if the trademark were licensed from another company at standard market terms. The royalties were calculated using the Knoppe formula used in practice in the tax area. The incremental cash flow method calculates the value

of a trademark using future earnings contributions generated as a result of the trademark. The cash flows resulting from the two methods above were discounted using the standard market discount rate of 11.48% for Romania. The calculations included the Romanian corporate income tax rate of 16%, as well as the tax amortisation benefit in the relief-from-royalty method. The average of the trademark values from the two methods was recognised in the balance sheet as the fair value of the trademark.

Investments

GENERAL INFORMATION ON THE ACCOUNTING FOR INVESTMENTS

In accordance with applicable 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.
- In the case of non-listed financial instruments, or if a price cannot be immediately determined, fair value is determined either through the use of generally accepted valuation models based on the discounted cash flow method or through an estimate by management as to what amounts could be realised from an orderly sale under current market conditions.
- The fair value of certain financial instruments, particularly unlisted derivative financial instruments, is determined using pricing models which take into account factors including contract and market prices and their relation to one another, current value, counterparty creditworthiness, interest rate curve volatility, and early repayment of the underlying.

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 in the income statement.

Real estate appraisals are performed at regular intervals for both owner-occupied and third party-leased land and buildings, for the most part by sworn and judicially certified building construction and real estate appraisers. Market value is determined based on asset value and capitalised earnings value, predominantly prorated capitalised earnings value as of the reporting date, with the net asset value method being used in exceptional cases. If fair value is below the book value (cost less accumulated depreciation and write-downs), the asset is impaired. In this case, the book value is written down to fair value and the change recognised in profit or loss.

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 investment item is not otherwise being valued at fair value with recognition of unrealised profits and losses (financial instruments recognised at fair value through profit or loss and investments of unit-linked 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 (amortised) acquisition cost is observed over a period of more than six consecutive months. Likewise, permanent impairment is immediately assumed if a reduction of more than 50% has existed, even for a short time, as of the valuation date.

Information on the nature and extent of risks arising from financial instruments is provided in the section entitled "Risk reporting" on page 96.

LAND AND BUILDINGS

Both owner-occupied and third party-leased real estate are reported under land and buildings. Owner-occupied and third party-occupied real estate is measured at acquisition cost less accumulated depreciation and impairment losses. Acquisition cost comprises all costs incurred in putting the asset into its present location in its present condition.

For owner-occupied real estate, imputed arm's length rental income is recognised as income from the investment, and an equivalent amount of rental expenses is recorded as operating expenses.

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

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

Useful life in years	from	to
Buildings	20	50

SHARES IN AT EQUITY VALUED COMPANIES

Material 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 at equity consolidated companies were prepared in accordance with IFRS requirements.

FINANCIAL INSTRUMENTS

Financial instruments reported as investments are divided into the following categories in accordance with the requirements of IAS 39:

- Loans and other receivables
- Financial investments held to maturity
- Financial investments available for sale
- Financial investments held for trading purposes
- Financial instruments recognised at fair value in profit or loss

Upon their initial recognition, the corresponding investments are valued at acquisition cost, which equals fair value at the time of acquisition. For subsequent valuation of financial instruments, two valuation methods are used. Subsequent valuation of loans and other receivables is made at amortised cost. Amortised cost is determined using the effective interest rate of the loan in question. A write-down is recognised in profit or loss in the case of permanent impairment.

Financial investments held to maturity are subsequently valued at amortised cost. Amortised cost is determined using the effective interest rate of the financial instrument in question. A write-down is recognised in profit or loss in the case of permanent impairment.

Financial investments available for sale and financial instruments valued at fair value through profit or loss are recognised at fair value on the balance sheet. If financial investments available for sale are disposed of, the difference between amortised cost and fair value is recognised directly in other reserves ("unrealised gains and losses"). No separate calculation of amortised cost is performed for financial investments measured at fair value through profit or loss, changes in fair value are recognised in profit or loss on the income statement. The trading portfolio is predominantly structured investments ("hybrid financial instruments") that the Vienna Insurance Group has elected under IAS 39.11A and IAS 39.12 to assign to the category of "financial assets at fair value through profit or loss". Structured investments are assigned to this category if the derivatives embedded in the host contract (as a rule securities or loans) are not closely related to the host contract so that the requirement under IAS 39 of isolating them from the host contract and measuring them separately at fair value does not apply.

This item also includes shares in affiliated companies that are not material for a true and fair presentation of the net assets, financial position and results of operations of the Group and are therefore not included in consolidation. These shares are measured analogously to the valuation of available-for-sale financial instruments. These valuation principles are also applied to shares in associated companies that were not significant enough to be accounted for using the equity method. The interest in Wüstenrot Versicherungs-Aktiengesellschaft, as presented above on page 80 in the "Scope of consolidation 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 for financial instruments.

Amendments to IAS 39 and IFRS 7 – "Reclassification of financial assets"

In October, the IASB published amendments to IAS 39 and IFRS 7 under the title "Reclassification of financial assets". The adjusted version of IAS 39 permits reclassification of non-derivative financial assets (except for financial instruments that were measured using the fair value option upon initial recognition) in the "trading portfolio" and "available-for-sale" categories if the following conditions are satisfied:

- Financial instruments in the "trading portfolio" or "available-for-sale" categories can be transferred to the "loans and other receivables" category if they would have satisfied the definition of the "loans and other receivables" category at the time of initial recognition and the company intended and was able to hold the financial instrument for the foreseeable future or until maturity.
- Financial assets in the "trading portfolio" category that would not have satisfied the definition of "loans and other receivables" at the time of initial recognition can only be transferred to the "held-to-maturity" or "available-for-sale" categories under exceptional circumstances. The IASB indicated that the development of financial markets in the 2nd half of 2008 is a possible example for exceptional circumstances.

The amendments to IAS 39 and IFRS 7 entered into effect retroactively as of 1 July 2008 and were to be applied prospectively from the time of reclassification. Reclassifications performed before 1 November 2008 could use fair value as of 1 July 2008.

Financial instruments must be measured at fair value at the time of reclassification. In the case of reclassifications of assets in the "trading portfolio" category, gains or losses recognised from previous periods may not be reversed. In the case of reclassification of assets in the "available-for-sale" category, earlier gains and losses recognised in the revaluation reserve are locked in at the time of reclassification. The revaluation reserve remains unchanged for financial instruments without a fixed maturity until derecognition and is only then recognised in profit or loss, while for financial instruments with a fixed maturity it is amortised to profit or loss over the remaining life of the financial instrument using the effective interest method. This applies analogously to deferred profit participation.

The Vienna Insurance Group performed the following reclassifications:

Fair value as of the reclassification date

in EUR '000	
Available for Sale	-2,414,943
Held to Maturity	1,393,784
Held for Trading	-15,877
Loans	1,037,036
Total	**0**

The reclassifications led to an increase of EUR 30,664,000 in the revaluation reserve. There was no effect on the financial result in the income statement.

The effects on cash flow are provided in the corresponding section in the Notes to the Consolidated Financial Statements.

The corresponding valuation requirements in IAS 39 are to be applied after reclassification.

Derecognition of financial instruments is performed when the Group's contractual rights to cash flows from the financial instruments expire.

Information on the recognition of impairment losses is provided in the section entitled "General information on the accounting for investments".

Investments of unit-linked and index-linked life insurance

The investments of unit-linked and index-linked life insurance provide cover for the underwriting provisions of unit-linked and index-linked life insurance. The survival and surrender payments from these policies are linked to the performance of the associated investments of unit-linked and index-linked life insurance, with the income from these investments also credited in full to policyholders. As a result, policyholders bear the risk associated with the performance of the investments of unit-linked and index-linked life insurance.

These investments are held in separate cover funds, and managed separately from the other investments of the Group. Since the changes in value of the investments of unit-linked and index-linked life insurance are associated with equal changes in value of the underwriting provisions, these investments are measured using the provisions in IAS 39.9. Investments of unit-linked and index-linked life insurance are therefore measured 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 measured in accordance with contractual provisions.

The creditworthiness of each counterparty is taken into account when the reinsurer share is valued. As a result of the good creditworthiness of the Group's reinsurers, no allowances were needed for reinsurer shares as of the 31 December 2008 and 31 December 2007 reporting dates.

Receivables

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

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

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

Other assets

Other assets are measured at acquisition cost less impairment losses.

Taxes

The income tax expense comprises actual taxes and deferred taxes. The income tax associated with transactions recognised directly in equity (unrealised gains and losses from available-for-sale financial instruments) is also recognised directly in equity.

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

Deferred taxes are calculated using the balance sheet liability method for all temporary differences between the asset and liability values recognised in the IFRS consolidated financial statements and the individual company tax bases for these assets and liabilities. In accordance with IAS 12.47, deferred taxes are valued using the tax rates that apply at the time of realisation. In addition, any probable tax benefits realisable

from existing loss carryforwards 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 probable that the tax benefits they contain can be realised. Deferred taxes are calculated using the following tax rates:

Tax rate in %	31.12.2008	31.12.2007
Austria	25	25
Czech Republic*	21	21
Slovakia	19	19
Poland	19	19
Romania	16	16
Germany	30	30
Liechtenstein	20	20
Croatia	20	20
Bulgaria	10	10
Serbia	10	10
Hungary	20	16
Ukraine	25	25
Turkey	20	20

* Progressive reduction of the corporate income tax starting in 2008 (2009: 20%, 2010: 19%).

Underwriting provisions

UNEARNED PREMIUMS

According to the current version of IFRS 4, figures in annual financial statements prepared in accordance with national requirements may be used for the presentation of figures relating to insurance policies in the consolidated financial statements. In Austria, a cost discount of 15% is used when calculating unearned premiums in the property and casualty insurance area (10% for motor vehicle liability insurance), corresponding to EUR 28,192,000 (EUR 29,913,000). 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 generally recognised in the same proportion as the ratio of earned premiums to written premiums. To ensure uniform presentation within the Group, these capitalised acquisition costs are also shown in the consolidated financial statements as a reduction in unearned premiums. 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 recognised and netted with the 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 obligations (including declared and allocated profit shares and an administrative cost provision) 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 mathematical 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 policies"). As a rule, in life insurance the official mortality tables of each country are used. If current mortality expectations differ to the benefit of policyholders from the calculation used for the tariff, leading to a corresponding insufficiency in the mathematical reserves, the provisions are increased appropriately 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 mathematical reserves resulting from zillmerisation are set to zero for Austrian insurance companies. Negative mathematical reserves are not set to zero for Group subsidiaries with registered offices outside 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 31.12.2008: 3.44%
As of 31.12.2008: 3.41%

Please see the section titled "Recognition and accounting methods for insurance policies" for information on the treatment of the mathematical reserve during initial consolidation of the s Versicherung Group.

In health insurance, mathematical reserves are also calculated using the prospective method as the difference between the actuarial present value of future insurance payments less the present value of future premiums. The claims frequencies used to calculate the mathematical 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 mathematical reserves:

As of 31.12.2008: 3.00%
As of 31.12.2007: 3.00%

RESERVE FOR OUTSTANDING INSURANCE CLAIMS
According to national insurance law and regulations in Austria (the Austrian Commercial Code (UGB) and Insurance Supervision Act (VAG)), companies of the Vienna Insurance Group are required to form provisions for outstanding insurance claims for each business segment. These provisions 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, and all related claims settlement expenses expected to be incurred after the balance sheet reporting date, and as a rule are formed at the individual policy level. These policy-level provisions are marked up by a flat-rate allowance for unexpected additional losses. Except for the provisions for pension obligations, no discounting is performed. Insurance losses that have occurred up to the balance sheet reporting date but were not known at the time that the balance sheet was prepared are included in the provision (incurred but not reported claims provisions, "IBNR"). Separate provisions for claims settlement expenses are formed for internally incurred costs attributable to claims settlement under the causation principle. Collectible recourse claims are deducted from the provision. Where necessary, actuarial estimation methods are used to calculate the provisions. The methods are applied consistently, with both the methods and calculation parameters tested continuously for adequacy and adjusted if necessary. The provisions are affected by economic factors, such as the inflation rate, and by legal and regulatory developments, which are subject to change over time. The current version of IFRS 4 provides for provisions formed in accordance with applicable national requirements to be carried over into the consolidated financial statements.

RESERVE FOR PROFIT-INDEPENDENT PREMIUM REFUNDS
The provisions 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 provisions are formed at the individual policy level with no discounting.

RESERVE FOR PERFORMANCE-BASED PREMIUM REFUNDS
Profit shares that were dedicated to policyholders in local policies based on business plans but have not been allocated or guaranteed to policyholders as of the balance sheet reporting date are shown in the provision for profit-dependent premium refunds ("discretionary net income participation").

The provision 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 titled "Classification of insurance policies".

OTHER UNDERWRITING PROVISIONS
The other underwriting provisions item primarily shows cancellation provisions. Cancellation provisions are formed for the cancellation of premiums that have been written but not yet paid by the policyholder, and therefore represent a liabilities-side allowance for receivables from policyholders. These provisions 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-linked and index-linked life insurance represent obligations to policyholders that are linked to the performance and income of corresponding investments. The valuation of these provisions corresponds to the valuation of the investments of unit-linked and index-linked life insurance, and is based on the fair value of the investment fund or index serving as a reference.

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.

These obligations are recognised in accordance with IAS 19, by determining the present value of the defined benefit obligation. Calculation of the defined benefit obligation is performed using the projected unit credit method. In this method, future payments, calculated based on realistic assumptions, are accrued linearly over the period in which the beneficiary acquires these entitlements. The necessary provision amount is calculated for each balance sheet reporting date using actuarial reports that have been provided for 31 December 2007 and 31 December 2008.

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

The calculations for 31 December 2008 and 31 December 2007 are based on the following assumptions:

Assumptions pension	2008	2007
Interest rate	5.5%	5%
Pension and salary increases	3%	3%
Labour turnover rate	age-dependent 0%–7%	0%–7%
Retirement age, woman	62+ transitional arrangement	62+
Retirement age, men	62+ transitional arrangement	62+
Life expectancy	for employees according to (AVÖ 2008-P)	(AVÖ 1999-P)

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.

POST-EMPLOYMENT OBLIGATIONS

Vienna Insurance Group is required under the law, supplemented by collective agreements, to make a post-employment benefit payment to all employees in Austria whose employment is terminated by the employer or who begin retirement, and whose employment started before 1 January 2003. The size of this payment depends on the number of years of service and on the earnings at the time employment ends, and is equal to between two and 18 months' earnings. A provision has been formed for this obligation.

The provision is calculated using the projected unit credit method. Under this method, the sum of the present values of future payments is calculated up to the point in time when the claims reach their highest value (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 provision amount calculated in advance based on the underlying assumptions and the value which actually occurs ("actuarial gain/loss") is not recognised as part of the provision while it remains within 10% of the defined benefit obligationat the beginning of the period. When the 10% limit is exceeded, the excess amount which falls outside the limit is recognised, and distributed over the average remaining working lives of all employees ("corridor method").

The calculations for 31 December 2008 and 31 December 2007 are based on the following assumptions:

Assumptions post-employment benefits	2008	2007
Interest rate	5.5%	5%
Pension and salary increases	3%	3%
Labour turnover rate	age-dependent 0%–7%	0%–7%
Retirement age, woman	62+ transitional arrangement	62+
Retirement age, men	62+ transitional arrangement	62+
Life expectancy	for employees according to (AVÖ 2008-P)	(AVÖ 1999-P)

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

A portion of the post-employment benefit obligations was outsourced to an insurance company.

OTHER NON-UNDERWRITING PROVISIONS

Other non-underwriting provisions are recognised if a de jure or de facto obligation exists to a third party based on 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 provisions are recognised at the value representing the best possible estimate of the expenditure needed to fulfil the obligation. If the present value of the provision calculated using a normal market rate of interest differs significantly from the nominal value, the present value of the obligation is recognised.

The other non-underwriting provisions item also includes personnel provisions other than the provisions for pensions and similar obligations. These relate primarily to provisions for unused vacation and anniversary bonus obligations. Anniversary bonus obligations are measured 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 measured at amortised cost. This also applies to liabilities arising from financial insurance policies.

Earned premiums*

As a rule, deferred premiums (unearned premiums) are determined on a pro rata basis according to time. No deferral of unit-linked and index-linked life insurance premiums is performed, since the full amount of the premiums written in the reporting period is included in the calculation of the underwriting provisions of unit-linked and index-linked life insurance. The change in the cancellation provision is also recognised in earned premiums.

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

Expenses for claims and insurance benefits

All payments to policyholders arising from loss events, claims settlement expenses directly related to loss events, and internal costs attributable to claims settlement under the causation principle, are shown as expenses for insurance claims. Expenses for loss prevention are also presented 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 provisions, except for the change in the cancellation provision, are also shown in the expenses for insurance claims item.

Operating expenses

The Group's personnel and materials expenditures are assigned to the following income statement items in accordance with the causation principle:

- Expenses for insurance claims (claims settlement 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.

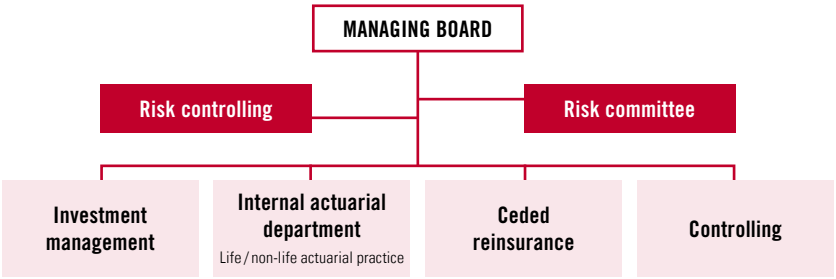
The Vienna Insurance Group risk management department is an independent organisational unit. Every employee contributes to the effectiveness of risk management in the Vienna Insurance Group. Great importance is placed on the day-to-day implementation of a suitable risk monitoring culture. Transparent 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



Risk types:	• All (goal) • Focus currently on financial/credit risks	• Market risks • Credit risks	• Insurance risks (direct)	• Insurance risks (non-life), particulary nat.cat./major risks	• Strategic risks • Operational risks
Function:	• Monitar compliance with guidelines	• Implement guidelines and practice active management	• Implement guidelines and practice active management	• Implement guidelines and practice active management	• Monitar compliance with guidelines

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.

