



VIG 

VIENNA INSURANCE GROUP

ONE PART OF THE WHOLE

As one of the leading insurance groups in the CEE region, we are aware of the great responsibility we bear. In our view, a solid foundation for sustained economic success is found only in balancing the interests of all our stakeholders. This extends far beyond our customers and employees, which is why we also make a wide range of contributions to social causes of all kinds.

THE **VIENNA INSURANCE GROUP**

RESOURCES AND RESPONSIBILITIES

HUMAN CAPITAL

Our employees possess a wide range of talent, skills and needs. As an employer of approximately 25,000 persons, our goal is to promote their professional and personal development, and support them in challenging and developing their abilities.

VIG feels that promoting the development and motivation of its employees is an important way to successfully address the continuous change taking place in the business world. The Company also demands the highest standards of conduct and professionalism.

The human resources (HR) activities are closely linked to the Vienna Insurance Group business strategy. As a result, the focus of the Group's human resource efforts also changed in 2010. In addition to the central objective of company growth, another focus decided on was the management of change processes, support for employees in dealing with the associated effects, and the steering of efficiency improvement measures. Human Resources takes care to ensure that VIG's employees provide the best support possible for the changes stemming from difficult market conditions.

Strategic objectives for 2010

- > **Ensure employee satisfaction in spite of change processes**
- > **Ensure loyalty of talented employees and use top employees in the right places**
- > **Strengthen the culture of achievement within the Company**
- > **Promote entrepreneurial thinking and the exchange of best practices**

OUR AIM IS ...

... to be the preferred employer in the insurance industry

Career Calling '10

In 2010, VIG once again participated in Austria's largest career fair, "Career Calling '10". Organised by the zBp Career Centre at the Vienna University of Economics and Business, this recruiting event brings top national and international companies together with students, graduates and young professionals in the areas of business, science and technology. The career fair attracted 5,000 visitors this year. The focus of the presentation was VIG as a Group. All of the individual companies were given the opportunity to present themselves at the VIG stand by means of company brochures, recruiting materials and advertisements for vacant positions. The attendance at the fair was accompanied by advertising in the print media, e.g. in the Career Magazine of zBp and the Job Fair Roundup of the "Der Standard" daily newspaper.

Balkan Case Challenge (BCC) – Identification and promotion of talented young students

In its search for talented young students with international backgrounds and extensive language skills, VIG supports the Balkan Case Challenge, a competition for talented students from twelve South Eastern European countries organised each year by the World University Service (WUS). The students develop and present a realistic case study during the competition. The BCC is a unique platform offering the chance to meet young, dedicated individuals from South Eastern Europe. Discussions with the top students from the region were continued in the "South Eastern Europe Career Day" organised by the Austrian Chamber of Commerce.

... to identify and recruit talented employees

Internal Job Market

The Vienna Insurance Group places great importance on promoting the development of qualified, dedicated employees and filling important positions from within the Company. In 2010, close to 25% of available positions were filled by internal applicants. The internal job market has established itself as an important tool for building employee loyalty to the Company, ensuring that expertise remains in the Group for the long term while keeping re-

cruiting expenses low. The ability to advertise internally throughout the Group provides local HR managers with access to a large group of candidates and opens up attractive international career opportunities for employees.

Career portal on www.vig.com – an entryway for prospective employees

As a result of the redesign of the [vig.com](http://www.vig.com) website in 2010, the “Jobs & Career” section now has a modern recruiting and selection system. The online recruiting tool simplifies information exchange with internal and external applicants and helps the Vienna Insurance Group in its search for talented, motivated employees. A total of approximately 900 applications have been received through this channel since March 2010.

In addition to publishing all current job openings, the “Jobs & Career” section of the website provides information on the Group’s human resources strategy and recruiting initiatives, as well as a map that can be used to find recruitment contacts in individual group companies. In order to provide potential employees with a realistic view of the working environment being offered, employees are shown at their workplaces along with a short statement about their personal VIG career paths.

