

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's 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.

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 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.

Explanation: Because of its particular importance, the issue of successor planning is handled by the Supervisory Board as a whole. The Supervisory Board of VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG has for that reason not set up a nominating committee.

MEMBERS OF THE MANAGING BOARD AND THE SUPERVISORY BOARD

The size of the Managing Board was increased to ten members on 13 June 2009, the effective date of the resolution amending the articles of association passed by the General Shareholders' Meeting resolution on 24 April 2009. The Managing Board had the following members in financial year 2009.

The Managing Board formed two Managing Board committees, one to deal with Group matters (Vienna Insurance Group Committee) and the other with the management of Wiener Städtische in Austria (Wiener Städtische Austria Committee).

Vienna Insurance Group Committee

Dr. Günter Geyer
 Dkfm. Karl Fink (until 30 September 2009)
 Dr. Peter Hagen
 Dr. Martin Simhandl
 Ing. Martin Divis (starting 13 June 2009)
 Franz Fuchs (starting 1 October 2009)
 Mag. Peter Höfingner

Wiener Städtische Austria Committee

Dr. Günter Geyer
 Mag. Robert Lasshofer
 Dr. Christine Dornaus (starting 13 June 2009)
 Dr. Judit Havasi (starting 13 June 2009)
 Erich Leiß (starting 13 June 2009)

Detailed information on the members of the Managing Board:

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: management of the Group, strategic questions, public relations, marketing, legal office, human resources

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

Positions currently held on the supervisory boards of other domestic and foreign corporations outside of the Group:
 Casinos Austria AG
 CESEEG Aktiengesellschaft
 SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft
 Wiener Börse AG

Dkfm. Karl Fink (until 30 September 2009)

General Manager

Year of birth: 1945
 Date first appointed: 1987
 End of term of office: 30 September 2009

Areas of responsibility 2009: corporate and large risk business (underwriting claims)

Positions currently held on the supervisory boards of other domestic and foreign corporations outside of the Group:

Wienerberger AG
 AT&S Austria Technologie & Systemtechnik AG

Dr. Peter Hagen

Deputy General Manager

Year of birth: 1959
 Date first appointed: 2004
 End of current term of office: 30 June 2013

Areas of responsibility: sponsoring, cost structure of the Group, Group IT / back office, SAP Smile Solutions, VIG RE, project internal capital model (project Solvency II)

Positions currently held on the supervisory boards of other domestic and foreign corporations outside of the Group:

voestalpine AG

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: sales, corporate and large risk business, marketing/advertising

Positions currently held on the supervisory boards of other domestic and foreign corporations outside of the Group:

SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft
 Bausparkasse der österreichischen Sparkassen AG

Dr. Martin Simhandl

CFO

Year of birth: 1961
 Date first appointed: 2004
 End of current term of office: 30. Juni 2013

Areas of responsibility: asset management, asset-risk management, subsidiary and loans management, finance and accounting, coordination TBIH

Country responsibilities: Germany, Liechtenstein, Croatia

Ing. Martin Diviš, MBA (starting 13 June 2009)

Year of birth: 1973

Date first appointed: 2009

End of current term of office: 30 June 2013

Areas of responsibility: profitability steering motor insurance

Country responsibilities: Czech Republic, Belarus, Ukraine

Dr. Christine Dornaus (starting 13 June 2009)

Year of birth: 1963

Date first appointed: 2009

End of current term of office: 30 June 2013

Areas of responsibility: investment/ownership interest/real estate, accounting

Positions currently held on the supervisory boards of other domestic and foreign corporations outside of the Group:

ATHENA Wien Beteiligungen AG

Porr Projekt und Hochbau Aktiengesellschaft

Porr Technobau und Umwelt Aktiengesellschaft

Franz Fuchs (starting 1 October 2009)

Year of birth: 1953

Date first appointed: 2009

End of current term of office: 30 June 2013

Areas of responsibility: profitability steering personal insurance

Country responsibilities: Baltic States, Bulgaria, Poland, Romania

Positions currently held on the supervisory boards of other domestic and foreign corporations outside of the Group:

C-QUADRAT Investment AG

Dr. Judit Havasi (starting 13 June 2009)

Year of birth: 1975

Date first appointed: 2009

End of current term of office: 30 June 2013

Areas of responsibility: human resources, law, reinsurance/actuarial services personal insurance

Mag. Peter Höfinger

Year of birth: 1971

Date first appointed: 2009

End of current term of office: 30 June 2013

Areas of responsibility: corporate and large risk business, Vienna International Underwriters (VIU), reinsurance

Country responsibility: Hungary, Serbia

Positions currently held on the supervisory boards of other domestic and foreign corporations outside of the Group:

Insurance Joint Stock Company MSK Standard

Erich Leib (starting 13 June 2009)

Year of birth: 1956

Date first appointed: 2009

End of current term of office: 30 June 2013

Areas of responsibility: non-life insurance (underwriting/claims), IT, business organisation, reinsurance property insurance

The Managing Board is responsible for the issues of the General Secretariat, Group Controlling, Enterprise Risk Management, Actuarial Department, Internal Audit and Investor Relations.