GUARANTED 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, Vienna Insurance Group guarantees a minimum interest rate averaging just below 3.5% 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 3% 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. The Vienna Insurance Group's great degree of involvement in the CEE region results in currency risks at the Group level in spite of matching local currency investments made at the local level.

CONCENTRATION RISK
Internal guidelines and the Vienna Insurance Group's limit system are used to keep concentrations within the desired safety margin. Cross-class committees ensure a comprehensive view of all significant risks.

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 performed 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 profitability 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 64% of Vienna Insurance Group's investment portfolio consists of direct holdings of fixed-interest securities and loans. Direct holdings of shares and real estate amount to 3% and approximately 13%, 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 2008 and 31 December 2007, in EUR millions, broken down by property and casualty, health, and life insurance segments:

Investments segment	31.12.2008				31.12.2007
	Property/ Casualty	Life	Health	Total	Total
in EUR millions					
Land and buildings	**337.88**	**2,720.59**	**31.94**	**3,090.41**	**2,868.72**
Owner-occupied land and buildings	177.70	94.19	27.42	299.31	248.99
Third-party leased land and buildings	160.18	2,626.40	4.52	2,791.10	2,619.73
Shares in at equity consolidated companies	**33.89**	**80.80**	**4.96**	**119.65**	**51.80**
Loans	**201.80**	**2,615.46**	**128.88**	**2,946.14**	**1,187.44**
Reclassified loans	**141.92**	**894.22**	**11.94**	**1,048.08**	**0.00**
Other securities	**2,491.51**	**12,519.97**	**560.21**	**15,571.69**	**15,392.55**
Financial investments held to maturity	106.58	846.70	0.00	953.28	373.28
Government bonds	97.02	566.91	0.00	663.93	198.80
Corporate bonds	9.52	269.40	0.00	278.92	174.10
Other	0.04	10.39	0.00	10.43	0.38
Financial investments reclassified as held to maturity	466.60	927.18	0.00	1,393.78	0.00
Government bonds	276.77	677.58	0.00	954.35	0.00
Corporate bonds	141.92	168.02	0.00	309.94	0.00
Other	47.91	81.58	0.00	129.49	0.00
Financial investments available for sale	1,579.37	9,586.91	541.01	11,707.29	13,877.58
Shares and other ownership interests*	768.77	615.91	149.33	1,534.01	2,009.99
Investment funds including joint investments	186.63	897.63	120.57	1,204.83	1,956.53
Fixed-interest securities	502.37	7,640.07	262.49	8,404.93	9,434.84
Other	121.60	433.30	8.62	563.52	476.22
Financial investments held for trading	249.90	35.24	2.13	287.27	977.27
Bonds	239.25	22.04	0.00	261.29	928.16
Equities	8.49	0.95	0.00	9.44	18.30
Investment funds	0.90	5.65	0.00	6.55	25.21
Derivatives	0.00	6.60	2.13	8.73	0.60
Other	1.26	0.00	0.00	1.26	5.00
Financial investments at fair value through profit and loss	89.06	1,123.94	17.07	1,230.07	164.42
Bonds	48.63	25.44	0.00	74.07	85.60
Equities	3.92	0.06	0.00	3.98	14.27
Investment funds	4.86	504.46	0.00	509.32	29.67
Structured bonds	31.65	593.12	17.07	641.84	34.81
Other securities	0.00	0.86	0.00	0.86	0.07
Other investments	**544.37**	**1,134.41**	**92.81**	**1,771.59**	**670.90**
Bank deposits	541.58	1,010.15	91.59	1,643.32	627.74
Deposits on assumed reinsurance business	1.14	121.23	1.22	123.59	38.67
Other investments	1.65	3.03	0.00	4.68	4.49
Total	**3,751.37**	**19,965.45**	**830.74**	**24,547.56**	**20,171.40**

* Includes shares in unconsolidated subsidiaries and other ownership interests.

Maturity structure

Maturity structure (financial instruments held to maturity)	Acquisition costs carried forward		Fair value	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
in EUR '000				
up to one year	95,754	12,837	91,266	12,822
from one to five years	410,887	83,929	417,026	84,098
from five to ten years	246,470	120,685	243,913	121,051
more than ten years	200,166	155,822	193,647	158,517
Total	**953,277**	**373,273**	**945,852**	**376,488**

Maturity structure (financial instruments held to maturity)	Acquisition costs carried forward 31.12.2008	Fair value 31.12.2008
in EUR '000		
up to one year	86,613	86,613
from one to five years	434,631	434,631
from five to ten years	428,820	428,820
more than ten years	443,720	443,720
Total	**1,393,784**	**1,393,784**

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	
	31.12.2008	31.12.2007
in EUR '000		
no maturity	3,929,580	3,871,494
up to one year	557,750	284,938
from one to five years	1,866,890	2,104,696
from five to ten years	2,012,421	3,210,934
more than ten years	3,340,654	4,405,517
Total	**11,707,295**	**13,877,579**

Rating categories (Standard & Poor's) (financial instruments available for sale)	Fair Value	
	31.12.2008	31.12.2007
in EUR '000		
AAA	2,055,379	2,578,142
AA	1,999,266	3,190,904
A	3,191,512	3,825,191
BBB	986,741	899,070
BB and lower	91,661	57,454
no rating (e.g. shares, unit trusts)	3,382,736	3,326,818
Total	**11,707,295**	**13,877,579**

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

The following table shows the maturity structure of assets recognised at fair value through profit or loss:

Maturity structure (financial instruments valued at fair value reflected on the income statement)	Fair Value	
	31.12.2008	31.12.2007
in EUR '000		
no maturity	513,320	41,898
up to one year	58,290	55,661
from one to five years	501,912	21,582
from five to ten years	94,868	37,416
more than ten years	61,678	7,871
Total	**1,230,068**	**164,428**

Bonds

As of 31 December 2008, bonds represented approximately 48% of total investments in the Vienna Insurance Group's securities portfolio. When the bond portion of unit trusts is included, bonds represent approximately 52% 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 held equity investments represented less than 3% of the book value of the total investment portfolio. 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 3,994.2 million on 31 December 2008, and a book value of EUR 1,187.4 million on 31 December 2007. The increase in the book value in financial year 2008 was due to reclassifications and the acquisition of s Versicherung. 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.

Decrease in value of loans	Gross book value	Decrease in value	Net book value
in EUR '000			
Not value reduced Loans	2,945,867	0	2,945,867
Value reduced Loans	642	374	268
Total	**2,946,509**	**374**	**2,946,135**

The carrying value of reclassified loans was not impaired as of 31 December 2008. 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 2008, the Vienna Insurance Group's real estate portfolio had a book value of EUR 3,090.4 million (market value: EUR 3,471.5 million) and a book value of EUR 2,868.7 million as of 31 December 2007 (market value: EUR 3,200.8 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 13% 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 2008 and 31 December 2007, broken down by location and type of use of the respective properties:

Use of Property	31.12.2008 % of the real estate portfolio	31.12.2007 % of the real estate portfolio
Austria	**93**	**94**
Used by the Group	3	3
Used by third parties	90	91
Outside Austria	**7**	**6**
Used by the Group	6	5
Used by third parties	1	1

At equity consolidated companies

The Vienna Insurance Group's holdings of shares in at equity consolidated companies had a book value of EUR 119.7 million as of 31 December 2008, and a book value of EUR 51.8 million as of 31 December 2007. Shares in at equity consolidated companies therefore represented approximately 0.5% of the book value of the total investment portfolio as of 31 December 2008. 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 InsuranceGroup 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	31.12.2008
in million EUR	
10-day holding period	387.09
20-day holding period	547.43
Total risk capacity	636.00
20-days VaR as % of risk capacity	86.07

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 2008:

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)	2,607.16	2,922.06	2,780.73	3,071.87	2,772.25

In scenario 1, the market value of equities, bonds and real estate sharply decrease 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.

	Endowment insurance (not including risk insurance)		Risk insurance		Pension insurance		Unit- and index-linked insurance		Government sponsored pension plans		Total	
	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured
Number of policies in pc./Amount insured in EUR ,000												
As of 1.1.2008	**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**	**60,981,674**
Change in scope of consolidation	**547,034**	**5,563,142**	**681,559**	**11,194,744**	**192,218**	**3,215,380**	**383,097**	**1,499,884**	**96,100**	**2,305,169**	**1,900,008**	**23,778,319**
Additions												
New business	*213,946*	*2,346,679*	*229,410*	*7,723,213*	*45,109*	*787,906*	*191,668*	*2,492,559*	*46,807*	*892,326*	*726,940*	*14,242,683*
Increases	*3,733*	*181,382*	*59*	*37,386*	*17*	*139,712*	*971*	*98,018*	*0*	*221,523*	*4,780*	*678,021*
Total additions	**217,679**	**2,528,061**	**229,469**	**7,760,599**	**45,126**	**927,618**	**192,639**	**2,590,577**	**46,807**	**1,113,849**	**731,720**	**14,920,704**
Changes												
Changes in additions	*81,698*	*1,518,858*	*13,253*	*580,618*	*57,619*	*1,573,661*	*24,509*	*1,021,543*	*3,983*	*52,837*	*181,062*	*4,747,517*
Changes in reductions	*-39,381*	*-1,117,805*	*18,220*	*-617,910*	*-52,611*	*-1,649,171*	*-23,050*	*-1,137,135*	*-4,397*	*-239,153*	*-101,219*	*-4,761,174*
Total changes	**42,317**	**401,053**	**31,473**	**-37,292**	**5,008**	**-75,510**	**1,459**	**-115,592**	**-414**	**-186,316**	**79,843**	**-13,657**
Reductions due to maturity												
Due to contract expiration	*-97,627*	*-585,781*	*-96,896*	*-2,223,122*	*-17,889*	*-250,876*	*-3,762*	*-28,055*	*-1*	*-9*	*-216,175*	*-3,087,843*
Due to death	*-18,387*	*-97,847*	*-1,665*	*-25,652*	*-1,873*	*-25,323*	*-844*	*-10,734*	*-313*	*-4,732*	*-23,082*	*-164,288*
Total reductions due to maturity	**-116,014**	**-683,628**	**-98,561**	**-2,248,774**	**-19,762**	**-276,199**	**-4,606**	**-38,789**	**-314**	**-4,741**	**-239,257**	**-3,252,131**
Premature reductions												
Due to non-redemption	*-20,922*	*-416,417*	*-12,103*	*-529,680*	*-3,116*	*-54,069*	*-13,023*	*-256,256*	*-1,844*	*-41,267*	*-51,008*	*-1,297,689*
Due to cancellation without payment	*-39,595*	*-235,958*	*-58,446*	*-1,259,495*	*-7,255*	*-98,045*	*-27,473*	*-194,899*	*-833*	*-11,965*	*-133,602*	*-1,800,362*
Due to redemption	*-116,205*	*-1,112,497*	*-5,200*	*-203,407*	*-30,360*	*-202,477*	*-19,706*	*-241,521*	*-13*	*-83*	*-171,484*	*-1,759,985*
Due to premium release	*-7,900*	*-361,004*	*-447*	*-46,199*	*-65*	*-53,612*	*-1,961*	*-132,327*	*-12*	*-186,556*	*-10,385*	*-779,698*
Total premature reductions	**-184,622**	**-2,125,876**	**-76,196**	**-2,038,781**	**-40,796**	**-408,203**	**-62,163**	**-825,003**	**-2,702**	**-239,871**	**-366,479**	**-5,637,734**
As of 31.12.2008	**3,149,736**	**28,880,084**	**1,448,000**	**34,444,462**	**705,458**	**10,341,499**	**897,623**	**9,710,726**	**407,896**	**7,400,404**	**6,608,713**	**90,777,175**

European Embedded Value sensitivity analysis for the life insurance business

The embedded value is determined in accordance with the Market Consistent Embedded Value Principles published by the CFO Forum on 6 April 2004, and will be published separately on 31 March 2009.

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 valuation 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 2008 and the increase in value resulting from new business in 2008 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 2008	Change in % of the base value
European embedded value, Austria	
Decrease in level of equity and property values –10%	-3.58
Interest rate curve shift +1%	14.25
Interest rate curve shift –1%	-28.87
Maintenance expenses +10%	-3.57
Maintenance expenses –10%	3.58
Lapse rate improvement 10%	0.67
Lapse rate deterioration 10%	-0.73
Improvement in mortality and morbidity rates for assurances +5%	0.17
Improvement in mortality, rates for annuities +5%	-0.31
Value of new business, Austria	
Interest rate curve shift +1%	19.85
Interest rate curve shift –1%	-52.36
Maintainance expenses +10%	-10.84
Maintainance expenses –10%	9.58
Lapse rate improvement 10%	2.36
Lapse rate deterioration 10%	-3.48
Improvement in mortality and morbidity rates for assurances +5%	-0.33
Improvement in mortality, rates for annuities +5	-3.34

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.

	2008	2007	2006	2005	2004	2003
in EUR '000						
Claims reserve (incl. incurred but not reported reserve, IBNR) since the original reporting period						
In the then-current year	-3,095,214	-2,782,093	-2,491,983	-2,251,755	-1,971,355	-1,776,464
1 year later		-1,628,665	-1,580,251	-1,410,825	-1,282,757	-1,120,247
2 years later			-1,110,613	-1,087,683	-950,764	-852,721
3 years later				-1,151,868	-751,006	-656,143
4 years later					-873,590	-548,299
5 years later						-662,535
Claims payments since the original reporting period						
1 year later		-792,844	-679,820	-630,657	-543,755	-531,530
2 years later			-1,039,770	-979,263	-833,454	-825,078
3 years later				-1,330,200	-1,111,818	-1,081,460
4 years later					-1,411,767	-1,353,925
5 years later						-1,700,801

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.

REINSURANCE GUIDLINES

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 17.5 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. Vienna Insurance Group 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. The Vienna Insurance Group at times acts as its own reinsurance company when a Group company is unable to purchase reinsurance contracts at economical terms in the reinsurance market. 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.

REISURANCE COVERAGE USING THE EXAMPLE OF WIENER STÄDTISCHE

- 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	31.12.2008	31.12.2007
in EUR '000		
Goodwill	1,416,089	422,300
Purchased insurance portfolios	67,569	30,629
Other assets	165,283	71,576
Acquired software	46,024	41,424
Other	119,259	30,152
Total	**1,648,941**	**524,505**

Development of goodwill	31.12.2008	31.12.2007
in EUR '000		
Acquisition costs	422,608	339,884
Cumulative depreciation as of 31.12. of the previous years	-308	-308
Book value as of 31.12. of the previous year	**422,300**	**339,576**
Exchange rate changes	297	942
Book value as of 1.1.	**422,597**	**340,518**
Additions	1,001,532	81,782
Impairment	-8,040	0
Book value as of 31.12.	**1,416,089**	**422,300**
Cumulative depreciation as of 31.12.	7,771	308
Acquisition costs	**1,423,860**	**422,608**

The **change in goodwill** is primarily due to the acquisition of the subsidiaries indicated in the section "Reporting entity and methods of consolidation". EUR 780,793,000 of this amount is attributable to the s Versicherung Group and EUR 208,200,000 to Asigurarea Romaneasca - Asirom S.A. Vienna Insurance Group.

Information on the assumptions used in impairment testing is provided under "Impairment" in the "Summary of significant accounting policies" section.

Development of purchased insurance portfolio	31.12.2008	31.12.2007
in EUR '000		
Acquisition costs	101,802	100,086
Cumulative depreciation as of 31.12. of the previous years	-71,173	-51,064
Book value as of 31.12. of the previous year	**30,629**	**49,022**
Exchange rate changes	299	108
Book value as of 1.1.	**30,928**	**49,130**
Additions	660	0
Change in scope of consolidation	53,575	0
Scheduled depreciations	-17,594	-18,501
Book value as of 31.12.	**67,569**	**30,629**
Cumulative depreciation as of 31.12.	87,962	71,173
Acquisition costs	**155,531**	**101,802**

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	31.12.2008	31.12.2007
in EUR '000		
Acquisition costs	106,355	97,051
Cumulative depreciation as of 31.12. of the previous years	-64,931	-57,195
Book value as of 31.12. of the previous year	**41,424**	**39,856**
Exchange rate changes	-187	283
Book value as of 1.1.	**41,237**	**40,139**
Reclassifications	-2	0
Additions	13,937	13,703
Reductions	-695	-676
Change in scope of consolidation	5,902	481
Scheduled depreciations	-14,355	-12,223
Book value as of 31.12.	**46,024**	**41,424**
Cumulative depreciation as of 31.12.	77,328	64,931
Acquisition costs	**123,352**	**106,355**

Development of other intangible assets	31.12.2008	31.12.2007
in EUR '000		
Acquisition costs	49,018	46,750
Cumulative depreciation as of 31.12. of the previous years	-18,866	-13,757
Book value as of 31.12. of the previous year	**30,152**	**32,993**
Exchange rate changes	32	679
Book value as of 1.1.	**30,184**	**33,672**
Reclassifications	2	0
Additions	779	715
Reductions	-160	-1
Change in scope of consolidation	100,076	836
Scheduled depreciations	-11,622	-5,070
Book value as of 31.12.	**119,259**	**30,152**
Cumulative depreciation as of 31.12.	30,171	18,866
Acquisition costs	**149,430**	**49,018**

Amortisation of intangible assets is reported in the income statement under commissions and other acquisition costs and under administrative expenses.

The effects of changes in **scope of consolidation** structure primarily result from a trademark with an indefinite useful life (EUR 70,000,000).

Information on the determination of fair value is provided in the "Summary of significant accounting policies" section.