Welcome Day

New employees of the Vienna Insurance Group should quickly become familiar and comfortable with their working environment. For this purpose, an all-day welcoming event is held for new employees of VIG Holding under the motto “Challenges that unite us – We are family”. New employees there are given important information on the Group, the insurance business and the values of VIG, and have the opportunity to exchange information with other employees and make new contacts within the Company.

... to motivate employees and increase employee loyalty

Learning and advanced training

The Vienna Insurance Group is convinced that training and advanced training have a positive and lasting effect on employee loyalty. It therefore uses a structured approach in the training and development area. The Vienna Insurance Group is striving to realise a vision of a systematic, multi-perspective training system that can provide a full range of professional and personal development. The individual programmes are aimed at a variety of user groups.

The VIG Corporate University is a modular Group-wide platform for initiatives and activities designed to develop management and leadership skills. The VIG School of Business, which primarily focuses on expanding and developing professional knowledge, added new training courses in 2010. In addition to the VIG Underwriting Academy, new advanced training programmes were developed and offered in areas such as risk management.

**A WIDE RANGE OF
DEVELOPMENT
OPPORTUNITIES
FOR APPROX.
25,000 EMPLOYEES**

Performance Development Dialogue (PDD)

Group-wide implementation of a performance-linked management and development tool, the Performance Development Dialogue (PDD), began in 2010. Developed in 2009, this structured employee performance review is an important step towards strengthening a culture of achievement in which common company values, standards and performance expectations, along with desired modes of conduct, contribute to the long-term success of the Company. In addition to VIG Holding, sections of two other companies, in Austria and the Czech Republic, were also included in the pilot phase. The PDD process is scheduled to be implemented throughout the Group in the next three years.

Lead@VIG

Effective successor management, i.e. the recruitment and development of future managers, continued to be one of the main focuses of Group human resources efforts in 2010. At the start of the year, an initial group of 500 top and potential performers was identified. The next steps in the successor management process were focussed on identifying and managing succession risks in a structured manner in order to ensure an adequate supply of personnel to fill key positions in VIG companies and the Group holding company over the long term.

Three priority areas were identified for successor management where steps are being implemented in 2011:

- Human capital risk management for managing board positions
- Human capital risk management for the holding company
- Creation of separate human capital risk management processes for each VIG company

Staff Diagnostic

VIG Staff Diagnostic is a standardised Group-wide evaluation programme that allows employee potential to be identified and systematically developed. The analysis is adapted to the needs of each user, thereby ensuring that

employees are used precisely where their skills, interests and knowledge can be used best. VIG Staff Diagnostic helps increase performance and expertise over the long term as well as increase employee loyalty to the Company. Use of a standardised

evaluation programme lays the foundation for a professional Group-wide career and development planning system.

The Vienna Insurance Group performed a total of 100 employee evaluations in Austria, Poland, Romania, Croatia, Macedonia and Turkey in 2010. The focus was on distribution and the management level.

Mobility in practice

An international company needs internationally mobile employees. VIG encourages its employees to gather experience in the 24 markets where the Group is active, thereby promoting cooperation between countries and companies. Further improvements were made to employee mobility programmes throughout the Group in 2010. The goal of the project was to increase transparency and create uniform guidelines and clarity with respect to processes and selection procedures. The focus was on job rotation.

The international on-the-job training programme introduces highly talented trainees to the work processes, guidelines and standards of important departments in VIG Holding and Group companies during a stay of from two to ten months. In addition to international assignments, local rotations within the Group holding company are also possible.

The objective for 2011 is to expand the existing mobility programme to additional departments and companies and promote new measures, including “knowledge transfer trips” and “international project assignments”. Designed to be short, intensive stays, they are aimed at further strengthening cooperation and the transfer of know-how within the Group.

... to give equal opportunity to all

Diversity and Equal Treatment

Diversity is not just a catchword in the Vienna Insurance Group, but an accepted everyday reality. Diversity and individuality are seen as enriching, both for customer contact and internal cooperation, and make a key contribution to the continuous development and improvement of VIG products and internal processes.

These considerations also extend to the important area of equal treatment for men and women in terms of remuneration and career opportunities. VIG therefore welcomes the creation of a legal framework for more income transparency as a positive step. The Corporate Governance Report provides detailed facts and figures on women's careers in VIG.