The following two substitute members were also appointed to the Managing Board, and will become members of the Managing Board in the event of a long-term inability of a member of the Managing Board to discharge his or her duties:

Mag. Roland Gröll (Year of birth: 1965)**Dr. Franz Kosyna (Year of birth: 1954)****The Supervisory Board has the following members:****MEMBERS ELECTED BY THE ANNUAL GENERAL MEETING:****Präsident Komm.-Rat Dkfm. Klaus Stadler****Chairman**

Year of birth: 1939

Date first appointed: 1992

End of current term of office: 2014

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

Year of birth: 1939

Date first appointed: 1992

End of current term of office: 2014

Generalabt Propst Bernhard Backovsky

Year of birth: 1943

Date first appointed: 2002

End of current term of office: 2014

Mag. Alois Hochegger

Year of birth: 1949

Datum der Erstbestellung: 2005

End of current term of office: 2014

Dipl.-Ing. Guido Klestil

Year of birth: 1941

Date first appointed: 1992

End of current term of office: 2014

Senator Prof. Komm.-Rat Walter Nettig

Year of birth: 1935

Date first appointed: 1992

End of current term of office: 2014

Hofrat Dkfm. Heinz Öhler

Year of birth: 1945

Date first appointed: 2002

End of current term of office: 2014

Mag. Reinhard Ortner

Year of birth: 1949

Date first appointed: 2007

End of current term of office: 2014

Dr. Johann Sereinig

Year of birth: 1952

Date first appointed: 1992

End of current term of office: 2014

Mag. Dr. Friedrich Stara

Year of birth: 1949

Date first appointed: 2002

End of current term of office: 2014

EMPLOYEE REPRESENTATIVES:**Peter Grimm**

Year of birth: 1952

Brigitta Kinast-Pötsch

Year of birth: 1952

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 VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG has established the following criteria for independence:

- The Supervisory Board member has not been a member of the Managing 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 accor-

dance 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 contracts of insurance 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 managing 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 Shareholders' Meeting satisfy the above-listed criteria for independence of a Supervisory Board member.

All members of the Supervisory Board elected by the General Shareholders' 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 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

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 decides 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
 3rd Substitute: Mag. Reinhard Ortner

Komm.-Rat Dr. Karl Skyba

1st Substitute: Dipl.-Ing. Guido Klestil
 2nd Substitute: Hofrat Dkfm. Heinz Öhler
 3rd Substitute: Mag. Reinhard Ortner

Franz Urban

1st Substitute: Gerd Wiehart
 2nd Substitute: Peter Grimm

AUDIT COMMITTEE (ACCOUNTING COMMITTEE)

The Audit Committee (Accounts Committee) is responsible for the duties assigned under § 92(4a) of the Austrian Stock Corporation Act (AktG), 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 the 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 proposed appropriation of profits, management report and corporate governance report, and presentation of a report on the audit findings to the Supervisory Board;
6. auditing of the consolidated financial statements and Group management report, and presentation of a report on the audit findings to the supervisory board of the parent company;
7. preparation of the Supervisory Board proposal for selecting the auditor of the financial statements (consolidated financial statements).

Komm.-Rat Dkfm. Klaus Stadler, Vorsitzender

1st Substitute: Dr. Johann Sereinig
 2nd Substitute: Mag. Alois Hochegger
 3rd Substitute: Mag. Reinhard Ortner

Komm.-Rat Dr. Karl Skyba

1st Substitute: Dipl.-Ing. Guido Klestil
 2nd Substitute: Hofrat Dkfm. Heinz Öhler
 3rd Substitute: Mag. Reinhard Ortner

Franz Urban

1st Substitute: Gerd Wiehart
 2nd Substitute: Peter Grimm

COMMITTEE FOR MANAGING BOARD MATTERS (COMPENSATION COMMITTEE)

The Committee for Managing Board Matters deals with Managing Board personnel matters. The Committee for Managing Board Matters therefore decides on the content of employment contracts with members of the Managing Board and their compensation.