2. LAND AND BUILDINGS

Development of real estate	Third-party leased 31.12.2008	Owner-occupied 31.12.2008	Total 31.12.2008	Total 31.12.2007
in EUR '000				
Acquisition costs	3,657,227	344,928	4,002,155	3,001,501
Cumulative depreciation as of 31.12. of the previous years	-1,037,490	-95,940	-1,133,430	-825,928
Book value as of 31.12. of the previous year	**2,619,737**	**248,988**	**2,868,725**	**2,175,573**
Exchange rate changes	-369	-648	-1,017	1,816
Book value as of 1.1.	**2,619,368**	**248,340**	**2,867,708**	**2,177,389**
Reclassifications	-1,483	1,483	0	0
Additions	281,378	30,563	311,941	242,447
Reductions	-34,561	-1,839	-36,400	-55,438
Change in scope of consolidation	-613	30,299	29,686	600,381
Write-ups	10,755	828	11,583	0
Scheduled depreciations	-83,743	-10,360	-94,103	-83,648
Impairment	0	-4	-4	-12,406
Book value as of 31.12.	**2,791,101**	**299,310**	**3,090,411**	**2,868,725**
Cumulative depreciation as of 31.12.	1,077,786	105,031	1,182,817	1,133,430
Acquisition costs	**3,868,887**	**404,341**	**4,273,228**	**4,002,155**
thereof land	*461,198*	*38,997*	*500,195*	*481,656*
Fair value of the real estate as of 31.12.	3,083,142	388,357	3,471,499	3,200,813

The effects of changes in reporting entity structure primarily result from the inclusion of Asigurarea Romaneasca - Asirom S.A. Vienna Insurance Group (EUR 37,395,000) and Sparkasse Versicherung AG (EUR 32,500,000), and the disposal of DBR Friedrichscarrée GmbH & Co KG (EUR 39,228,000).

Rental income from let sites and properties amount to EUR 275.785 million, whereas the **operating expenses** total EUR 72.319 million.

3. SHARES IN COMPANIES MEASURED USING THE EQUITY METHOD OF ACCOUNTING

Development of shares in at equity valued companies	31.12.2008	31.12.2007
in EUR '000		
Book value as of 31.12. of the previous year	**51,799**	**46,268**
Book value as of 1.1.	**51,799**	**46,268**
Change in scope of consolidation	60,632	0
Proportional results for the year from companies valued at equity	7,220	5,531
Book value as of 31.12.	**119,651**	**51,799**

Changes in the reporting entity result primarily from the inclusion of Sparkassen Immobilien AG (EUR 62,350,000) and the disposal of IMPERIAL-Székesfehérvár Ingatlankezelési Kft. (EUR 3,391,000).

4. BETEILIGUNGEN – DETAILS

Am 31. Dezember 2008 bestanden Beteiligungen an folgenden Unternehmen:

Die Tochterunternehmungen des Konzerns der Wiener Städtische Versicherung AG Vienna Insurance Group werden im folgenden einerseits der „Wiener Städtische Versicherung AG" und andererseits der „Vienna Insurance Group" zugeordnet: Unter den verbundenen Unternehmen und Beteiligungen der Wiener Städtische Versicherung AG werden die Finanzbeteiligungen und geschäftsfeldergänzenden Beteiligungen angeführt, die das österreichische Geschäft der Wiener Städtische Versicherung AG unterstützen. Der Vienna Insurance Group werden die Versicherungsbeteiligungen sowie strategische Konzernunternehmen zugeordnet.

Verbundene Unternehmen und Beteiligungen WIENER STÄDTISCHE Versicherung AG

Firma	Sitzland	Anteil am Kapital (%)	Eigenmittel (TEUR)	letzter Jahres-abschluss
Vollkonsolidierte Unternehmen				
„Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Innsbruck	Österreich	100,00	-12	2008
Andĕl Investment Praha s.r.o., Prag	Tschechische Republik	100,00	30.174	2008
Businesspark Brunn Entwicklungs GmbH, Wien	Österreich	100,00	2.010	2008
CENTER Hotelbetriebs GmbH, Wien	Österreich	80,00	-749	2008
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Deutschland	100,00	16.069	2008
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Deutschland	100,00	23	2008
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Wien	Österreich	100,00	25.810	2008
LVP Holding GmbH, Wien	Österreich	100,00	55.175	2008
PFG Holding GmbH, Wien	Österreich	89,23	136.146	2008
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Wien	Österreich	92,88	87.463	2008
PROGRESS Beteiligungsges.m.b.H., Wien	Österreich	60,00	11.824	2008
Projektbau GesmbH, Wien	Österreich	90,00	38.288	2008
Projektbau Holding GmbH, Wien	Österreich	90,00	41.692	2008
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Innsbruck	Österreich	100,00	-4.168	2008
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Österreich	66,70	10.423	2008
Wiener Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Wien	Österreich	100,00	1.634	2008
Equity konsolidierte Unternehmen				
CROWN-WSF spol. s.r.o., Prag	Tschechische Republik	30,00	8.094	2008
Gewista-Werbegesellschaft m.b.H., Wien	Österreich	33,00	39.439	2008
PKB Privatkliniken Beteiligungs-GmbH, Wien (Konzernabschluss)	Österreich	25,00	20.059	2008
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Wien	Österreich	60,00	33.181	2008
Nicht konsolidierte Unternehmen				
AREALIS Liegenschaftsmanagement GmbH, Wien	Österreich	50,00	714	2007
Beteiligungs- und Immobilien GmbH, Linz	Österreich	25,00	10.672	2007
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Österreich	25,00	874	2007
Deutschmeisterplatz 2 Objektverwaltung GmbH, Wien	Österreich	100,00	erworben 2008	
DIRECT-LINE Direktvertriebs-GmbH, Wien	Österreich	100,00	95	2007
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Wien	Österreich	100,00	762	2007
FUTURELAB Holding GmbH, Wien (Konzernbilanz)	Österreich	41,67	47.724	2007
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Wien	Österreich	100,00	234	2007
HUMANOCARE gemeinnützige Betriebsgesellschaft für Betreuungseinrichtungen GmbH, Wien	Österreich	100,00	526	2007
HUMANOCARE Management-Consult GmbH, Wien	Österreich	75,00	196	2007
Humanomed Krankenhaus Management Gesellschaft m.b.H., Wien	Österreich	25,00	883	2007

Verbundene Unternehmen und Beteiligungen
WIENER STÄDTISCHE Versicherung AG

Firma	Sitzland	Anteil am Kapital (%)	Eigenmittel (TEUR)	letzter Jahres-abschluss
Österreichisches Verkehrsbüro Aktiengesellschaft, Wien	Österreich	31,58	163.411	2007
PFG Liegenschaftsbewirtschaftungs GmbH, Wien	Österreich	74,64	41	2007
Realitätenverwaltungs- und Restaurantbetriebs-Gesellschaft m.b.H., Wien	Österreich	100,00	424	2007
Renaissance Hotel Realbesitz GmbH, Wien	Österreich	40,00	3.116	2007
VBV - Betriebliche Altersvorsorge AG, Wien	Österreich	23,56	42.133	2007

Verbundene Unternehmen und Beteiligungen
VIENNA INSURANCE GROUP

Firma	Sitzland	Anteil am Kapital (%)	Eigenmittel (TEUR)	letzter Jahres-abschluss
Vollkonsolidierte Unternehmen				
„Neue Heimat" Gemeinnützige Wohnungs- und Siedlungsgesellschaft in Oberösterreich,Gesellschaft mit beschränkter Haftung, Linz	Österreich	99,81	82.912	2008
„Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Wien	Österreich	34,68	82.235	2008
„WIENER STÄDTISCHE OSIGURANJE" akcionarsko društvo za osiguranje, Beograd	Serbien	100,00	7.590	2008
Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Österreich	94,00	69.285	2008
ARITHMETICA Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Wien	Österreich	100,00	368	2008
ASIGURAREA ROMANEASCA - ASIROM S.A., Vienna Insurance Group Bukarest	Rumänien	99,04	72.301	2008
BENEFIA Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warschau	Polen	100,00	19.111	2008
BENEFIA Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warschau	Polen	100,00	17.772	2008
BML Versicherungsmakler GmbH, Wien	Österreich	100,00	237.787	2008
Bulgarski Imoti Asistans EOOD, Sofia	Bulgarien	99,88	2.133	2008
BULGARSKI IMOTI LIFE Insurance Company, Sofia	Bulgarien	99,97	3.930	2008
Bulgarski Imoti Non-Life Insurance Company, Sofia	Bulgarien	99,88	3.104	2008
Business Insurance Application Consulting GmbH, Wien	Österreich	100,00	2.053	2008
CAPITOL, a.s., Bratislava	Slowakei	100,00	640	2008
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prag	Tschechische Republik	91,72	53.140	2008
COMPENSA Holding GmbH, Wiesbaden	Deutschland	100,00	19.657	2008
Compensa Towarzystwo Ubezpieczeń Na Życie Spolka Akcyjna Vienna Insurance Group, Warschau	Polen	100,00	32.868	2008
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warschau	Polen	99,86	45.466	2008
Cosmopolitan Life Vienna Insurance Group - dioničko društvo za osiguranje, Zagreb	Kroatien	100,00	3.239	2008
DONAU Versicherung AG Vienna Insurance Group, Wien	Österreich	94,73	118.526	2008
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Wien	Österreich	100,00	28.131	2008
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Wien	Österreich	73,18	105.934	2008
Erste Vienna Insurance Group Biztosító Zrt.[1] , Budapest	Ungarn	95,00	5.366	2008

Verbundene Unternehmen und Beteiligungen
VIENNA INSURANCE GROUP

Firma	Sitzland	Anteil am Kapital (%)	Eigenmittel (TEUR)	letzter Jahres-abschluss
Erste osiguranje Vienna Insurance Group d.d.[1], Zagreb	Kroatien	95,00	3.379	2008
GEMYSAG Gemeinnützige Mürz-Ybbs-Siedlungsanlagen - GmbH, Kapfenberg	Österreich	34,57	66.282	2008
Geschlossene Aktiengesellschaft „Ukrainische Versicherungs-gesellschaft „KNIAZHA“, Kiew	Ukraine	99,99	5.025	2008
GESCHLOSSENE AKTIENGESELLSCHAFT JUPITER LEBENSVERSICHERUNG VIENNA INSURANCE GROUP, Kiew	Ukraine	73,00	1.758	2008
GIWOG Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Österreich	34,60	176.026	2008
Insurance Company with Added Liability „Globus“, Kiew	Ukraine	74,00	2.650	2008
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Deutschland	100,00	17.558	2008
InterRisk Towarzystwo Ubezpieczeń Spolka Akcyjna, Warschau	Polen	99,97	47.298	2008
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Deutschland	100,00	30.100	2008
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Ungarn	100,00	1.804	2008
Kapitol pojišťovací a finanční poradenství, a.s., Brünn	Tschechische Republik	100,00	8.319	2008
Komunálna poisťovňa a.s. Vienna Insurance Group, Bratislava	Slowakei	76,74	15.497	2008
KONTINUITA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slowakei	100,00	20.520	2008
KOOPERATIVA poišťovňa a.s. Vienna Insurance Group, Bratislava	Slowakei	100,00	199.905	2008
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prag	Tschechische Republik	91,72	377.732	2008
Kvarner Vienna Insurance Group dioničko društvo za osiguranje, Rijeka	Kroatien	98,75	15.065	2008
Kvarner Wiener Städtische Nekretnine d.o.o., Rijeka	Kroatien	98,75	51	2008
Neue Heimat Oberösterreich Holding GmbH, Wien	Österreich	100,00	19.801	2008
Omniasig Asigurari de Viata SA, Bukarest	Rumänien	50,01	5.116	2008
OMNIASIG VIENNA INSURANCE GROUP S.A., Bukarest	Rumänien	98,86	123.401	2008
Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group[1], Bratislava	Slowakei	95,00	16.230	2008
Pojišťovna České spořitelny, a.s., Vienna Insurance Group[1], Prag	Tschechische Republik	95,00	61.003	2008
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slowakei	100,00	20.832	2008
Sparkassen Versicherung AG Vienna Insurance Group[1], Wien	Österreich	95,00	222.231	2008
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Ungarn	100,00	34.224	2008
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern	Liechtenstein	100,00	9.597	2008
VIG RE zajišťovna, a.s., Prag	Tschechische Republik	100,00	94.409	2008
VLTAVA majetkovosprávní a podílová spol.s.r.o., Prag	Tschechische Republik	100,00	2.862	2008
WIENER STÄDTISCHE Beteiligungs GmbH, Wien	Österreich	100,00	267.609	2008
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Wien	Österreich	100,00	301.083	2008
Equity konsolidierte Unternehmen				
AIS Servis, s.r.o., Brünn	Tschechische Republik	70,00	2.516	2008
Benefita, a.s., Prag	Tschechische Republik	100,00	-281	2008
Česká Kooperativa Londýn Ltd., London	Großbritannien	100,00	429	2008
ČPP servis, s.r.o., Prag	Tschechische Republik	91,72	11	2008
Global Expert, s.r.o., Pardubice	Tschechische Republik	100,00	787	2008
HOTELY SRNÍ, a.s., Most	Tschechische Republik	72,43	8.653	2008
Kámen Ostroměř, s.r.o., Ostrava-Hrabova	Tschechische Republik	100,00	361	2008
KIP, a.s., Prag	Tschechische Republik	86,43	3.909	2008
KOORDITA, a.s., Ostroměř	Tschechische Republik	100,00	1.173	2008
Medial Beteiligungs-Gesellschaft m.b.H., Wien	Österreich	29,63	24.589	2008
Mělnická Zdravotní a.s., Prag	Tschechische Republik	100,00	1.959	2008

Verbundene Unternehmen und Beteiligungen
VIENNA INSURANCE GROUP

Firma	Sitzland	Anteil am Kapital (%)	Eigenmittel (TEUR)	letzter Jahres-abschluss
Sanatorium Astoria, a.s., Karlovy Vary	Tschechische Republik	75,06	2.890	2008
Sparkassen Immobilien AG, Wien (Konzernabschluss)	Österreich	9,88	631.296	2008
SURPMO a.s., Prag	Tschechische Republik	99,91	560	2008
Unigeo, a.s., Ostrava-Hrabova	Tschechische Republik	100,00	5.525	2008
Nicht konsolidierte Unternehmen				
„WIENER RE“ akcionarsko društvo za reosiguranje, Beograd	Serbien	100,00	gegründet 2008	
Blizzard Real Sp. z o.o., Warschau	Polen	100,00	erworben 2008	
CAPITOL Spolka z o.o., Warschau	Polen	100,00	431	2007
Central Point IT-Solutions GmbH, Wien	Österreich	44,00	111	2007
Geschlossene Aktiengesellschaft „Strachowaja kompanija „MSK Life“, Moskau	Russland	25,01	1.961	2007
Joint Belarus-Austrian Insurance Company Kupala, Minsk	Weissrussland	96,76	801	2007
Passat Real Sp. z o.o., Warschau	Polen	100,00	erworben 2008	
Polski Zwiazek Motorowy Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warschau	Polen	95,83	9.903	2007
Ringturm Kapitalanlagegesellschaft m.b.H., Wien	Österreich	100,00	3.016	2007
RISK CONSULT Sicherheits- und Risiko-Managementberatung Gesellschaft m.b.H., Wien	Österreich	51,00	361	2007
SC BCR Asigurari de Viata Vienna Insurance Group S.A.[1], Bukarest	Rumänien	88,47	erworben 2008	
SC BCR Asigurari Vienna Insurance Group S.A.[1], Bukarest	Rumänien	88,56	erworben 2008	
Seesam Life Insurance SE, Tallinn	Estland	100,00	5.950	2007
TBIH Financial Services Group N.V., Amsterdam[2]	Niederlande	60,00	126.832	2007
Vienna Insurance Group Polska Spolka z organiczona odpowiedzialnoscia, Warschau	Polen	100,00	4.202	2007
Vienna International Underwriters GmbH, Wien	Österreich	100,00	46	2007
Wüstenrot Versicherungs-Aktiengesellschaft, Salzburg	Österreich	31,60	218.702	2007
ZASO Victoria Non-Life, Minsk	Weissrussland	100,00	243	2007

[1]) Neuer Firmenwortlaut vorbehaltlich der Beschlussfassung durch die zuständigen Gesellschaftsgremien sowie der Eintragung der Satzungsänderungen durch die lokalen Behörden.
[2]) Über die TBIH Financial Services Group N.V., an der die WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group zum 31.12.2008 mit 60% beteiligt ist, werden Anteile an folgenden wesentlichen Beteiligungen an Versicherungsunternehmen gehalten:

quotenkonsolidiert:

Bulgarien:	Bulstrad Insurance Joint-Stock Company, Bulstrad Life Insurance Joint-Stock Company
Kroatien:	Helios Vienna Insurance Group d.d.
Türkei:	Ray Sigorta A.S.

nicht konsolidiert:

Bulgarien:	Bulstrad Health Insurance AD
Georgien:	International Insurancce Company IRAO Ltd., Georgian Pension and Insurance Holding JSC, GPIH B.V.
Ukraine:	Privat Joint-Stock Company VAB Insurance, Privat Joint-Stock Company VAB Life, Closed Joint-Stock Company Insurance Company „Ukrainian Insurance Group“
Rumänien:	Omniasig Addenda S.A.
Mazedonien:	Insurance Company SIGMA AD SKOPJE
Albanien:	SIGURIA E MADHE Sh.A.

5. LOANS AND OTHER INVESTMENTS

Loans and other investments	31.12.2008	31.12.2007
in EUR '000		
Loans	2,946,135	1,187,438
Reclassified loans	1,048,080	0
Subtotal	**3,994,215**	**1,187,438**
Other investments	1,771,593	670,912
Total	**5,765,808**	**1,858,350**

Development of loans total	31.12.2008	31.12.2007
in EUR '000		
Acquisition costs	1,195,333	1,068,505
Cumulative depreciation as of 31.12. of the previous year	-7,895	-11,130
Book value as of 31.12. of the previous year	**1,187,438**	**1,057,375**
Exchange rate changes	-3,444	496
Book value as of 1.1.	**1,183,994**	**1,057,871**
Reclassifications	1,037,036	0
Additions	274,316	508,522
Reductions	-360,986	-438,843
Change in scope of consolidation	1,860,251	60,049
Scheduled depreciations	-22	-135
Impairment	-374	-26
Book value as of 31.12.	**3,994,215**	**1,187,438**
Cumulative depreciation as of 31.12.	12,286	7,895
Acquisition costs	**4,006,501**	**1,195,333**

Composition of loans	Acquisition costs carried forward	
	31.12.2008	31.12.2007
in EUR '000		
Loans to non-consolidated affiliated companies	246,272	248,161
Loans to investments	29,455	83,421
Mortgage loans	216,766	197,801
Policy loans and prepayments	50,756	44,006
Other loans	2,402,886	614,049
to government borrowers	268,733	404,348
to banks	1,755,620	573
to other commercial borrowers	299,958	204,020
to private individuals	5,926	4,806
Other	72,649	302
Total	**2,946,135**	**1,187,438**
Fair value	**3,061,178**	**1,204,179**

The item "Other investments" primarily consists of bank deposits of EUR 1,643,327,000 (EUR 627,741,000) and deposits on assumed reinsurance business of EUR 123,590,000 (EUR 38,677,000).