DIVERSITY AND DIFFERENT TALENTS AND ABILITIES ARE AN ADVANTAGE

CORPORATE SOCIAL RESPONSIBILITY

As a successful international insurance group, we feel we have a responsibility to create the conditions for a future worth living. Satisfying economic demands, while not neglecting social and environmental concerns, is an important organisational challenge for us, and is the only way we can be true to our fundamental value of value-oriented growth.

VIG addresses socially relevant topics such as provisions for pensions or nursing care both in its business dealings and beyond. It is committed to helping people in their efforts to achieve security. The Group companies use exchanges with political and business decision-makers to initiate improvements in the provisions made for old age in their countries, while continuously expanding their product ranges to meet the current needs of the population. Efforts are also made to develop resource-saving service and process innovations.

It is in the interest of the Vienna Insurance Group to address the concerns of all stakeholders and satisfy their need for information. Establishing an open and collaborative dialogue with stakeholders has proven to be an effective way to secure confidence in the Company, especially in economically difficult times.

The Vienna Insurance Group has a corporate culture of value creation, openness, and respect for others around us that is anchored in the values of the Group. The Vienna Insurance Group makes use of the potential in its diversity to work internationally, across borders and cultures, to make an important contribution to mutual understanding.

Included in two sustainability indices in 2010

Vönix

VÖNIX is Austria's first sustainability index. It was created by the VBV Austrian pension fund and is made up 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, evaluated using publicly available corporate information,

questionnaires, company contacts, media reports, data bases, etc. VIG'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 (CSR). The FTSE4Good index is based on criteria in three areas: activities aimed at environmental sustainability, development of positive relationships with stakeholders, and observance of human rights. Vienna Insurance Group shares were included in this global index in mid-2007.

Social responsibility

VIG and its principal shareholder Wiener Städtische Wechselseitige use partnerships and targeted initiatives to assist the activities of aid organisations, particularly in the Central and Eastern European countries where VIG Group companies operate. Its involvement is aimed at creating lasting benefits. It therefore directs its assistance to institutions and projects based on their reliability as partner organisations and an effective, long-term use of the funds. The focus is on social projects that provide assistance to children in need and lead to a lasting improvement in the living conditions of the people involved.

Three examples of concrete measures that address social responsibility:

Caritas Eastern Europe Campaign

Each February, Caritas collects donations for street children and socially disadvantaged children in the poorest countries of Eastern and Southern Europe. The campaign operates under the motto "Working wonders together", and supports more than 100 projects in Albania, Bulgaria, Hungary, Romania, Slovakia, Ukraine and other countries. The donations are used to provide food and clothing for children and pay for the cost of schooling. The goal is to provide children with the opportunity to obtain an education and learn a profession, regardless of their circumstances.

Die Zweite Sparkasse

Wiener Städtische, the largest company in the Vienna Insurance Group, has been a cooperation partner to the “Bank for People without a Bank” since 2007, making it the first insurance company in Austria to become involved in the area of micro-insurance. The “Second Savings Bank” (*Die Zweite Sparkasse*) supports people in need who no longer have access to banking services as a result of difficult economic circumstances.

In addition to the banking products offered, all account holders receive an insurance package from Wiener Städtische. The basic insurance package provides one free legal consultation each quarter and free casualty insurance. The casualty insurance automatically covers children living in the same household as the account holder. Premium payments are made by the principal shareholder Wiener Städtische Wechselseitige. The option of purchasing household insurance for a monthly premium of only EUR 3 is also available.

The “Second Savings Bank” has branches in Graz, Innsbruck, Klagenfurt, Salzburg, Vienna, Villach and, since 2010, Linz. Regional Sparkasse branches offer “Second Savings Bank” services in Lower Austria, Upper Austria and Burgenland.

Hospice Association of Styria

The Hospice Association of Styria (*Hospizverein Steiermark*) assists seriously and terminally ill patients and their families and works to promote social awareness. Around 700 active volunteers help patients and their families at home, in retirement homes, and nursing homes, hospitals, outpatient hospices and palliative care facilities.