Komm.-Rat Dkfm. Klaus Stadler, Chairman**Komm.-Rat Dr. Karl Skyba****STRATEGY COMMITTEE**

The Strategy Committee works together with the Managing 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
 3rd Substitute: Mag. Reinhard Ortner

Komm.-Rat Dr. Karl Skyba

1st Substitute: Dipl.-Ing. Guido Klestil
 2nd Substitute: Hofrat Dkfm. Heinz Öhler
 3rd Substitute: Mag. Reinhard Ortner

Franz Urban

1st Substitute: Gerd Wiehart
 2nd Substitute: Peter Grimm

The Company concluded no agreements with members of the Supervisory Board in 2009 that would have been required approval from the Supervisory Board.

Procedures followed by the Managing Board and Supervisory Board**Managing Board**

In accordance with the Managing Board rules of procedure, the Managing Board formed two Managing Board committees, one to deal with Group matters (Vienna Insurance Group Committee) and the other with the management of Wiener Städtische in Austria (Wiener Städtische Austria Committee).

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 with the heads of departments

at a given 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 Managing Board plus selected representatives 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.

Supervisory Board

The management of the Company is periodically monitored by the Supervisory Board as a whole, as well as by its committees, 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 Managing Board, who provide comprehensive explanations and supporting documentation relating to the management and financial position of the Company and the Group. The strategy, business development, risk management, internal control system and activities of the internal audit department of the Company are also discussed in 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 of the audit and to inquire whether the audit has produced any material findings. The audit reports are discussed and deliberated over 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 Managing Board explain to it the organisation and functioning of the risk management and internal control systems.

The Supervisory Board has formed four committees from among its members, a Committee for Urgent Matters (Working Committee), Audit Committee (Accounts Committee), Committee for Managing 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 Shareholders' Meeting and five Supervisory Board meetings were held in 2009. Four meetings of the Audit Committee were also held. The Committee for Urgent

Matters held one meeting and was also contacted in writing with regard to eight matters. The Supervisory Board was informed of all resolutions passed by these committees at its next following meeting. The Committee for Managing Board Matters also held three meetings in 2009. 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

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 key 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.

In view of the economic environment, which also continues to present great challenges to many of the Group's customers, the Managing Board waived the 2008 performance-linked income component it is contractually entitled to upon achieving its targets.

Despite the good 2009 results, the Managing Board, in recognition of the difficult economic situation, is also waiving its bonus entitlement for 2009.

The standard employment agreement of a member of the Managing Board of VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG includes a pension entitlement equal to at most 40% of the measurement basis if the member remains on the Managing Board until the age of 65 (the measurement basis is equal to the standard fixed salary). 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 normally 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.

To the extent that the law does not require application of the provisions of the Austrian Employee and Self-Employment Provisions Act (Mitarbeiter- und Selbstständigen-Vorsorgegesetz) do not apply under the law, the Managing Board agreements of VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG provide for a severance payment structured in accordance with the provisions of the Austrian Employee Act (Angestelltengesetz), as amended in 2003, in combination with applicable

sector-specific provisions. Under these provisions, depending on the period of service, Managing Board members can receive two to twelve months' compensation as a severance payment, with an increase 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 severance payment.

Compensation plan for members of the Supervisory Board

In accordance with resolutions adopted by the 16th ordinary General Shareholders' Meeting of 25 May 2007, the members of the Supervisory Board elected by the General Shareholders' Meeting are entitled to receive compensation in the form of a 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 2009 was EUR 366 thousand (2008: EUR 353 thousand).

Measures undertaken for the promotion of women in the Managing Board, Supervisory Board and management positions

Dr. Christine Dornaus and Dr. Judit Havasi became members of the Company's Managing Board effective 13 June 2009. Not including the Chairman, women therefore now hold 50% of the positions on the Wiener Städtische Managing Board committee.

In addition, Mag. Helene Kanta is a member of the Extended Board of Wiener Städtische.

As of 1 January 2009, around 1/3 of the managers directly below the Managing Board were women, both in the VIENNA INSURANCE GROUP and Wiener Städtische Austria. Ms. Ida Wander is the manager of the Tyrolean provincial headquarters.

The first stage in the optimisation of Wiener Städtische's customer support department in 2009 was to restructure three areas directly below the Managing Board. The selection procedure resulted in women being chosen to manage two of these.

Mag. (FH) Sabine Stiller was appointed manager of the V.I.G. general secretariat and Dipl.-Ing. Doris Janik manager of the Wiener Städtische general secretariat effective 1 January 2010.

The Managing Board:



Dr. Günter Geyer



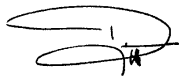
Dr. Peter Hagen



Mag. Robert Lasshofer



Dr. Martin Simhandl



Ing. Martin Diviš, MBA



Dr. Christine Dornaus



Franz Fuchs



Dr. Judit Havasi



Mag. Peter Höfinger



Erich Leiß

Vienna, 11 March 2010