Composition of reclassified loans

in EUR' 000	Acquisition Costs carried forward 31.12.2008
Other loans	
to banks	826,792
to other commercial borrowers	35,466
Other	185,822
Total	**1,048,080**
Fair value	**986,620**

Loan maturities

in EUR '000	Acquisition Costs carried forward 31.12.2008	31.12.2007
up to one year	205,350	46,373
from one to five years	278,738	429,451
from five to ten years	502,870	313,354
more than ten years	1,959,177	398,260
Total	**2,946,135**	**1,187,438**

Maturity structure of reclassified loans

in EUR' 000	Acquisition Costs carried forward 31.12.2008
up to one year	13,878
from one to five years	83,807
from five to ten years	336,153
more than ten years	614,242
Total	**1,048,080**

Reclassified loans

in EUR' 000	Fair value as of the reclassification date
Reclassified from the category financial investments available for sale	1,037,036
Total	**1,037,036**

6. OTHER SECURITIES

Development	Held to maturity total		Available for sale		Held for trading		At fair value through profit or loss	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007
in EUR '000								
Acquisition costs	373,237	306,191	-	-	-	-	-	-
Cumulative depreciation as of 31.12. of the previous year	36	43	-	-	-	-	-	-
Book value as of 31.12. of the previous year	**373,273**	**306,234**	**13,877,579**	**12,246,890**	**977,235**	**755,275**	**164,428**	**128,300**
Exchange rate	15,947	9,656	20,403	40,467	-38,613	13,216	519	1,785
Book value as of 1.1.	**389,220**	**315,890**	**13,897,982**	**12,287,357**	**938,622**	**768,491**	**164,947**	**130,085**
Reclassifications	1,393,784	0	-2,437,519	0	-28,818	0	8,657	-6,995
Additions	164,649	102,304	6,049,986	3,837,914	641,970	564,760	164,853	145,771
Reductions	-41,905	-45,172	-4,898,500	-2,766,324	-656,987	-420,735	-426,308	-129,220
Change in scope of consolidation	458,776	251	-75,318	1,098,346	-516,332	64,153	1,335,205	27,944
Changes in value recognised in profit or loss	0	0	0	0	-86,030	4,871	-17,286	-3,045
Changes in value not recognised in profit or loss	0	0	-497,296	-561,089	0	0	0	0
Impairment	-17,463	0	-332,040	-18,625	-5,154	-4,305	0	-112
Book value as of 31.12.	**2,347,061**	**373,273**	**11,707,295**	**13,877,579**	**287,271**	**977,235**	**1,230,068**	**164,428**
Cumulative depreciation as of 31.12.	18,031	-36	-	-	-	-	-	-
Acquisition costs	**2,365,092**	**373,237**	**-**	**-**	**-**	**-**	**-**	**-**

Detail Financial investments held to maturity	Acquisition costs carried forward		Fair value	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
in EUR '000				
Government bonds	663,934	198,793	666,526	197,847
Loans to business	278,912	174,100	268,874	178,271
Other securities	10,431	380	10,452	370
Total	**953,277**	**373,273**	**945,852**	**376,488**

Detail Financial investments reclassified as held to maturity	Acquisition Costs carried forward 31.12.2008	Fair value 31.12.2008
in EUR' 000		
Government bonds	954,346	954,346
Loans to business	309,941	309,941
Other securities	129,497	129,497
Total	**1,393,784**	**1,393,784**

Financial investments reclassified as held to maturity	Fair value as of the reclassification date
in EUR' 000	
Reclassified from the category Available for Sale	1,393,784
Total	**1,393,784**

Detail Financial investments available for sale	Acquisition cost carried forward		Unrealised gains and losses		Fair value	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007
in EUR '000						
Non-fixed interest	3,420,647	3,906,201	-118,506	536,535	3,302,141	4,442,736
Shares and other ownership interests *)	1,445,577	1,522,352	88,437	487,637	1,534,014	2,009,989
Investment funds	1,369,516	1,904,719	-164,693	51,807	1,204,823	1,956,526
Other	605,554	479,130	-42,250	-2,909	563,304	476,221
Fixed-interest	8,672,584	9,779,743	-267,430	-344,900	8,405,154	9,434,843
Bonds and other securities of affiliated companies	31,137	29,135	55	0	31,192	29,135
Bonds and other securities of companies in which an ownership interest is held	38,883	251,513	-872	3,037	38,011	254,550
Other fixed-interest securities	8,602,564	9,499,095	-266,613	-347,937	8,335,951	9,151,158
Total	**12,093,231**	**13,685,944**	**-385,936**	**191,635**	**11,707,295**	**13,877,579**

*) Includes shares in affiliated companies and other ownership interests EUR 1,089,781,000 (2007: EUR 918,971,000)

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 Financial instruments recognised at fair value through profit or loss*)	Fair value 31.12.2008	 31.12.2007
in EUR '000		
Bonds	335,364	85,594
Structured bonds	641,838	930,120
Equities	13,424	32,572
Investment funds	515,871	54,881
Derivates	8,728	33,429
Other	2,114	5,067
Total	**1,517,339**	**1,141,663**

*) Including trading assets

Fair value of derivative financial investments	Fair value 31.12.2008	 31.12.2007
in EUR '000		
Options	5,708	538
Futures	2,826	42
Other structured products	194	0
Total	**8,728**	**580**

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 31.12.2008	Index-linked 31.12.2008	Total 31.12.2008	Total 31.12.2007
EUR '000				
Investment funds	2,853,932	46,185	2,900,117	2,500,667
Structured bonds	0	639,153	639,153	429,420
Structured loans	0	0	0	23,668
Equities	0	1,375	1,375	23,343
Derivates (guarantee claim)	0	0	0	6,561
Bank deposits	58,675	3,084	61,759	82,326
Total	**2,912,607**	**689,797**	**3,602,404**	**3,065,985**

The balance sheet value corresponds to the fair value.

Maturities	31.12.2008	31.12.2007
in EUR '000		
no maturity	2,790,868	2,508,820
up to one year	112,319	67,579
from one to five years	37,534	35,655
from five to ten years	186,599	288,213
more than ten years	475,084	165,718
Total	**3,602,404**	**3,065,985**

8. REINSURERS' SHARE IN UNDERWRITING PROVISIONS

Detail	Property/ Casualty 31.12.2008	Life 31.12.2008	Health 31.12.2008	Total 31.12.2008	Total 31.12.2007
in EUR '000					
Unearned premiums	132,155	5,930	0	138,085	161,539
Mathematical reserve	2	107,740	2,049	109,791	217,885
Provision for outstanding claims	959,901	8,539	161	968,601	796,085
Provision for profit-independent premium refunds	2,612	0	0	2,612	3,428
Provision for profit-dependent premium refunds	0	25	0	25	14
Other underwriting provisions	3,079	68	0	3,147	7,713
Total	**1,097,749**	**122,302**	**2,210**	**1,222,261**	**1,186,664**

Development	Book value 1.1.2008	Exchange rate	Additions	Amount used/ released	Change in scope of consolidation	Book value 31.12.2008
in EUR '000						
Unearned premiums	161,539	-2,997	132,176	-139,718	-12,915	138,085
Mathematical reserve	217,885	-235	11,713	-16,223	-103,349	109,791
Provision for outstanding claims	796,085	-897	716,455	-551,468	8,426	968,601
Provision for profit-independent premium refunds	3,428	38	2,104	-2,958	0	2,612
Provision for profit-dependent premium refunds	14	0	25	-14	0	25
Other underwriting provisions	7,713	-163	3,272	-1,650	-6,025	3,147
Total	**1,186,664**	**-4,254**	**865,745**	**-712,031**	**-113,863**	**1,222,261**

Maturities	31.12.2008	31.12.2007
in EUR '000		
up to one year	667,155	664,059
from one to five years	250,307	278,052
from five to ten years	143,811	150,063
more than ten years	160,988	94,490
Total	**1,222,261**	**1,186,664**

9. RECEIVABLES

Detail	Property/ Casualty 31.12.2008	Life 31.12.2008	Health 31.12.2008	Total 31.12.2008	Total 31.12.2007
in EUR '000					
Underwriting	**765,481**	**131,200**	**4,176**	**900,857**	**700,492**
Receivables from direct insurance business	635,584	118,339	4,176	758,099	626,514
with policyholders	469,994	104,914	3,570	578,478	520,626
with insurance brokers	127,150	12,542	0	139,692	89,363
with insurance companies	38,440	883	606	39,929	16,525
Receivables from reinsurance business	129,897	12,861	0	142,758	73,978
Non-underwriting	**177,746**	**395,485**	**25,979**	**599,210**	**499,791**
Other receivables	177,746	395,485	25,979	599,210	499,791
Total	**943,227**	**526,685**	**30,155**	**1,500,067**	**1,200,283**

Detail other receivables	Property/ Casualty 31.12.2008	Life 31.12.2008	Health 31.12.2008	Total 31.12.2008	Total 31.12.2007
in EUR '000					
Receivables from financial services and leasing	374	742	0	1,116	3,061
Proportionate interest and rent	41,039	305,883	7,090	354,012	274,859
Receivables from the revenue office	14,904	29,033	497	44,434	37,077
Receivables from employees	1,791	253	0	2,044	1,516
Receivables from sales of investments	22,400	308	0	22,708	26,607
Receivables from property managers	10,490	22	142	10,654	11,186
Receivables from third-party damage settlements	21,335	1,672	0	23,007	13,328
Receivables from loans	0	0	0	0	3,627
Outstanding interest and rent	2,700	5,030	907	8,637	17,327
Other receivables	62,713	52,542	17,343	132,598	111,203
Total	**177,746**	**395,485**	**25,979**	**599,210**	**499,791**

Maturities	Underwriting 31.12.2008	Non-underwriting 31.12.2008	Total 31.12.2008	Total 31.12.2007
in EUR '000				
up to one year	899,856	562,086	1,461,942	1,139,891
from one to five years	1,001	26,483	27,484	39,470
from five to ten years	0	3,075	3,075	10,239
more than ten years	0	7,566	7,566	10,683
Total	**900,857**	**599,210**	**1,500,067**	**1,200,283**

10. CASH AND CASH EQUIVALENTS

Detail	Property/Casualty 31.12.2008	Life 31.12.2008	Health 31.12.2008	Total 31.12.2008	Total 31.12.2007
in EUR '000					
Current account balances at banks	195,721	417,999	3,794	617,514	275,146
Cash and cheques	1,533	280	0	1,813	2,554
Total	**197,254**	**418,279**	**3,794**	**619,327**	**277,700**

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 31.12.2008	Deferred tax liabilities 31.12.2008	Deferred tax assets 31.12.2007	Deferred tax liabilities 31.12.2007
in EUR '000				
Intangible assets	7,101	6,042	6,400	130
Investments	119,144	62,566	14,563	190,028
Receivables and other assets	51,871	4,610	13,970	8,358
Tax-free reserves	0	54,848	0	60,360
Underwriting provisions	31,880	145,144	123,605	27,953
Non-underwriting provisions	48,903	19	71,983	7,731
Liabilities	5,653	1,636	17,559	424
Total	**264,552**	**274,865**	**248,080**	**294,984**
Balance of deferred taxes		**10,313**		**46,904**

12. OTHER ASSETS

Detail	Property/Casualty 31.12.2008	Life 31.12.2008	Health 31.12.2008	Total 31.12.2008	Total 31.12.2007
in EUR '000					
Tangible assets and inventories	55,424	18,957	288	74,669	69,428
Advance payments for projects	97	4	0	101	786
Tax prepayments	97,034	2,035	0	99,069	121,709
Other assets	6,323	20,311	4,689	31,323	25,128
Deferred profit participation*	0	114,798	0	114,798	0
Prepaid expenses	47,201	25,839	385	73,425	67,635
Total	**206,079**	**181,944**	**5,362**	**393,385**	**284,686**

* Deferred policyholder profit participation resulting from measurement differences.

Maturities	31.12.2008	31.12.2007
in EUR '000		
up to one year	98,684	142,703
from one to five years	272,545	121,123
from five to ten years	9,695	8,308
more than ten years	12,461	12,552
Total	**393,385**	**284,686**

Changes in tangible assets and inventories	31.12.2008	31.12.2007
in EUR '000		
Acquisition costs	216,234	192,455
Cumulative depreciation as of 31.12. of the previous year	-146,806	-130,136
Book value as of 31.12. of the previous year	**69,428**	**62,319**
Exchange rate	-558	439
Book value as of 1.1.	**68,870**	**62,758**
Additions	39,971	29,969
Reductions	-18,900	-6,102
Change in scope of consolidation	5,005	1,534
Scheduled depreciations	-20,277	-18,731
Book value as of 31.12.	**74,669**	**69,428**
Cumulative depreciation as of 31.12.	155,403	146,806
Acquisition costs	**230,072**	**216,234**

13. CONSOLIDATED SHAREHOLDERS' EQUITY

Hybrid bond

Issue date	Outstanding volume (EUR '000)	Maturity in years	interest in %	Fair value
12.06.2008	250,000	unlimited	until 12.09.2018 8% p.a. afterwards variable	230,000

Detail minorities	31.12.2008	31.12.2007
in EUR '000		
Unrealised gains and losses	-2,145	-3,065
Share of result for the year	33,810	18,464
Other	235,252	262,059
Total	**266,917**	**277,458**

Earnings per Share

Under IAS 33.10, basic earnings per share "shall be calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period".

Earnings per Share		2008		2007
Net income	EUR	408,533,000	EUR	312,618,000
Number of shares (weighted)	pcs.	119,871,233	pcs.	105,000,000
Before capital increase		105,000,000		
Capital increase		23,000,000		
Earnings per share	EUR	**3.41**	EUR	**2.98**

Since there were no potential dilutive effects either in 2007 or in the current reporting period, the basic earnings per share correspond to the diluted earnings per share.

Consolidated shareholders´equity

After a capital increase using authorised capital, the company's share capital was increased by EUR 23,878,216.94 from its previous value of EUR 109,009,251.26 by the issuance of 23,000,000 shares. The capital increase was registered in the commercial register on 9 May 2008, thereby becoming effective on that date.

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

The Managing Board is authorised to increase the share capital of the Company by a nominal amount of EUR 30,626,408.69 through the issuance of 29,500,000 no-par value ordinary bearer or registered shares against cash or in-kind contributions in one or more tranches by 15 April 2013 at the latest. The terms of the share rights, the exclusion of shareholder pre-emptive rights, and the other terms and conditions of the share issue shall be decided by the Managing Board subject to the approval of the Supervisory Board. Preference shares without voting rights may also be issued, with rights equivalent to those of existing preference shares. The offering prices of ordinary and preference shares may differ.

The General Annual Meeting of 16 April 2008 authorised the Managing Board to issue, subject to the approval of the Supervisory Board, one or more tranches of bearer convertible bonds with a total nominal value of up to EUR 2,000,000,000.00 on or before 15 April 2013, including the authorisation to exclude shareholder pre-emptive rights, and to grant the holders of convertible bonds conversion rights to up to 30,000,000 no-par value ordinary bearer shares with voting rights in conformity with the convertible bond terms established by the Managing Board. The share capital has therefore been raised in accordance with § 159 (2)(1) of the Austrian Stock Corporation Act by a contingent capital increase of up to EUR 31,145,500.36 through the issuance of up to 30,000,000 no-par value ordinary bearer shares with voting rights. The contingent capital increase will only be implemented to the extent that holders of convertible bonds issued on the basis of the General

Annual Meeting resolution of 16 April 2008 exercise the subscription or exchange rights they were granted. The Managing Board has not adopted any resolutions to date concerning the issuance of convertible bonds based on the authorisation granted on 16 April 2008.

The General Annual Meeting of 16 April 2008 also authorised the Managing Board to acquire the Company's own no-par value bearer shares in accordance with § 65(1)(4) and (8) of the Austrian Stock Corporation Act to the maximum extent permissible by law during a period of 30 months following the date the General Annual Meeting resolution was adopted. The amount payable upon repurchase of the Company's own shares may not be more than 50% below or more than 10% above the average unweighted stock exchange closing price on the ten stock exchange trading days preceding the repurchase. The Managing Board may decide to make the purchase via the stock exchange, through a public offer or in any other legally permissible and expedient manner. The Managing Board has made no use of this authorisation to date. The Company held no treasury shares as of 31 December 2008.

The General Annual Meeting of 16 April 2008 further authorised the Managing Board to issue, subject to Supervisory Board approval, one or more tranches of income bonds with a total nominal value of up to EUR 2,000,000,000, including authorisation to exclude shareholder pre-emptive rights. On 12 June 2008, income bonds with a total nominal value of EUR 250,000,000.00 were issued, which are listed on the Vienna Stock Exchange. The interest rate is 8% p.a. until 12 September 2018 (fixed interest rate), after which the bonds pay variable interest. The Company has the right to call the bonds with three months' notice as of the start of the variable interest period.

Distribution	Per share 2008	Total 2008
in EUR		
Ordinary shares	1.10	115,500,000

Propsed allocation of profits

Wiener Städtische Versicherung AG Vienna Insurance Group concluded fiscal year 2008, under Austrian accounting rules, with an unappropriated surplus for the year of EUR 274,252,807.54. The following allocation of profits has been proposed in connection with the ordinary General Annual Meeting: The 128 million shares are to receive a dividend of EUR 1.10 per share.4 May 2009 was set as the payment and ex-dividend date for this dividend. The 128 million shares will also receive a dividend bonus of EUR 0.90 per share. 27 October 2009 was set as the payment and ex-dividend date for this loyalty bonus. A total of EUR 256,000,000 is to be distributed. The net retained profits of EUR 18,252,807.54 for financial year 2008 remaining after distribution of the dividend and the bonus dividend are to be carried forward.