Cultural Commitment

VIG feels that art and culture are an important factor in a society's quality of life, and that it is rewarding to take responsibility in this area. VIG and its group companies and principal shareholder Wiener Städtische Wechselseitige therefore provide assistance to artists and cultural projects.

Examples of cultural commitment:

Ringturm.Art Exhibition

The Group has been a committed supporter of the arts and artists since the 1920s, and has developed into a highly active collector. Today, the Vienna Insurance Group has a remarkable art collection in Austria, focusing on painting and the graphic arts from 1945 to the present, that was exhibited to the public for a limited time.

From the middle of October 2010 to the middle of March 2011, a cross-section of the Vienna Insurance Group's collection was presented for the first time in a special exhibition presented by the Leopold Museum in Vienna titled Ringturm.Art. More than a hundred works of art were presented, including works by Irene Andessner, Christian Ludwig Attersee, Herbert Boeckl, Herbert Brandl, Robert Hammerstiel, Peter Kogler, Oskar Kokoschka, Josef Mikl, Eva Schlegel, Hubert Schmalix, Peter Weibel, Max Weiler and Otto Zitko. This project was made possible by the principal shareholder Wiener Städtische Wechselseitige.



Web@rchiv Austria

The Web@rchiv of the Austrian National Library was launched in 2008 and is dedicated to collecting and archiving the entire webspace for the nation of Austria. The Web@rchiv Austria (*Web@rchiv Österreich*) has been accessible to the public since June 2010. The project will provide future readers and scientists access to websites that have already disappeared from the live web. In this way, the Austrian National Library has extended its activities from the preservation of printed materials to the preservation of information published on the Internet for posterity. This project received an honourable mention in the 2010 Maecenas Art Sponsoring Awards.

The Morning Line Istanbul

The Vienna Insurance Group has provided support to the Thyssen-Bornemisza Art Contemporary (T-B A21) since 2005. The foundation promotes contemporary art by commissioning unconventional projects and promoting

their distribution. T-B A21 presented “The Morning Line”, a sound installation, in the Istanbul European Capital of Culture 2010 art programme. The installation by Matthew Richie and Aranda\Lasch explores the interplay between different artistic and scientific disciplines, such as architecture, music and mathematics. VIG and the Turkish group company Ray Sigorta were the main sponsors of the project.

“Architecture in the Ringturm” exhibition series

The Ringturm, designed by renowned architect Erich Boltenstern and the headquarters of the Vienna Insurance Group, is a place where people can meet and exchange ideas. Architectural exhibitions have been presented regularly since 1998 in the “Architecture in the Ringturm” series. Principal shareholder Wiener Städtische Wechselseitige uses this exhibition series to provide architects in all of the countries where VIG operates with a venue that is accessible to the public free of charge.

Form & Energy. Architecture in and from Austria

One of the exhibitions that took place in 2010 was “Form & Energy. Architecture in and from Austria”, which focused on environmentally friendly construction projects, thereby underscoring VIG’s concerns for environmental protection and sustainable development.

Careful use of natural resources is a key focus of environmental goals and changes in building methods worldwide, and has led to a number of model technical and structural projects and initiatives in Austria. The exhibition ran from 27 May 2010 to 2 July 2010, and showed a selection of many projects from the last decade: environmentally friendly power plants and transportation infrastructure projects, renewable resources and modern climate-control equipment in residential construction and housing developments, sustainable concepts for urban development and public buildings for education, culture and sports, and

innovative architecture for commerce and industry. Around 60 examples were presented of architecture that meets the highest environmental standards for construction and operation.

The Ringturm architectural centre also presented the following exhibitions in 2010:

19 March 2010 to 30 April 2010

Ivan I. Leonidov – Russian constructivist architect

The “100 Years of Leonidov” exhibition presented a large number of model reconstructions, plans, photographs and carefully produced computer reconstructions and video montages casting a new light on the life work of Ivan Leonidov, the most advanced of the Russian constructivists.