ADJUSTED CAPITAL

The adjusted capital to be disclosed under § 86h(5) VAG was equal to EUR 2,221,763,000 as of 31 December 2008, without deduction of equalisation provisions, and EUR 1,893,932,000 when reduced by the equalisation provisions. The adjusted capital calculation was performed before taking minority interests into account.

14. SUBORDINATED LIABILITIES

Issuing company	Issue date	Outstanding volume (EUR '000)	Maturity in years	Interest in %	Fair value
Wiener Städtische Versicherung AG Vienna Insurance Group	12.01.2005	180,000	17	Frist 12 years: 4.625% p.a.; thereafter variable	159,336
Wiener Städtische Versicherung AG Vienna Insurance Group	12.01.2005	120,000	unlimited 1)	First year: 4.25% p.a.; thereafter variable	108,300
Donau Versicherung AG Vienna Insurance Group	10.05.2004	50,000	unlimited 2)	4.95% p.a.	47,100
Donau Versicherung AG Vienna Insurance Group	15.04.+21.05.2004	11,500	unlimited 3)	4.95% p.a.	10,192
Donau Versicherung AG Vienna Insurance Group	01.07.1999	3,500	unlimited 4)	4.95% p.a.	3,297
Sparkassen Versicherung AG Vienna Insurance Group*	19.12.1996	12,390	until 19.12.2010 7)	6.75% p.a.	12,104
Sparkassen Versicherung AG Vienna Insurance Group*	01.03.1999	19,468	unlimited 5)	4.90% p.a.	15,450
Sparkassen Versicherung AG Vienna Insurance Group*	02.04.2001	7,585	until 02.04.2011 7)	6.25% p.a.	7,399
Sparkassen Versicherung AG Vienna Insurance Group*	02.07.2007	20,791	unlimited 5)	6.10% p.a.	19,334
Sparkassen Versicherung AG Vienna Insurance Group*	15.11.2003	27,360	unlimited 5)	4.95% p.a.	21,985
Sparkassen Versicherung AG Vienna Insurance Group*	30.06.2006	39,346	unlimited 5)	4.75% p.a.	31,096
Kooperativa pojst'ovna, a.s., Vienna Insurance Group	27.10.2007	9,302	unlimited 6)	4.5% p.a.	7,156
Total		**501,242**			**442,749**

* New company name subject to approval by the appropriate executive bodies of the Company and registration of the amendment to the articles of association by the local authorities.

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.
7) These have already been terminated.

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	31.12.2008	31.12.2007
in EUR '000		
Property/casualty insurance	877,834	830,355
Life insurance	151,179	128,464
Health insurance	1,699	1,535
Total	**1,030,712**	**960,354**

Development	Property/Casualty 31.12.2008	Life 31.12.2008	Health 31.12.2008	Total 31.12.2008	Total 31.12.2007
in EUR '000					
Book value as of 31.12. of the previous year	**830,355**	**128,464**	**1,535**	**960,354**	**765,602**
Exchange rate	-45,090	-814	0	-45,904	6,677
Book value as of 1.1.	**785,265**	**127,650**	**1,535**	**914,450**	**772,279**
Additions	823,669	102,929	1,699	928,297	794,100
Amount used/released	-742,872	-106,129	-1,535	-850,536	-657,605
Change in scope of consolidation	11,772	26,729	0	38,501	51,580
Book value as of 31.12.	**877,834**	**151,179**	**1,699**	**1,030,712**	**960,354**

Maturities	31.12.2008	31.12.2007
in EUR '000		
up to one year	966,081	930,673
from one to five years	44,985	28,616
from five to ten years	9,083	1,065
more than ten years	10,563	0
Total	**1,030,712**	**960,354**

16. MATHEMATICAL RESERVE

Detail	31.12.2008	31.12.2007
in EUR '000		
Property/casualty insurance	117	127
Life insurance	16,118,730	11,799,029
for guaranteed policy benefits	14,731,326	10,460,321
for allocated and committed profit shares	1,387,404	1,338,708
Health insurance	743,118	703,680
Total	**16,861,965**	**12,502,836**

Total development	Property/Casualty 31.12.2008	Life 31.12.2008	Health 31.12.2008	Total 31.12.2008	Total 31.12.2007
in EUR '000					
Book value as of 31.12. of the previous year	**127**	**11,799,029**	**703,680**	**12,502,836**	**10,477,880**
Exchange rate	-1	-32,322	0	-32,323	30,616
Book value as of 1.1.	**126**	**11,766,707**	**703,680**	**12,470,513**	**10,508,496**
Additions	22	1,868,451	39,438	1,843,042	2,027,611
Amount used/released	-31	- 1,669,761	0	-1,258,546	-1,254,727
Change in scope of consolidation	0	4,153,333	0	3,806,956	1,221,456
Book value as of 31.12.	**117**	**16,118,730**	**743,118**	**16,861,965**	**12,502,836**

Maturities	31.12.2008	31.12.2007
in EUR '000		
up to one year	1,314,155	1,705,415
from one to five years	5,353,398	3,402,969
from five to ten years	4,343,051	2,700,167
more than ten years	5,851,361	4,694,285
Total	**16,861,965**	**12,502,836**

Life insurance mathematical reserve	31.12.2008	31.12.2007
in EUR '000		
Direct business	16,005,801	11,642,727
Policy benefits	14,618,397	10,304,020
Allocated profit shares	1,361,681	1,316,025
Committed profit shares	25,723	22,682
Indirect business	112,929	156,302
Policy benefits	112,929	156,302
Total	**16,118,730**	**11,799,029**

Health insurance mathematical reserve	31.12.2008	31.12.2007
in EUR '000		
Direct business	741,969	702,688
Individual policies	592,822	565,641
Group policies	149,147	137,047
Indirect business	1,149	992
Total	**743,118**	**703,680**

17. PROVISION FOR OUTSTANDING INSURANCE CLAIMS

Detail	31.12.2008	31.12.2007
in EUR '000		
Property/casualty insurance	3,173,890	2,866,932
Life insurance	152,241	98,499
Health insurance	44,377	43,520
Total	**3,370,508**	**3,008,951**

Development Property/Casualty insurance	31.12.2008	31.12.2007
in EUR '000		
Book value as of 31.12. of the previous year	**2,866,932**	**2,525,041**
Exchange rate	-30,863	28,989
Book value as of 1.1.	**2,836,069**	**2,554,030**
Claims expenditure	2,396,529	2,183,031
Claims payments and processing expenses	-2,084,757	-1,917,993
Other changes	26,049	47,864
Book value as of 31.12.	**3,173,890**	**2,866,932**

Maturities	31.12.2008	31.12.2007
in EUR '000		
up to one year	1,840,643	1,687,251
from one to five years	766,529	594,026
from five to ten years	360,337	282,715
more than ten years	402,999	444,959
Total	**3,370,508**	**3,008,951**

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	31.12.2008	31.12.2007
in EUR '000		
Property/casualty insurance	31,492	28,585
of which dependent on profit	197	196
of which not dependent on profit	31,295	28,389
Life insurance	349,406	553,982
of which dependent on profit	348,797	553,965
of which not dependent on profit	609	17
Health insurance	14,840	18,321
of which dependent on profit	0	3,601
of which not dependent on profit	14,840	14,720
Total	**395,738**	**600,888**
of which deferred life insurance profit participation	**102,752**	**319,463**
recognised in profit or loss	108,496	227,553
not recognised in profit or loss	-5,744	91,910

Development in life insurance	31.12.2008	31.12.2007
in EUR '000		
Provision for refund of premiums		
Book value as of 31.12. of the previous year	**234,519**	**180,592**
Exchange rate	-950	323
Book value as of 1.1.	**233,569**	**180,915**
Addition/release	110,908	134,568
Change in scope of consolidation	-12,270	29,453
Transfer to mathematical reserve	-85,553	-110,417
Total	**246,654**	**234,519**
Deferred profit participation		
Book value as of 31.12. of the previous year	**319,463**	**503,333**
Exchange rate	-71	-166
Book value as of 1.1.	**319,392**	**503,167**
Change in scope of consolidation	86,404	57,482
Unrealised gains/losses from financial investments available for sale	-280,897	-387,813
Revaluations recognised through profit or loss	-22,147	146,627
Book value as of 31.12.	**102,752**	**319,463**

Provision for refund of premiums incl. deferred profit participation	**349,406**	**553,982**

Development to health insurance	31.12.2008	31.12.2007
in EUR '000		
Provision for refund of premiums		
Book value as of 31.12. of the previous year	**18,321**	**18,401**
Book value as of 1.1.	**18,321**	**18,401**
Addition/release	-3,481	-80
Book value as of 31.12.	**14,840**	**18,321**

Maturities	31.12.2008	31.12.2007
in EUR '000		
up to one year	171,649	403,584
from one to five years	55,760	178,991
from five to ten years	113,468	15,253
more than ten years	54,861	3,060
Total	**395,738**	**600,888**

19. OTHER UNDERWRITING PROVISIONS

Detail	31.12.2008	31.12.2007
in EUR '000		
Property/casualty insurance	17,907	12,668
Life insurance	4,734	5,488
Health insurance	803	944
Total	**23,444**	**19,100**

Other underwriting provisions relate chiefly to provision for anticipated lapses.

Development	Property/Casualty 31.12.2008	Life 31.12.2008	Health 31.12.2008	Total 31.12.2008	Total 31.12.2007
in EUR '000					
Book value as of 31.12. of the previous year	**12,668**	**5,488**	**944**	**19,100**	**16,167**
Exchange rate	-294	-105	0	-399	-24
Book value as of 1.1.	**12,374**	**5,383**	**944**	**18,701**	**16,143**
Additions	17,094	4,519	803	22,416	16,998
Amount used/released	-12,786	-4,338	-944	-18,068	-14,214
Change in scope of consolidation	1,225	-830	0	395	173
Book value as of 31.12.	**17,907**	**4,734**	**803**	**23,444**	**19,100**

Maturities	31.12.2008	31.12.2007
in EUR '000		
up to one year	21,695	18,750
from one to five years	442	186
from five to ten years	1,307	164
Total	**23,444**	**19,100**

20. UNDERWRITING PROVISIONS OF UNIT-LINKED AND INDEX-LINKED LIFE INSURANCE

Detail	31.12.2008	31.12.2007
in EUR '000		
Unit-linked life insurance	2,669,548	2,481,980
Index-linked life insurance	677,225	466,542
Total	**3,346,773**	**2,948,522**

Development	31.12.2008	31.12.2007
in EUR '000		
Book value as of 31.12. of the previous year	**2,948,522**	**2,238,861**
Exchange rate	-30,628	8,087
Book value as of 1.1.	**2,917,894**	**2,246,948**
Additions	270,077	689,391
Amount used/released	-286,108	-141,775
Change in scope of consolidation	444,910	153,958
Book value as of 31.12.	**3,346,773**	**2,948,522**

Maturities	31.12.2008	31.12.2007
in EUR '000		
up to one year	69,841	94,853
from one to five years	293,204	352,364
from five to ten years	564,682	803,491
more than ten years	2,419,046	1,697,814
Total	**3,346,773**	**2,948,522**

21. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Detail	31.12.2008	31.12.2007
in EUR '000		
Provisions for pension obligations	229,398	274,885
Provisions for post-employment obligations	108,762	129,733
Total	**338,160**	**404,618**

Development in pension obligations	31.12.2008	31.12.2007
in EUR '000		
Present value of the obligation (DBO) as of 31.12. of the previous year	**312,573**	**446,721**
Unrealised gains/losses	-37,688	-40,863
Book value as of 1.1.	**274,885**	**405,858**
Withdrawals for pension payments	-21,374	-24,023
Additions to provisions	36,023	33,105
Reduction in the obligation	-65,918	-149,185
Change in scope of consolidation	5,782	9,130
Book value as of 31.12.	**229,398**	**274,885**
Accumulated unrealised gains/losses	19,808	37,688
Present value of the obligation (DBO) as of 31.12.	**249,206**	**312,573**

Development in severance obligations	31.12.2008	31.12.2007
in EUR '000		
Present value of the obligation (DBO) as of 31.12. of the previous year	**141,566**	**134,249**
Unrealised gains/losses	-11,833	-13,723
Book value as of 1.1.	**129,733**	**120,526**
Withdrawals for post-employment benefit payments	-8,694	-5,144
Additions to provisions	13,181	13,536
Reduction in the obligation	-24,999	0
Change in scope of consolidation	-459	815
Book value as of 31.12.	**108,762**	**129,733**
Accumulated unrealised gains/losses	9,323	11,833
Present value of the obligation (DBO) as of 31.12.	**118,085**	**141,566**

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	1.1.-31.12.2008	1.1.-31.12.2007
in EUR '000		
Current service cost	8,118	8,158
Interest expense	27,903	24,947
Realised actuarial gains (-) or losses (+)	2	0
Total	**36,023**	**33,105**

Detail of additions to severance provisions	1.1.-31.12.2008	1.1.-31.12.2007
in EUR '000		
Current service cost	6,430	7,657
Interest expense	6,709	5,833
Realised actuarial gains (-) or losses (+)	42	46
Total	**13,181**	**13,536**

Current service cost and actuarial gains and losses are shown in the income statement analogous to current personnel expenses from salaries. Interest expenses are reported as part of investment expenses.

22. PROVISIONS FOR TAXES

Detail	31.12.2008	31.12.2007
in EUR '000		
Property/casualty insurance	116,896	66,729
Life insurance	28,811	54,831
Health insurance	7,146	4,469
Total	**152,853**	**126,029**

Development	31.12.2008	31.12.2007
in EUR '000		
Book value as of 31.12. of the previous year	**126,029**	**76,859**
Exchange rate	169	583
Book value as of 1.1.	**126,198**	**77,442**
Additions	74,666	48,261
Releases	-48	-64
Amounts used	-2,836	-12,069
Change in scope of consolidation	-45,127	12,459
Book value as of 31.12.	**152,853**	**126,029**

Maturities	31.12.2008	31.12.2007
in EUR '000		
up to one year	73,749	126,029
from one to five years	79,104	0
Total	**152,853**	**126,029**

23. OTHER PROVISIONS

Detail	Property/ Casualty 31.12.2008	Life 31.12.2008	Health 31.12.2008	Total 31.12.2008	Total 31.12.2007
in EUR '000					
Provision for unused vacation entitlements	24,631	9,594	390	34,615	31,931
Provision for anniversary payments	5,801	8,461	1,898	16,160	16,318
Other personnel provisions	13,137	985	44	14,166	1,759
Provision for derivatives trading	0	0	0	0	90
Provisions for customer support and marketing	33,233	474	0	33,707	35,026
Provision for variable salary components	14,221	2,957	0	17,178	8,764
Provision for legal and consulting fees	2,762	1,087	54	3,903	2,743
Provisions for litigation	516	1,429	0	1,945	313
Provision for renewal commissions	0	244	0	244	231
Provision for unpaid incoming invoices	4,933	16,111	246	21,290	24,309
Other provisions	100,027	17,279	495	117,801	142,671
Total	**199,261**	**58,621**	**3,127**	**261,009**	**264,155**

Development	Book value 1.1.2008	Change in scope of consolida-tion	Exchange rate	Amount used	Released	Rebooking	Additions	Book value 31.12.2008
in EUR '000								
Provision for unused vacation entitlements	31,931	-1,089	-203	-1,587	-25,836	0	31,399	34,615
Provision for anniversary payments	16,318	-148	-17	-63	-5,235	0	5,305	16,160
Other personnel provisions	1,759	653	-64	-74	-1,315	11,994	1,213	14,166
Provision for derivatives trading	90	-90	0	0	0	0	0	0
Provisions for customer support and marketing	35,026	72	-49	-10,760	-24,052	0	33,470	33,707
Provision for variable salary components	8,764	492	-637	-1,891	-6,728	0	17,178	17,178
Provision for legal and consulting fees	2,743	503	10	-1,780	-171	-26	2,624	3,903
Provisions for litigation	313	1,191	-207	-52	-126	408	418	1,945
Provision for renewal commissions	231	0	3	-19	-145	0	174	244
Provision for unpaid incoming invoices from real estate	24,309	-1,265	-222	-11,998	-1,012	0	11,478	21,290
Other provisions	142,671	-2,842	-192	-24,852	-27,768	-12,376	43,160	117,801
Total	**264,155**	**-2,523**	**-1,578**	**-53,076**	**-92,388**	**0**	**146,419**	**261,009**

Maturities	31.12.2008	31.12.2007
in EUR '000		
up to one year	83,494	136,007
from one to five years	101,484	76,515
from five to ten years	1,826	893
more than ten years	74,205	50,740
Total	**261,009**	**264,155**

24. LIABILITIES

Detail	Property/ Casualty 31.12.2008	Life 31.12.2008	Health 31.12.2008	Total 31.12.2008	Total 31.12.2007
in EUR '000					
Underwriting	**506,715**	**328,868**	**4,849**	**840,432**	**743,000**
Liabilities from direct business	368,511	200,076	3,627	572,214	414,124
with policyholders	267,827	135,516	3,364	406,707	260,299
with insurance brokers	88,139	46,399	0	134,538	99,547
with insurance companies	12,545	172	263	12,980	23,370
under financial insurance contracts	0	17,989	0	17,989	30,908
Liabilities from reinsurance business	136,825	14,482	0	151,307	103,712
Deposits on ceded reinsurance business	1,379	114,310	1,222	116,911	225,164
Non-underwriting	**127,986**	**1,734,426**	**139,911**	**2,002,323**	**1,945,674**
Liabilities to banks	12,874	721,940	53,480	788,294	818,977
Miscellaneous liabilities	115,112	1,012,486	86,431	1,214,029	1,126,697
Total	**634,701**	**2,063,294**	**144,760**	**2,842,755**	**2,688,674**

Detail of miscellaneous liabilities	31.12.2008	31.12.2007
in EUR '000		
Tax liabilities	62,622	52,297
Liabilities for social security	12,543	12,841
Liabilities to property managers	431	902
Liabilities to employees	12,594	13,118
Bond liabilities	1,950	2,088
Other miscellaneous liabilities	1,123,889	1,045,451
Total	**1,214,029**	**1,126,697**

The other miscellaneous liabilities are primarily comprised of financing liabilities (EUR 876,235,000), mutual fund liabilities (EUR 23,662,000), liabilities from foreign currency settlement (EUR 8,950,000) and leasing liabilities (EUR 2,261,000).