13 July 2010 to 17 September 2010

Tirana_ Plan Build Live – Everyday life in Albania’s capital city

This exhibition cast light on another portion of the “terra incognita” of Southern Europe. Planning, building and living in Tirana – capital city of the little-known country of Albania – was the topic addressed by this exhibition and publication.

1 October 2010 to 12 November 2010

A whole life – New architecture for nursing homes

The increasing number of elderly persons in need of care have special needs in terms of their living situation. This exhibition focuses on the forward-looking architecture of modern nursing homes in Vienna that meet these needs.

9 December 2010 to 18 March 2011

Bohuslav Fuchs - Czech avant-garde architect

Bohuslav Fuchs realised many buildings and worked in urban development and regional planning. He is considered to be the main proponent of “Brno Functionalism”. The exhibition presented a selection of approximately 40 of his most significant buildings in many previously unseen photographs and newly prepared texts.



VIG 
VIENNA INSURANCE GROUP

ONE STEP AHEAD

The industry is changing – and so are we! We have successfully implemented our new, forward-looking structure and improved the management efficiency of the Group. We are continually adjusting our products to changing customer needs and conditions in the market, which means that we are already prepared for the challenges of tomorrow.

THE **VIENNA INSURANCE GROUP**

ON GROWING OLD AND PROVIDING FOR THE FUTURE

The aging of European society has direct consequences for the insurance business. The collective aging process is encountered everywhere in discussions about the future of life and health insurance.

Will the pyramid of the past become top-heavy in the future?

Longer life expectancies and lower birth rates, a shrinking population, and rising expenditures for old-age provisions, thereby placing pressure on government budgets. It is a complex subject with an interplay of many factors and many actors, and an urgent need for action.

Although demographic change is not just a European phenomenon, the effects are particularly large in these societies. The countries of Europe are already practically the undisputed leaders on the list of countries with the highest rates of population aged 60 and above. Aside from small overseas territories, Japan is the only country with an older age structure. And, according to Eurostat projections, the distribution will continue to shift over the next 50 years. Grandchildren will live more than ten years longer than their grandparents in some Central and Eastern European countries. Although the birth rate will rise in almost all of the countries of Europe, it will remain below the level of 2.1 children per woman needed to maintain a constant population over the long term. Higher labour market participation rates and net immigration will only reduce the effects of a shrinking working-age population, not eliminate them completely. As a result, approximately 25 million fewer people will be in the EU workforce in 2060 than today.

The need for pension and healthcare reforms

If no changes are made to the structure of pension and healthcare systems, demographic change will cause a jump in government expenditures in most European countries. Expenditures for pensions, medical care and long-term care are rising. The expected future cost explosion is placing increasing pressure on governments to act, as the further the aging process progresses, the greater the increase in costs, and the more difficult it becomes to implement structural change.

There is no way to avoid reforms to the pension and healthcare systems, and reforms are unlikely to be successful without an increase in retirement age and indexing of benefits. Pensions will rise more slowly than wages, and the relative income of pensioners will decline significantly in many countries. In order to maintain living standards and the quality of life in old-age, private pensions will have to make up for what the government pension system can no longer provide. The share of old-age pensions provided by supplementary pension systems will rise significantly.

A similar situation also exists in the area of healthcare and nursing care. The cost of medical care is increasing, while the readiness and, in most cases, the ability to assume responsibility for providing such care decreases. Changes in family structures, greater labour force participation by women and geographical mobility allow fewer and fewer relatives to provide care for family members. Private old-age provisions will therefore also become a more important issue in terms of the potential need for care.

An aging Europe presents new challenges for insurers

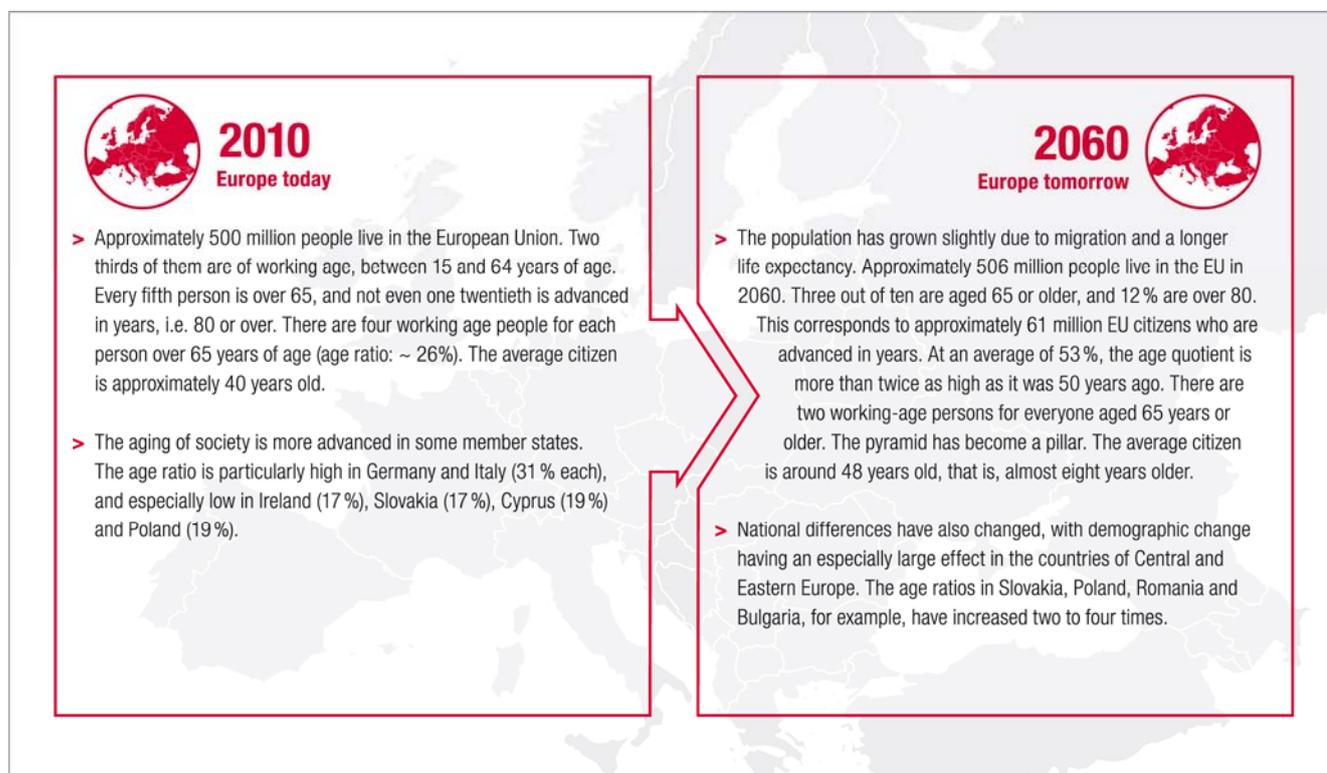
Demographic change is a critical factor in the future of the life and health insurance provided by the Vienna Insurance Group. Young people in particular are already highly aware that they cannot rely on the government alone in their old age. Increasingly more not only know that they need to make provisions on their own, but are also doing so. The structural changes also bring risks for the insurance industry. As life expectancy rises, the term of insurance coverage increases, potentially making more extensive medical care necessary. The benefits paid by insurance companies rise.

Many questions still remain unanswered. Who will be able to put money aside for the future during their working lives? How healthy will we be during old age? What will technological advances bring? What direction will politics follow? It appears that demographic change will continue to be a topic of concern to the insurance industry in the future.

Boom in VIG's private provision solutions

As the leading provider of life insurance products in the CEE region, the Vienna Insurance Group offers customers an extensive range of options for private old-age provisions. Acquisition of the s Versicherung Group and new customer-oriented products have allowed the Group to expand and strengthen its position in life insurance markets in Austria and the CEE region. Particularly high demand in 2010 caused VIG life insurance premiums to increase across the Group. Life insurance companies were also established in Macedonia and Montenegro with the goal of further participating in the long-term growth of old-age provision products in the CEE region.