Maturities	Underwriting 31.12.2008	Non-underwriting 31.12.2008	Total 31.12.2008	Total 31.12.2007
in EUR '000				
up to one year	814,791	411,936	1,226,727	918,745
from one to five years	7,857	572,042	579,899	277,563
from five to ten years	0	116,836	116,836	160,747
more than ten years	17,784	901,509	919,293	1,331,619
Total	**840,432**	**2,002,323**	**2,842,755**	**2,688,674**

25. OTHER LIABILITIES

Detail	Property/Casualty 31.12.2008	Life 31.12.2008	Health 31.12.2008	Total 31.12.2008	Total 31.12.2007
in EUR '000					
Accrued liabilities	239,174	9,204	43	248,421	78,768
Miscellaneous other liabilities	9,665	1,602	0	11,267	2,940
Total	**248,839**	**10,806**	**43**	**259,688**	**81,708**

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. Taking into account the provisions formed for these legal actions, the management of Wiener Städtische AG is of the opinion that they will have no significant 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.

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	2006	2007	2008
in million EUR '000			
Liabilities and assumed liabilities	11.0	18.2	5.1
Letters of comfort	11.2	8.2	13.9
Guarantee bonds	0.2	2.2	0.0

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.

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 2008 and in the comparable period of 2007 are broken down by segments as follows:

Premiums written	Property/Casualty 2008	Life 2008	Health 2008	Total 2008
in EUR '000				
GROSS				
Direct business	4,233,222	3,294,718	314,111	7,842,051
Austria	1,537,123	1,861,350	314,111	3,712,584
Czech Repbulic	972,405	436,967	0	1,409,372
Slovakia	329,901	275,084	0	604,985
Poland	413,273	381,682	0	794,955
Romania	567,838	39,056	0	606,894
Other CEE markets	343,283	151,866	0	495,149
Other markets	69,399	148,713	0	218,112
Indirect business	45,631	11,015	169	56,815
Premiums written	**4,278,853**	**3,305,733**	**314,280**	**7,898,866**
CEDED TO REINSURERS	-812,298	-43,886	-921	-857,105
Premiums written – retained	**3,466,555**	**3,261,847**	**313,359**	**7,041,761**

Net earned premiums	Property/Casualty 2008	Life 2008	Health 2008	Total 2008
in EUR '000				
GROSS				
Direct business	4,140,503	3,308,824	314,087	7,763,414
Indirect business	43,884	10,120	169	54,173
Net earned premiums	**4,184,387**	**3,318,944**	**314,256**	**7,817,587**
CEDED TO REINSURERS	-808,974	-46,087	-921	-855,982
Net earned premiums – retained	**3,375,413**	**3,272,857**	**313,335**	**6,961,605**

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 Republic	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 markets	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**

Gross premiums written property/ casualty insurance	Gross 2008	Ceded to reinsurers 2008	Retained 2008	Gross 2007
in EUR '000				
Direct business				
Insurance for business interruption following fire	506,168	-267,787	238,381	456,168
Household insurance	211,008	-19,810	191,198	183,343
Other non-life insurance	343,570	-110,879	232,691	310,727
Motor vehicle liability insurance	1,220,127	-183,699	1,036,428	1,077,546
Other motor vehicle insurance	1,049,781	-46,698	1,003,083	820,445
Casualty insurance	276,651	-41,407	235,244	244,825
Liability insurance	270,585	-53,225	217,360	235,279
Legal expenses insurance	45,134	-223	44,911	43,360
Marine, aviation, and transport insurance	71,401	-44,083	27,318	59,052
Credit and guarantee insurance	38,664	-2,877	35,787	56,979
Other insurance	200,133	-26,943	173,190	159,792
Subtotal	**4,233,222**	**-797,631**	**3,435,591**	**3,647,516**
Indirect business				
Marine, aviation, and transport insurance	1,480	-29	1,451	1,401
Other insurance	44,151	-14,638	29,513	22,251
Subtotal	**45,631**	**-14,667**	**30,964**	**23,652**
Total	**4,278,853**	**-812,298**	**3,466,555**	**3,671,168**

A portion of the earned premiums of EUR 43,884,000 (EUR 22,868,000) from **indirect business** in the property/casualty insurance segment and EUR 10,120,000 (EUR 3,264,000) in the life insurance segment were included in the income statement after being deferred by one year.

Premiums written – Direct life insurance business	2008	2007
in EUR '000		
Regular premium policies	1,931,610	1,795,877
Endowment insurance, not including risk insurance	945,486	758,133
Risk insurance	133,055	171,298
Pension insurance	200,744	276,551
Unit-linked insurance	383,499	356,317
Index-linked insurance	13,786	40,096
Government-sponsored pension plans	255,040	193,482
Single premium policies	1,363,108	1,135,086
Endowment insurance, not including risk insurance	477,140	530,782
Risk insurance	114,919	34,031
Pension insurance	176,997	157,359
Unit-linked insurance	330,060	321,384
Index-linked insurance	261,848	91,530
Government-sponsored pension plans	2,144	0
Total direct life premiums written	**3,294,718**	**2,930,963**
of which:	3,294,718	2,930,963
Policies with profit participation	1,851,723	1,724,693
Policies without profit participation	347,678	393,944
Policies unit- and index-linked life insurance	1,095,317	812,326
of which:	3,294,718	2,930,963
Individual policies	2,949,305	2,605,864
Group policies	345,413	325,099

Please refer to the relevant individual financial statements for information on investments of unit- and index-linked life insurance.

Gross premiums written – Health insurance	2008	2007
in EUR '000		
Direct business	314,111	306,375
Individual policies	220,305	214,736
Group policies	93,806	91,639
Indirect business	169	222
Group policies	169	222
Total health premiums written	**314,280**	**306,597**

28. INCOME FROM COMPANIES MEASURED USING THE EQUITY METHOD OF ACCOUNTING

Detail – income	Property/Casualty 2008	Life 2008	Health 2008	Total 2008
in EUR '000				
Current income	3,521	1,174	392	5,087
Gains from disposal of investments	176	0	0	176
Total	**3,697**	**1,174**	**392**	**5,263**

Detail – income	Current income 2008	Gains from disposal of investments 2008	Total 2008
in EUR '000			
Shares in companies measured using the equity method of accounting	5,087	176	5,263
Total	**5,087**	**176**	**5,263**

Detail – income	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
Current income	-627	5,839	-164	5,048
Gains from disposal of investments	0	37	0	37
Total	**-627**	**5,876**	**-164**	**5,085**

Detail – income	Current income 2007	Gains from disposal of investments 2007	Total 2007
in EUR '000			
Shares in companies measured using the equity method of accounting	5,048	37	5,085
Total	**5,048**	**37**	**5,085**

Detail – expenses	Property/Casualty 2008	Life 2008	Health 2008	Total 2008
in EUR '000				
Losses from disposal of investments	1,058	0	0	1,058
Total	**1,058**	**0**	**0**	**1,058**

Detail – expenses	Losses from disposal of investments 2008	Total 2008
in EUR '000		
Shares in companies measured using the equity method of accounting	1,058	1,058
Total	**1,058**	**1,058**

The current loss from companies measured using the equity method of accounting not recognised in the income statement was EUR 1,000 (2007: 9,000).

29. FINANCIAL RESULT

Detail – income	Property/ Casualty 2008	Life 2008	Health 2008	Total 2008
in EUR '000				
Current income	207,080	1,024,471	38,879	1,270,430
Income from write-ups	12,112	41,050	328	53,490
Income from the disposal of investments	249,185	606,584	7,693	863,462
Total	**468,377**	**1,672,105**	**46,900**	**2,187,382**

Detail – income	Current income 2008	Income from write-ups 2008	Gains from the disposal of investments 2008	Total 2008
in EUR '000				
Owner-occupied land and buildings	11,443	828	964	13,235
Third-party leased land and buildings	209,914	10,755	10,947	231,616
Loans	136,100	0	1,688	137,788
Reclassified loans	42,053	0	0	42,053
Financial investments held to maturity	33,794	0	183	33,977
Fixed-interest securities	32,764	0	183	32,947
Other securities	1,030	0	0	1,030
Financial investments available for sale	614,952	2,406	641,842	1,259,200
Shares and other ownership interests	72,924	2,324	547,812	623,060
Investment funds	45,635	0	42,813	88,448
Remaining non-fixed-interest securities	27,043	0	259	27,302
Fixed-interest securities of associated companies	35	0	0	35
Fixed-interest securities of participating companies	7,768	0	5,345	13,113
Fixed-interest securities	461,232	82	45,613	506,927
Other securities	315	0	0	315
Trading assets	22,994	23,011	183,629	229,634
Fixed-interest securities	21,945	18,766	6,780	47,491
Equities	436	392	82	910
Investment funds	497	163	20	680
Derivates	0	3,479	176,698	180,177
Other securities	116	211	49	376
Financial investments recognised at fair value through profit or loss	14,386	16,490	14,765	45,641
Fixed-interest securities	11,057	13,533	11,429	36,019
Equities	146	0	22	168
Investment funds	3,183	2,009	266	5,458
Other securities	0	948	3,048	3,996
Other investments	160,327	0	91	160,418
Unit-linked and index-linked life insurance	24,467	0	9,353	33,820
Total	**1,270,430**	**53,490**	**863,462**	**2,187,382**
of which ownership interests	18,474	2,324	436,821	457,619

Detail – income	Property/ Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
Current income	146,917	822,459	30,413	999,789
Income from write-ups	10,548	25,816	2,210	38,574
Income from the disposal of investments	84,991	308,414	9,996	403,401
Total	**242,456**	**1,156,689**	**42,619**	**1,441,764**

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
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	578,015	0	340,484	918,499
Shares and other ownership interests	55,143	0	241,696	296,839
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	**999,789**	**38,574**	**403,401**	**1,441,764**
of which ownership interests	*14,067*	*0*	*11,299*	*25,366*

Detail – expenses	Property/Casualty 2008	Life 2008	Health 2008	Total 2008
in EUR '000				
Depreciation on investments	78,927	507,333	15,471	601,731
Exchange rate	-11,159	-760	-9	-11,928
Losses from the disposal of investments	37,041	382,321	9,814	429,176
Interest expenses	31,693	99,560	6,739	137,992
Personnel provision	11,727	18,225	4,660	34,612
Interest on borrowings	19,966	81,335	2,079	103,380
Other expenses	27,503	86,371	2,606	116,480
Total	**164,005**	**1,074,825**	**34,621**	**1,273,451**

Detail – expenses	Depreciation on investments 2008	Exchange rate changes 2008	Losses from the disposal of investments 2008	Total 2008
in EUR '000				
Owner-occupied land and buildings	10,364	0	240	10,604
Third-party leased land and buildings	83,743	0	0	83,743
Loans	396	4,194	0	4,590
Financial investments held to maturity	17,463	-938	1,111	17,636
Fixed-interest securities	17,463	-937	1,111	17,637
Other securities	0	-1	0	-1
Financial investments available for sale	334,446	-2,428	187,869	519,887
Shares and other ownership interests	171,740	-1,875	78,953	248,818
Investment funds	49,120	-833	36,844	85,131
Remaining non-fixed-interest securities	25,301	-269	903	25,935
Fixed-interest securities of participating companies	0	40	257	297
Fixed-interest securities	88,285	703	70,912	159,900
Other securities	0	-194	0	-194
Trading assets	114,195	-458	193,566	307,303
Fixed-interest securities	95,083	-458	1,112	95,737
Equities	6,369	0	2,767	9,136
Investment funds	1,332	0	3,558	4,890
Derivates	11,036	0	186,129	197,165
Other securities	375	0	0	375
Financial investments recognised at fair value through profit or loss	33,776	257	9,189	43,222
Fixed-interest securities	24,101	177	1,194	25,472
Equities	1,144	0	1,642	2,786
Investment funds	8,205	80	5,046	13,331
Other securities	326	0	1,307	1,633
Other investments	7,348	-12,555	781	-4,426
Unit-linked and index-linked life insurance	0	0	36,420	36,420
Total	**601,731**	**-11,928**	**429,176**	**1,018,979**
thereof impairment	*363,646*			
thereof ownership interests	*61*	*0*	*463*	*524*

Detail – expenses	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in TEUR				
Depreciation on investments	43,010	102,048	10,990	156,048
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	**93,370**	**324,522**	**26,313**	**444,205**

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
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	18,625	1,902	48,911	69,438
Shares and other ownership interests	15,625	-30	13,613	29,208
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	**156,048**	**1,299**	**71,074**	**228,421**
thereof impairment	*34,574*			
thereof ownership interests	*3,622*	*0*	*46*	*3,668*

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 2008	Life 2008	Health 2008	Total 2008
in EUR '000				
Other underwriting income	51,267	39,248	38	90,553
Other non-underwriting income	26,595	10,308	1	36,904
Total	**77,862**	**49,556**	**39**	**127,457**

Other income is primarily comprised of EUR 62,405,000 in gains from exchange rate changes and EUR 8,811,000 in compensation for services performed.

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**

31. EXPENSES FOR CLAIMS AND INSURANCE BENEFITS

Detail	Gross 2008	Ceded to reinsurers 2008	Retained 2008
in EUR '000			
Property/casualty insurance			
Expenses for insurance claims			
Claims and benefits	2,426,211	-415,594	2,010,617
Changes in provisions for outstanding claims	291,031	-150,940	140,091
SUBTOTAL	**2,717,242**	**-566,534**	**2,150,708**
Change in mathematical reserve	-3	0	-3
Change in other underwriting provisions	3,807	-1,688	2,119
Expenses for the refund of premiums not dependent on profit	24,167	-1,255	22,912
TOTAL EXPENSES	**2,745,213**	**-569,477**	**2,175,736**
Life insurance			
Expenses for insurance benefits			
Claims and benefits	2,036,582	-24,328	2,012,254
Changes in provisions for outstanding claims	12,635	-709	11,926
SUBTOTAL	**2,049,217**	**-25,037**	**2,024,180**
Change in mathematical reserve	1,017,239	-10,839	1,006,400
Change in other underwriting provisions	1,305	-23	1,282
Expenses for the refund of premiums dependent to and not dependent on profit	140,084	-25	140,059
TOTAL EXPENSES	**3,207,845**	**-35,924**	**3,171,921**
Health insurance			
Expenses for insurance claims			
Claims and benefits	211,591	-692	210,899
Changes in provisions for outstanding claims	856	33	889
SUBTOTAL	**212,447**	**-659**	**211,788**
Change in mathematical reserve	35,721	-168	35,553
Expenses for the refund of premiums not dependent on profit	12,359	0	12,359
TOTAL EXPENSES	**260,527**	**-827**	**259,700**
TOTAL	**6,213,585**	**-606,228**	**5,607,357**

Detail	Gross 2007	Ceded to reinsurers 2007	Retained 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 PAYMENTS	**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 PAYMENTS	**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 PAYMENTS	**267,942**	**-1,022**	**266,920**
TOTAL	**5,523,539**	**-492,032**	**5,031,507**

32. OPERATING EXPENSES

Detail	Property/Casualty 2008	Life 2008	Health 2008	Total 2008
in EUR '000				
Commissions and other acquisition expenses				
Commission expenses	604,493	284,648	6,853	895,994
Pro rata personnel expenses	165,468	67,533	10,387	243,388
Pro rata material costs	125,971	100,438	10,172	236,581
SUBTOTAL	**895,932**	**452,619**	**27,412**	**1,375,963**
Administrative expenses				
Pro rata personnel expenses	115,989	53,282	6,696	175,967
Pro rata material costs	122,606	66,935	7,618	197,159
SUBTOTAL	**238,595**	**120,217**	**14,314**	**373,126**
Reinsurance commissions received	-176,188	-10,665	-116	-186,969
Total	**958,339**	**562,171**	**41,610**	**1,562,120**

Detail	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
Commissions and other acquisition expenses				
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				
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**

33. OTHER EXPENSES

Detail	Property/Casualty 2008	Life 2008	Health 2008	Total 2008
in EUR '000				
Other underwriting expenses	170,393	69,729	560	240,682
Other non-underwriting expenses	41,592	14,648	2	56,242
Total	**211,985**	**84,377**	**562**	**296,924**

Other expenses are primarily comprised of EUR 60,324,000 in losses from exchange rate changes, EUR 55,319,000 in allowances (not including investments), EUR 47,049,000 in other contributions and fees and EUR 2,759,000 in current business 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**

34. TAX EXPENSES

Detail – tax expense	2008	2007
in EUR '000		
Actual taxes	101,081	73,337
Actual taxes related to other periods	16,058	7,497
TOTAL ACTUAL TAXES	**117,139**	**80,834**
Deferred taxes	-18,685	7,591
Total	**98,454**	**88,425**

Tax reconciliation	2008	2007
in EUR '000		
Expected tax rate in %	25%	25%
Profit before taxes	540,797	437,296
EXPECTED TAX EXPENSE	**135,199**	**109,324**
Adjusted for tax effects due to:		
Tax-exempt income from ownership interests	-35,680	-21,200
Non-deductible expenses	22,541	19,418
Income not subject to tax	-26,069	-14,142
Taxes from previous years	16,058	7,497
Change in tax rates	-11,778	-5,763
Adjustment for accumulated losses carried forward and other tax effects	-1,817	-6,709
EFFECTIVE INCOME TAX EXPENSE	**98,454**	**88,425**
Effective tax rate in %	**18.2%**	**20.2%**

The (Austrian) income tax rate of parent company Wiener Städtische Versicherung AG Vienna Insurance Group is used as the Group tax rate. EUR 178,146,000 in loss carryforwards was recognised, with an effect of EUR -43,939,000 on deferred tax assets (2007: EUR -1,699,000). EUR 94,604,000 in loss carryforwards was not recognised (2007: EUR 0). Deferred tax assets of EUR -18,361,000 (2007: deferred tax liabilities of EUR 26,454,000) were applied against the revaluation reserve with no effect on profit or loss. This amount represents the deferred taxes on the variance in available-for-sale financial instruments.

35. OTHER INFORMATION

Employee statistics	31.12.2008	31.12.2007
Austria	6,341	6,138
Field sales representatives	2,961	2,845
Office employees	3,380	3,293
Outside Austria	17,052	14,169
Field sales representatives	8,821	7,614
Office employees	8,231	6,555
Total	**23,393**	**20,307**

Personnel expenses	2008	2007
in EUR '000		
Wages and salaries	384,118	377,676
Expenses for post-employment benefits and payments to company pension plans	9,138	8,520
Expenses for retirement provisions	1,250	4,739
Mandatory social security contributions and expenses	124,396	116,614
Other social security expenses	7,232	4,328
Total	**526,134**	**511,877**
of which field sales employees	*233,214*	*244,526*
of which office employees	*292,920*	*267,351*
Expenses for severances and pensions for:		
Managing Board members and senior management	586	4,218
remaining employees	9,802	9,041

Managing Board and Supervisory Board compensation (gross)	2008	2007
in EUR '000		
Supervisory Board compensation	353	226
Pension payments to former members of the Managing Board or their survivors	1,074	1,042
Provision for future pension claims of Managing Board members	372	1,641
Compensation paid to active Managing Board members	5,610 *	4,971

* In the first half of 2008, Managing Board members also received special remuneration of EUR 1,690,000 relating to the highly successful implementation of the capital increase.

Starting in autumn, financial year 2008 was dominated by dramatic events on financial markets. In spite of the well-known difficulty presented by this environment, the Group earned its best profit ever.

In view of the current economic environment, which continues to pose great challenges for many customers of the Group, the Managing Board has decided to waive the 2008 performance-linked income component it is contractually guaranteed upon achievement of its targets, which means that this income component will not be paid out.

Since the 2008 Annual Report presents compensation received in 2008, this effects of this waiver are not yet apparent in the 2008 Annual Report, and will not be seen until the 2009 Annual Report.

The average number of employees in the **fully consolidated companies** (including cleaning personnel) was 22,269 (19,271). Of these, 11,238 (9,942) were active in sales, resulting in personnel expenses of EUR 229,508,000 (EUR 242,378,000), and 11,031 (9,329) were in operations, resulting in personnel expenses of EUR 286,828,000 (EUR 263,625,000).

The average number of employees in **proportionally consolidated companies** (including cleaning personnel) was 1,124 (1,036). Of these, 544 (517) were active in sales, resulting in personnel expenses of EUR 3,706,000 (EUR 2,148,000), and 580 (519) were in operations, resulting in personnel expenses of EUR 6,092,000 (EUR 3,726,000).

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 in Wiener 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 2008 and 31 December 2007.

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	31.12.2008	31.12.2007
in EUR '000		
Receivables		
Receivables from insurance business	1,565	0
Other receivables	10,458	29,984
SUBTOTAL	**12,023**	**29,984**
Liabilities		
Liabilities from insurance business	-72	-2,338
Other liabilities	-5,172	-11,922
SUBTOTAL	**-5,244**	**-14,260**
Total	**6,779**	**15,724**
Loans to non-consolidated affiliated companies	246,272	240,016
Loans to other equity interests	29,456	79,921

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	23,382
from one to five years	132,095

SIGNIFICANT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Joint development of new legal protection markets with the ARAG Group

In January 2009, the Vienna Insurance Group and ARAG Allgemeine Rechtsschutz-Versicherungs-AG (ARAG) signed a letter of intent relating to cooperation in the legal protection business. The goal is to develop a joint business model for the Austrian market and for those countries in the CEE region where the Vienna Insurance Group is represented.

Entry into the private health insurance market in the CEE region

The Vienna Insurance Group is planning its entry into the private health insurance segment in the CEE region. Initial steps are planned for the Czech Republic, Slovakia, Poland, Romania and Hungary.

VIG RE enters market successfully

Our reinsurance company VIG RE very nearly reached its premium targets for 2011 as early as 2009. Agreements worth around EUR 280 million were signed and the internationally recognised rating agency Standard & Poor's (S&P) awarded VIG RE an outstanding rating of A+ with an outlook of Stable outlook.

Sale of majority in Ringturm KAG

The Vienna Insurance Group sold the Erste Group a 95% interest in its investment fund company Ringturm KAG at the beginning of 2009.

Sale of private hospital interests

The Vienna Insurance Group will sell its 25% ownership interest in a number of domestic private hospitals in order to concentrate more strongly on its core business in the future.

In the business year 2008 the Supervisory Board was made up of the following persons:

Chairman:
Präsident Komm.-Rat Dkfm. Klaus **Stadler**

Deputy Chairman:
Komm.-Rat Dr. Karl **Skyba**

Members:
Generalabt Propst Bernhard **Backovsky**
Mag. Alois **Hochegger**
Dipl.-Ing. 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**
Brigitta **Kinast-Pötsch** (beginning 1 September 2008)
Heinz **Neuhauser** (until 31 August 2008)
Franz **Urban**
Gerd **Wiehart**
Peter **Winkler**

Members of the Managing Board and Supervisory Board received no advances or loans in financial year 2008. There were no loans outstanding to members of the Managing Board or Supervisory Board as of 31 December 2008. No guarantees existed for members of the Managing Board or Supervisory Board as of 31 December 2008.

In the business year 2008 the Managing Board was made up of the following persons:

Chairman:
Dr. Günter **Geyer**

Members:
Dr. Rudolf **Ertl** (until 31 December 2008
Dkfm. Karl **Fink**
Dr. Hans-Peter **Hagen**
Mag. Peter **Höfinger** (beginning 1 January 2009)
Mag. Robert **Lasshofer**
Dr. Martin **Simhandl**

During the business year 2008, the following persons were appointed to trustees pursuant to Sec. 22 (1) VAG:

Trustees:
(department life – Sec 20 (2;1) VAG):
Mag. Oskar **Ulreich**

Deputy:
Mag. Nicole **Plankenbüchler**

Trustees:
(except department life – Sec 20 (2;1) VAG):
Mag. Wolfgang **Pechriggl**

Deputies:
Dr. Michael **Hysek** (beginning 1 February 2008)
Mag. Constantin **Christiani** (1 January 2008 - 31 January 2008)

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 is also 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 dependent on the profit of the Group, as well as of significant Group companies, and takes into account the sustained performance of the Company and the Group. There is a maximum limit on this performance-linked component. The Managing Board receives no performance-linked compensation if profit falls below certain thresholds.

Starting in the autumn, financial year 2008 was dominated by dramatic events on financial markets. Although the well-known difficulty presented by this environment, the Group still managed to earn its best profit ever. In view of the current economic environment, which also presents great challenges to many of the Group's customers, the Managing Board has decided to waive the 2008 performance-linked income component it is contractually guaranteed upon achievement of its targets, which means that this income component will not be paid out.

Since the 2008 Annual Report presents compensation received in 2008, the effects of this waiver are not yet apparent in the 2008 Annual Report, and will not be seen until the 2009 Annual Report.

The compensation received by Managing Board members in 2008 includes the fixed component for 2008, the performance-linked component resulting from the profit earned in 2007, and special remuneration relating to the highly successful implementation of the capital increase in the first half of 2008.

The standard employment agreement of a Wiener Städtische Versicherung AG Vienna Insurance Group Managing Board member includes a maximum pension plan obligation of 40% of the measurement basis if the member remains on the

Managing Board until the age of 65 (the measurement basis being equal to the fixed salary component). The rules for Managing Board members with many years of prior service differ in that the percentage of the measurement basis is higher for historical reasons (up to 55%) with supplements awarded for remaining on the Managing Board at the Supervisory Board's request 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 provide for a post-employment benefit that is formulated in accordance with the provisions of the Austrian Employee Act (Angestelltengesetz), as amended in 2003, in combination with relevant sector-specific rules. Depending on the period of service, these allow Managing Board members to receive a post-employment benefit of two to twelve months' compensation, with a supplement of 50% if the member retires or withdraws after a long-term illness. A member who withdraws from the Management Board of his or her own volition before being able to retire, or who withdraws due to a fault of his or her own, is not entitled to a post-employment benefit.

The total expenses (cash claims and provisions for future claims) for post-employment benefits and pensions of EUR 10,388,000 in 2008 (2007: 13,259,000) include EUR 586,000 (2007: EUR 4,218,000) in post-employment benefit and pension expenses (cash claims and provisions for future claims) for executive staff (executive staff) as defined in § 80(1) AktG and former members of the Managing Board and their survivors, and provisions for future post-employment benefit and pension claims of members of the Managing Board.

The members of the Managing Board received gross compensation of EUR 5,610,000 for their services in 2008 (2007: EUR 4,971,000). In addition, the members of the Managing Board were also awarded a total of EUR 1,690,000 in special remuneration in 2008 relating to the highly successful implementation of the capital increase in the first half of 2008.

Total compensation of EUR 1,074,000 was paid to former members of the Managing Board (including their survivors) in 2008 (2007: EUR 1,042,000).

The Managing Board:

Dr. Günter Geyer

Dkfm. Karl Fink

Dr. Peter Hagen

Mag. Peter Höfinger

Mag. Robert Lasshofer

Dr. Martin Simhandl

Vienna, 17 March 2009

SUPERVISORY BOARD REPORT

The Supervisory Board reports that it has taken the opportunity to comprehensively review the management of the Company, both acting as a whole and also regularly through its Chairman and Deputy Chairman. Detailed presentations and discussions during meetings of the Supervisory Board and its committees were used for this purpose, as were recurring meetings with the members of the Managing Board, who provided detailed explanations and supporting documentation relating to the management and financial position of the Company and the Group. The strategy, business 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 membership of these committees is available on the Company's website and in the corporate governance report.

One ordinary General Annual Meeting and four Supervisory Board meetings were held in 2008. Two meetings of the Audit Committee were also held. The Committee for Urgent Matters held four meetings and was also contacted in writing with regard to ten matters. The Supervisory Board was informed of all resolutions passed by these committees at its next meeting following. The auditor of the financial statements and consolidated financial statements, PwC INTER-TREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungs-gesellschaft, attended Audit Committee meetings and Supervisory Board meetings dealing with the approval and preparation of the annual financial statements and the auditing of the annual financial statements and consolidated financial statements, as it did the General Annual Meeting. The Committee for Managing Board Matters also held four meetings in 2008.

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

By inspection of appropriate documents, holding meetings with the Managing Board and discussions with the auditor, the Supervisory Board Audit Committee was able to form a satisfactory view of the accounting process and found no reasons for objection. The Audit Committee also reviewed the effectiveness of the internal control system, the internal auditing system and the risk management system, by requesting descriptions of the processes and organisation of these systems from the Managing Board, the auditor and the individuals directly responsible for these areas. The Audit Committee reported on its monitoring activities to the Supervisory Board as a whole and stated that no deficiencies had been identified.

In order to prepare the Supervisory Board's proposal for selection of the auditor of the financial statements and consolidated financial statements, the Audit Committee requested that PwC INTER-TREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (PwC) submit documents relating to its license to audit. Based on a written report, it was determined that no reasons for exclusion or circumstances that could give rise to cause for concern regarding partiality exist. In addition, a list, grouped by category of services, of the total revenues received from the Company by PwC in the previous financial year was requested and reviewed, and it was verified that PwC was included in a statutory quality assurance system. The Audit Committee reported to the Supervisory Board on the knowledge gained from these investigations and the Supervisory Board subsequently made a proposal to the General Annual Meeting that PwC INTER-TREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft be appointed auditor of the financial statements and consolidated financial statements.

In addition, the Supervisory Board Audit Committee received

from the Managing Board, reviewed and carefully examined the 2008 annual financial statements, management report and corporate governance report. The Supervisory Board Audit Committee also subjected the 2008 consolidated financial statements and Group management report to a careful review. The Managing Board's proposal for appropriation of profits was also debated and discussed in the course of this review. As a result of this review and discussion, a unanimous resolution was adopted to recommend to the Supervisory Board the unqualified acceptance thereof. The committee chairman informed the Supervisory Board of the resolutions adopted by the committee.

The 2008 annual financial statements together with the management report and corporate governance report, the 2008 consolidated financial statements together with the Group management report, and the Managing Board's proposal for appropriation of profits were subsequently addressed, thoroughly discussed, and reviewed by the Supervisory Board. In addition, the auditor's reports prepared by PwC INTER-TREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft for the 2008 annual financial statements and management report and the 2008 consolidated financial statements and Group management report were reviewed by the Audit Committee and by the Supervisory Board as a whole, and debated and discussed in detail with PwC INTER-TREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The ultimate findings of the review identified no reasons for objections. The Supervisory Board declared that it had nothing to add to the auditor's reports for the financial statements and consolidated financial statements.

The Supervisory Board therefore adopted a unanimous resolution to approve the annual financial statements and consolidated financial statements prepared by the Managing Board, and to indicate its agreement to the Managing Board's proposal for appropriation of profits.

The 2008 annual financial statements have therefore been approved in accordance with § 125 (2) of the Austrian Stock Corporation Act.

The Supervisory Board therefore proposes

to the General Annual Meeting that it decide on the appropriation of profits in accordance with the proposal made by the Managing Board and formally approve the actions of the Managing Board and of the Supervisory Board.

Vienna, March 2009

The Supervisory Board:

KR Dkfm. Klaus STADLER
(Chairman)

AUDITOR'S REPORT

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of

WIENER STÄDTISCHE Versicherung AG
Vienna Insurance Group, Vienna,

for the financial year from 1 January 2008 to 31 December 2008. These consolidated financial statements comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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 in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
Our audit did not give rise to any objections. 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 2008, and of its financial performance and its cash flows for the financial year from 1 January 2008 to 31 December 2008 in accordance with International Financial Reporting Standards as adopted by the EU.

Report on the Consolidated Management Report
Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the group.

In our opinion, the consolidated management report for the group is consistent with the consolidated financial statements.

PwC INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Günter Wiltschek
Certified Public Accountant

Vienna, 17 March 2009

CORPORATE GOVERNANCE REPORT

The Vienna Insurance Group adheres to the Austrian Code of Corporate Governance. As amended in January 2009, the Code includes 83 rules for good corporate governance, 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 justified in order to attain conduct in compliance with the Code (comply or explain)
- Rules of a purely recommended nature. Non-compliance with these rules need not be disclosed or justified (recommendation)

The Austrian Corporate Governance Code is available on the Vienna Insurance Group website at www.vig.com/ir > Corporate Governance as well as the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at.

The Vienna Insurance Group complies with all of the "legal requirements" of the Austrian Corporate Governance Code in accordance with the law. The Vienna Insurance Group deviates from three "comply or explain" rules, as explained below:

Rule 31:
The fixed and performance-linked remuneration components granted during the financial year are to be disclosed for each individual member of the management board in the corporate governance report. This also applies if the remuneration is provided via a management company.

Rule 51:
The remuneration granted to supervisory board members during the reporting period is to be disclosed for each individual member of the supervisory board in the corporate governance report. As a rule, no provision has been made for stock option plans for members of the supervisory board. If stock option plans are granted in exceptional cases, all of the details of these plans are to be resolved by the general meeting.

Declaration: The principles of the compensation paid to members of the Managing Board and Supervisory Board are published, as is the total compensation paid to all members of the Managing Board and the Supervisory Board. Detailed information on the individual compensation received by the members of the Managing Board and Supervisory Board would have relatively little informational value to investors and is not published in the corporate governance report in the interests of respecting the rights to privacy of members of the Managing Board and Supervisory Board.

Rule 41:
The supervisory board shall set up a nominating committee. In cases of supervisory boards with not more than 6 members (including employee representatives) this function may be exercised by all members jointly. The nominating committee submits proposals to the supervisory board for filling management board positions that become free and deals with issues of successor planning.

Declaration: Because of its particular 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 for that reason not set up a nominating committee.

MEMBERS OF THE MANAGING BOARD AND SUPERVISORY BOARD

The Managing Board had the following members in financial year 2008:

Dr. Günter Geyer
General Manager and Chairman of the Managing Board
Year of birth: 1943
Date first appointed: 1988
End of current term of office: 30 June 2013

Areas of responsibility in 2008:
Group management, strategic planning, Group matters, public relations, human resources, international human resource development, investor relations, international labour law, Group marketing

Country responsibilities in 2008:
Slovakia, Czech Republic, Hungary

Positions currently held on the supervisory boards of other domestic and foreign corporations not included in the Group financial statements:
Casinos Austria AG
Österreichisches Verkehrsbüro AG
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft
Wiener Börse AG

Dkfm. Karl Fink
General Manager
Year of birth: 1945
Date first appointed: 1987
End of current term of office: 30 September 2009

Areas of responsibility in 2008: sponsoring, corporate and large customer business (underwriting/claims), reinsurance, coordination of companies held by TBIH

Positions currently held on the supervisory boards of other domestic and foreign corporations not included in the Group financial statements:
Wienerberger AG
AT&S Austria Technologie & Systemtechnik AG
The closed joint stock corporation "Strachowaja kompanija MSK Life"
Vienna Insurance Group Polska Spolka zo.o.
TBIH Financial Services Group N.V.

Mag. Robert Lasshofer
Deputy General Manager
Year of birth: 1957
Date first appointed: 1999
End of current term of office: 30 June 2013

Areas of responsibility in 2008: marketing, sales, advertising, provincial head offices and call centre of Wiener Städtische AG Austria (incl. branch offices in Italy and Slovenia)

Country responsibilities in 2008: Liechtenstein

Positions currently held on the supervisory boards of other domestic and foreign corporations not included in the Group financial statements:
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft
Bausparkasse der österreichischen Sparkassen AG

Dr. Rudolf Ertl
(member of the Managing Board until 31 December 2008)
Year of birth: 1946
Date first appointed: 2001
End of current term of office: 31 December 2008

Areas of responsibility in 2008: information technology and process optimisation, legal protection (claims), company law, property management

Country responsibilities in 2008: Serbia

Positions currently held on the supervisory boards of other domestic and foreign corporations not included in the Group financial statements:
Wüstenrot Versicherungs-AG
Vienna Insurance Group Polska Spolka zo.o.