The race for private health insurance in the CEE region already started in 2009 with an expansion of the products offered in the Czech Republic and Poland. Once again, the Vienna Insurance Group is one of the pioneers in a segment with great long-term business potential. It was recognised early on that old-age provision products were important not only for pensions and healthcare, but would also become increasingly more important for nursing care. Based on this belief, products of this kind are being offered by our Group companies, at the moment above all in Austria, where VIG is the clear market leader in nursing care insurance.



The figures cited for the demographic structure of the European Union and related projections have been taken from the European EUROSTAT database (data as of: January 2011) and the publication "The 2009 Ageing Report: Underlying assumptions and projection methodologies for the EU-27 Member States. European Economy 7/2008" by the European Commission.

MASSIVE CHARGES FROM NATURAL DISASTERS

From Chile to China, from Poland to Pakistan: the year 2010 was marked by severe earthquakes, floods and record temperatures. This change in underlying conditions also poses new challenges for insurers.

2010 – the year of catastrophes

The records of the reinsurer Munich Re paint a bleak picture of the past claim year. On average more than two catastrophes a day, more than a quarter of a million deaths, estimated total losses of 130 billion U.S. dollars – not including the flood damage in Australia at the turn of the year. This year's catalogue of natural disasters is once again a sad one. In terms of both the amount and the number of losses, 2010 is above the mean of the last ten years. For the global insurance business, it is one of the years with the greatest losses of the last three decades.

In Central and Eastern Europe, mainly floods, hail, strong winds and heavy snow led to high losses. Especially in Poland and in the Czech Republic the Vienna Insurance Group has been burdened to an unusually high extent by the strong weather extremes. Thus, claim payments rose.

Change in underlying conditions

Over the past 30 years, the number of weather extremes observed has increased sharply. Catastrophic weather events, storms like Hurricanes Katrina or Kyrill, floods, as we experienced in 2010 in many parts of the world, or the heat wave in Russia and the forest fires in Israel.

Europe has been affected by the climate changes in different ways and to different degrees depending on the region. More extreme temperatures, less precipitation in the summer and a higher risk of flooding will probably continue to mark the climate in Central and Eastern Europe. In addition, an increased risk of forest fires and strong fluctuations in crop yields can be expected.

Currently, one can assume that this trend will also continue in the future. It is therefore important to adapt to these changing conditions by ensuring that all players work together to develop early warning systems, promote flood control or control water consumption in a targeted manner.

Insurance companies as risk experts in demand

The central idea behind the insurance business is to stabilise the financial situation of individuals and companies through benefits in the event of loss. If extreme weather leads to higher damages, the costs for it to be covered will also increase. By pooling the risks of many individuals and using diversification effects, insurance companies are better able to bear the risks and to protect affected parties from the ruinous consequences of those rare but often very destructive events. By virtually providing risks with a price tag, insurance companies also use incentives to prevent and minimise damage.

How VIG deals with and provides solutions for risk

The Vienna Insurance Group is an expert in analysing and evaluating risks. As such, it is engaged in the development of risk management systems and the formulation of measures for risk reduction. Together with other insurers, the Vienna Insurance Group helps make regions in many areas more resilient and more able to act in the event of natural disasters.

The insurance companies of the Vienna Insurance Group offer customers comprehensive coverage for damages caused by natural disasters such as floods, storms and snow loading. They themselves also take adequate precautions for claims that arise. The Vienna Insurance Group analyses the exposure to natural disaster risks in its insurance portfolios using the latest available natural hazards models and obtains coverage for its exposure, up to well above the 250-year events shown by the model, from the largest and most highly regarded reinsurers.

THE TREND OF INCREASING WEATHER EXTREMES CONTINUED IN 2010

VIG dealing with natural disasters

- > **Comprehensive insurance coverage for e.g. floods, storms and snow loading**
- > **Fast and non-bureaucratic assistance in the event of loss**
- > **Close cooperation with the largest reinsurers worldwide**

To be insured by a company of the Vienna Insurance Group means that customers will receive quick and uncomplicated help in the event of loss. This stated claim is behind many of the initiatives in the service area that have been successfully implemented by the companies of the Vienna Insurance Group. The services offered range from online claims reporting and professional telephone support to a severe weather warning service and tips for loss prevention.

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