Mag. Peter Höfinger
(member of the Managing Board starting 1 January 2009)
Year of birth: 1971
Date first appointed: 2009
End of current term of office: 30 June 2013

Positions currently held on the supervisory boards of other domestic and foreign corporations not included in the Group financial statements:
Insurance Joint Stock Company MSK Standart
Insurance company "Kupala"
ZASO Victoria

Dr. Peter Hagen
Year of birth: 1959
Date first appointed: 2004
End of current term of office: 30 June 2013

Areas of responsibility in 2008: general liability (underwriting/claims), legal protection (underwriting), motor vehicle insurance (underwriting), non-life insurance (claims/underwriting, excluding legal protection and corporate business)

Positions currently held on the supervisory boards of other domestic and foreign corporations not included in the Group financial statements:
voestalpine AG

Dr. Martin Simhandl
Year of birth: 1961
Date first appointed: 2004
End of current term of office: 30 June 2013

Areas of responsibility in 2008: ownership interest management, investments, finance and accounting, life and casualty insurance, health insurance

Country responsibilities in 2008: Ukraine, Germany

Positions currently held on the supervisory boards of other domestic and foreign corporations not included in the Group financial statements:
CEE PROPERTY-INVEST Immobilien AG
TBIH Financial Services Group N.V.

The following four persons have been appointed as additional members of the Managing Board subject to the condition precedent of entry into force of the amendment to the articles of association providing for an increase in the number of Managing Board members that is to be presented to the General Annual Meeting for approval on 24 April 2009:

Ing. Martin Divis, MBA (year of birth: 1973)
Dr. Christine Dornaus (year of birth: 1963)
Dr. Judit Havasi (year of birth: 1975)
Erich Leiß (year of birth: 1956)

The following two substitute members were also appointed to the Management Board, and will become members of the Management Board in the event of a long-term inability of a member of the Managing Board to discharge his or her duties:

Franz Fuchs (year of birth: 1953)
Mag. Roland Gröll (year of birth: 1965)

The 2008 areas of responsibility and country responsibilities will be changed as a result of the amendment to the articles of association and the increased number of members of the Managing Board.

The Supervisory Board has the following members:

Members elected by the General Annual Meeting:

President Komm.-Rat Dkfm. Klaus Stadler
Chairman
Year of birth: 1939
Date first appointed: 1992
End of current term of office: 2010

Komm.-Rat Dr. Karl Skyba
Deputy Chairman
Year of birth: 1939
Date first appointed: 1992
End of current term of office: 2010

Generalabt Propst Bernhard Backovsky
Year of birth: 1943
Date first appointed: 2002
End of current term of office: 2010

Mag. Alois Hochegger
Year of birth: 1949
Date first appointed: 2005
End of current term of office: 2010

Dipl.-Ing. Guido Klestil
Year of birth: 1941
Date first appointed: 1992
End of current term of office: 2010

Senator Prof. Komm.-Rat Walter Nettig
Year of birth: 1935
Date first appointed: 1992
End of current term of office: 2010

Hofrat Dkfm. Heinz Öhler
Year of birth: 1945
Date first appointed: 2002
End of current term of office: 2010

Mag. Reinhard Ortner
Year of birth: 1949
Date first appointed: 2007
End of current term of office: 2010

Dr. Johann Sereinig
Year of birth: 1952
Date first appointed: 1992
End of current term of office: 2010

Mag. Dr. Friedrich Stara
Year of birth: 1949
Date first appointed: 2002
End of current term of office: 2010

Employee representatives:
Peter Grimm
Year of birth: 1952

Brigitta Kinast-Pötsch (starting 1 September 2008)
Year of birth: 1952

Heinz Neuhauser (until 31 August 2008)
Year of birth: 1943

Franz Urban
Year of birth: 1949

Gerd Wiehart
Year of birth: 1961

Peter Winkler
Year of birth: 1956

Supervisory Board independence

In accordance with Rule 53 of the Austrian Corporate Governance Code, the Supervisory Board of the Wiener Städtische Versicherung AG Vienna Insurance Group has established the following criteria for independence:

- The Supervisory Board member has not been a member of the management board or senior management of the Company, or a subsidiary of the Company, in the last five years.

- The Supervisory Board member does not maintain a business relationship with the Company or a subsidiary of the Company of such significant scope for the Supervisory Board member that his or her activities on the Supervisory Board are affected to the detriment of the Company. This also applies to business relationships with companies in which the Supervisory Board member has a significant economic interest. The approval of individual transactions by the Supervisory Board in accordance with § 95(5)(12) of the Austrian Stock Corporation Act or § 15(2)(l) of the articles of association does not automatically lead to a classification as non-independent. It is expressly noted that the entry into or existence of insurance contracts with the Company does not in any case adversely affect independence.

- Over the last three years, the Supervisory Board member has not been an auditor of the Company's financial statements or an interested party or employee of the auditing company doing such auditing.

- The Supervisory Board member is not a member of the management board of another company that has a member of the Company's Managing Board as a member of its supervisory board.

- The Supervisory Board member is not a close family member (direct descendant, spouse, partner, parent, uncle, aunt, brother, sister, niece, nephew) of a member of the Managing Board or of persons who are in one of the positions described in the foregoing points.

The Supervisory Board as a whole is considered independent if at least 50% of the members elected by the General Annual Meeting satisfy the above-listed criteria for independence of a Supervisory Board member.

All members of the Supervisory Board elected by the General Annual Meeting have declared 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 of the Company with an ownership interest greater than 10% or represents the interests of such a shareholder..

The following Supervisory Board members held supervisory board positions or comparable positions in domestic or foreign listed companies in 2008:
(As of: February 2009)

Dipl.-Ing. Guido Klestil
austriamicrosystems AG

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

Komm.-Rat Dr. Karl Skyba
Flughafen Wien AG

Mag. Dr. Friedrich Stara
Henkel AG&Co KGaA

Supervisory Board committees

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

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

Komm.-Rat Dkfm. Klaus Stadler, Chairman
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 (until 31 August 2008)
Gerd Wiehart (starting 1 September 2008)
2nd Substitute: Peter Grimm

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

1. monitoring the accounting process;

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

3. monitoring the auditing of financial statements and consolidated financial statements;

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

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

6. auditing of the consolidated financial statements and Group management report, and presentation of a report on the audit findings to the supervisory board of the parent company;

7. preparing the Supervisory Board proposal for selection of the auditor of the financial statements (consolidated financial statements).

Komm.-Rat Dkfm. Klaus Stadler, Chairman
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 (until 31 August 2008)
Gerd Wiehart (starting 1 September 2008)
2nd Substitute: Peter Grimm

Committee for Management Board Matters (Compensation Committee)
The Committee for Management Board Matters deals with Management Board personnel matters, including successor planning. The Committee for Management Board Matters therefore also decides on the content of employment contracts with members of the Management Board and their compensation.

Komm.-Rat Dkfm. Klaus Stadler, Chairman
Komm.-Rat Dr. Karl Skyba

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

Komm.-Rat Dkfm. Klaus Stadler, Chairman
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 (until 31 August 2008)
Gerd Wiehart (starting 1 September 2008)
2nd Substitute: Peter Grimm

The Company concluded no agreements with members of the Supervisory Board in 2008 that would have required approval from the Supervisory Board.

Procedures followed by the Managing Board and Supervisory Board

Managing Board
The Managing Board meets at least once a week to discuss the current course of business, and during those meetings it makes the necessary decisions and adopts the required resolutions. The members of the Managing Board continuously exchange information with each other and the heads of the various departments at the time. The Managing Board is assisted in its management of the Group by the Group's Executive Board, which is comprised of the members of the Management Board plus selected members of the management boards of Group companies in Austria and the CEE region. The Managing Board is advised on important Group matters by the Senior Advisory Board, which is comprised of experienced Group managers and managers of Group companies. To assist the Managing Board with its management duties in Austria, an Extended Board was established, comprised of the members of the Managing Board and the department heads of the key areas of insurance business operations in Austria.

With the approval of the Supervisory Board, the Managing Board developed new rules of procedure providing for the formation of two Managing Board committees, one to deal with Group matters (Vienna Insurance Group) and the other with the management of Wiener Städtische in Austria (Wiener Städtische Österreich). The entry into force of the new rules of procedure and, therefore, the formation of the committees which they provide for is subject to the condition precedent of the entry into force of the amendment to the articles of association providing for an increase in the number of Management Board members. The amendment to the articles of association will be presented to the General Annual Meeting for approval on 24 April 2009.

Supervisory Board
The management of the Company is monitored by the Supervisory Board as a whole, as well as periodically by its Chairman and Deputy Chairman. Detailed presentations and discussions during Supervisory Board and Supervisory Board committee meetings are used for this purpose, as are recurring meetings

between, in particular, the Executive Committee of the Supervisory Board and the members of the Management Board, who provide comprehensive explanations and supporting documentation relating to the management and financial position of the Company and the Group. The strategy, business development and risk management of the Company are also discussed during Supervisory Board meetings and discussions with the Managing Board.

The Supervisory Board and Audit Committee also have direct discussions with the auditor of the financial statements and consolidated financial statements in order to inform themselves regarding the accounting process and the progress made in the auditing process and to inquire whether the audit has produced any material findings. The audit reports are discussed and deliberated in detail with the audit managers during the meetings dealing with the annual and Group financial statements. The Supervisory Board also obtains a quarterly report from the internal audit department, and has the Management Board explain the organisation and functioning of the risk management and internal control systems.

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

Number of meetings of the Supervisory Board and its committees

One ordinary General Annual Meeting and four Supervisory Board meetings were held in 2008. In addition, two meetings of the Audit Committee were held. The Committee for Urgent Matters held four meetings and was also contacted in writing with regard to ten matters. The Supervisory Board was informed of any resolutions passed by these committees at its next meeting following. The Committee for Managing Board Matters also held four meetings in 2008. No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings.

Disclosure of information on Managing Board and Supervisory Board compensation

Compensation plan for members of the Managing Board

Taking into account the steady evolution of the Company and the Group, the performance-linked component is measured according to the profit earned by the Group as well as by key Group companies, the amount of this component being subject to a maximum limit. The Managing Board receives no performance-linked compensation if profit falls below certain thresholds. Starting in the autumn, the 2008 financial year was dominated by dramatic events on financial markets. Notwithstanding the well-known difficulty presented by this environment, the Group still managed to earn its best profit ever. In view of the current economic environment, which continues to present great challenges to many customers of the Group as well, the Managing Board has decided to waive the 2008 performance-linked income component it is contractually guaranteed upon achievement of its targets, such that this income component will not be paid out. The standard employment agreement of a Wiener Städtische Versicherung AG Vienna Insurance Group Managing Board member includes a maximum pension plan obligation of 40% of the measurement basis if the member remains on the Managing Board until the age of 65 (the measurement basis being equal to the fixed salary component). The rules for Managing Board members with many years of prior service differ in that the percentage of the measurement basis is higher for historical reasons (up to 55%), with supplements awarded for remaining on the Managing Board at the Supervisory Board's request 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 provide for a post-employment benefit that is formulated in accordance with the provisions of the Austrian Employee Act (Angestelltengesetz), as amended in 2003, in combination with relevant sector-specific rules. Depending on the period of service, these allow Managing Board members to receive a post-employment benefit of two to twelve months' compensation, with a supplement of 50% if the member retires or withdraws after a long-term illness. A member who withdraws from the Managing Board of his or her own volition before being able to retire, or who withdraws due to a fault of his or her own, is not entitled to a post-employment benefit.

Compensation plan for members of the Supervisory Board

In accordance with resolutions adopted by the 16th ordinary General Annual Meeting of 25 May 2007, the members of the Supervisory Board elected by the General Annual Meeting are entitled to receive compensation in the form of a payment remitted monthly in advance. Members of the Supervisory Board who withdraw from the Supervisory Board 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 fee for their participation in Supervisory Board meetings and Supervisory Board committee meetings (remitted following participation in the meeting).

The total compensation paid to members of the Supervisory Board in 2008 was EUR 353,000 (2007: EUR 226,000).

DECLARATION BY THE MANAGING BOARD

We declare to the best of our knowledge that the annual financial statements prepared in accordance with applicable accounting standards give a true and fair view of the Company's net assets, financial position and results of operations, the management report presents the business development, performance and position of the Company so as to give a true and fair view of its net assets, financial position and results of operations, and the management report provides a description of the principal risks and uncertainties to which the Company is exposed.

The Managing Board:

Dr. Günter Geyer

Dkfm. Karl Fink

Dr. Peter Hagen

Mag. Peter Höfinger

Mag. Robert Lasshofer

Dr. Martin Simhandl

Vienna, 17 March 2009

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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

A key figure used in the analysis of shares and companies. Cash flow is essentially calculated by adding together the profit for the year, depreciation, changes in long-term provisions, and income taxes. It represents the inflow of liquid assets during a specific accounting period.

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, the result is a net combined ratio.

Consolidation

The financial assets of the parent company and those of the subsidiaries are combined when the consolidated financial statements are prepared by the parent company. During this process, intercompany capital combinations, interim profit/loss, payables and receivables, and income and expenses between group companies are eliminated.

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 writedowns of securities to listed market prices, bank fees, etc.

Gross domestic product (GDP)

A measure of a country's economic production. All goods and services produced or provided within a country (by citizens or foreigners) during a specified period, valued at current prices (market prices) or constant prices (prices in a certain base year).

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 a part of the Austrian Financial Market Authority (FMA) that was established as an independent authority in April 2002. Its supervision extends to private-sector insurance companies with registered offices in Austria.

Loss provision

A provision for losses that have already been incurred but have not yet been settled.

Market capitalisation

Stock exchange value or market capitalisation means the value of a stock corporation calculated by multiplying the current stock exchange price by the total number of shares issued.

Market value

The value of an asset on the balance sheet that can be realised by selling it in the market to a third party.

Mathematical reserve

A reserve calculated according to mathematical principles for future insurance payments in the life and health insurance areas. In the health insurance area, this is also referred to as an ageing reserve.

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.

Organic growth

Organic growth means the growth of a company resulting from the company's own financial strength. Such growth is therefore not the result of purchasing other companies.

Personal insurance

Comprised of life, health and casualty insurance.

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.

Present value

Current value of a cash amount to be received in the future, calculated through discounting by a known discount rate.

Profit participation

See premium refund (profit-dependent).

Rating

A rating is an evaluation of an insurance company or insurance products carried out by a rating agency. The evaluation is expressed as a kind of grading. The rating is presented using symbols, and comprises a number of different classes. It is very similar to a school grading system.

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.

Single premium

A special type of premium payment used for life insurance. A (high) amount is paid as a single premium at the start of the policy.

Solvency II

Solvency II is a fundamental reform of insurance supervisory law in Europe, particularly solvency regulations relating to the capital adequacy of insurance companies. Solvency II is intended to create methods for the riskbased management of the total solvency of insurance companies. The static system for determining capital adequacy currently in effect will be replaced by a riskbased system, which goes beyond the current capital adequacy provisions of the Insurance Supervision Act to also take into account, in particular, qualitative factors (e.g. internal risk management).

Stress test

Stress tests are a special form of scenario analysis. The objective is to arrive at a quantitative assessment of the potential losses incurred by portfolios in the event of extreme market fluctuations.

UGB

From 1 January 2007 Austrian Corporation Code (UnternehmensgesetzbuchUGB)

Underwriter

Underwriters are responsible for evaluating risks in the insurance industry, and have the authority to underwrite risks. An underwriter estimates the probability and size of a loss as precisely as possible, calculates insurance premiums and establishes policy terms.

Underwriting provisions

These consist of the provision for outstanding claims, actuarial reserve, unearned premiums, provisions for profitdependent and profit-independent premium refunds, the equalisation provision, and other underwriting reserves.

Unearned premiums

The portion of premiums written that were specified for the period following the annual financial statement reporting date and are therefore not included in the income for the financial year. These premiums are used to cover obligations arising after the balance sheet reporting date.

Unit-linked and index-linked life insurance

Insurance policies where the capital investment is made at the policy-holder's risk. The investments in this area are valued at fair value, with the underwriting reserves shown at the value of the capital assets.

VAG

The Austrian Insurance Supervision Act (Versicherungsaufsichtsgesetz) includes provisions governing the organization and supervision of insurance companies.

Value at Risk (VaR)

Value-at-Risk is a procedure used to calculate potential losses arising from price changes affecting the trading position. This loss potential is expressed using a specific confidence limit (e.g. 98%), and is calculated based on market-related price changes.

Vienna Insurance Group

Name for the Group Wiener Städtische Versicherung AG Vienna Insurance Group

Volatility

Fluctuations in security prices, currency rates, and interest rates.

Wiener Städtische AG

A short name for the single company Wiener Städtische Versicherung AG Vienna Insurance Group.

Sources of market shares and market positions

Country	Source	Homepage	Status quo
Austria	Versicherungsverband Österreich (VVO)	www.vvo.at	2008 (preliminary)
Czech Republik	Versicherungsverband der Tschechischen Republik (CAP)	www.cap.cz	2008 (preliminary)
Slovakia	Versicherungsverband der Slowakei (SLASPO)	www.slaspo.sk	2008 (preliminary)
Poland	Polnische Finanzmarktaufsicht (KNF)	www.knf.gov.pl	1st to 3rd quarter 2008
Romania	Versicherungsmagazin Insurance Profile	www.insuranceprofile.ro	1st to 3rd quarter 2008
Albania	Albanische Finanzmarktaufsicht	www.amf.gov.al	2008
Bulgaria	Bulgarische Finanzmarktaufsicht	www.fsc.bg	1st to 3rd quarter 2008
Estonia	Estnische Finanzmarktaufsicht	www.fi.ee	1st to 3rd quarter 2008
Georgia	Georgische Versicherungsmarktaufsicht		1st to 3rd quarter 2008
Croatia	Kroatische Finanzmarktaufsicht (HANFA)	www.hanfa.hr	2008
Latvia	Lettischer Versicherungsverband	www.laa.lv	2008
Lithuania	Litauische Finanzmarktaufsicht	www.dpk.lt	1st to 3rd quarter 2008
Serbia	Serbische Nationalbank	www.nbs.yu	1st to 3rd quarter 2008
Turkey	Türkischer Versicherungsverband	www.tsrsb.org.tr	2008
Ukraine	Ukrainische Finanzmarktaufsicht		1st to 2rd quarter 2008
Hungary	Ungarischer Versicherungsverband (MABISZ)	www.mabisz.hu	2008

Market share V.I.G. - Definition CEE: Czech Republic, Slovakia, Poland, Romania, Bulgaria, Croatia, Hungary and Serbia.

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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.vig.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.

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