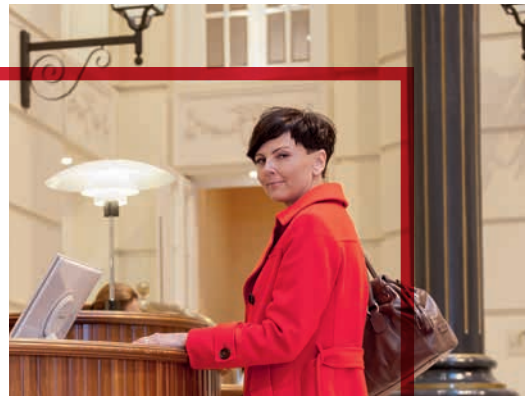


Annual Financial Statements 2013



**Our confidence in the future
unites us.**

Annual Financial Statement 2013

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

in accordance with the Austrian Commercial Code (UGB)

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Note:

Our goal was to make the annual report quick and easy to read. For this reason we have not used phrasing such as "he/she", "his/her", etc. It should be understood that the text always refers to women and men equally without discrimination.

To improve readability, company names have been shortened in the text below. A list of full company names is provided on page 39.

Company profile

Vienna Insurance Group (VIG) is an international insurance group and is one of the top players in Central and Eastern Europe. It operates around 50 companies in 24 countries. The Group is managed by VIG Holding, which is located in Vienna and works with its Group companies on a partnership basis. It is also responsible for international reinsurance and international direct insurance for corporate customers.

The Company is listed on the Vienna and Prague Stock Exchanges. Its majority shareholder is Wiener Städtische Versicherungsverein, which holds approximately 70% of the VIG shares.

The main management responsibilities of the Group holding company include the following in particular:

- IT coordination
- Asset management
- Subsidiaries department
- Finance and accounting
- Planning and controlling
- People management
- International actuarial services
- Risk management
- Solvency II project
- Group audit
- Investor relations
- International processes and methods
- Public relations
- Marketing
- Sponsoring
- International legal matters
- Reinsurance
- International corporate business
- Vienna International Underwriters (VIU)

In addition, organisational units were formed to deal with the specific issues of profit management for personal and motor vehicle insurance across the Group. Strategic initiatives also exist, in particular insurance for small and medium-sized enterprises.

In the area of reinsurance, VIG Holding administers, manages and assists the Group companies with all matters concerned with reinsurance. Bundling together different risks leads to essential risk compensation at the Group level. It also allows VIG Holding to offset risks across a broad front and helps to ensure optimal external insurance protection for VIG as a whole.

VIG Holding additionally bundles together and coordinates large customer business that extends outside the borders of Austria. This satisfies increasing customer needs for their business to be handled by a broad-based international insurance provider that offers simple, centralised communications. Custom-tailored professional insurance solutions are particularly important for international corporate customers. For this reason, VIG Holding has established a separate insurance platform, Vienna International Underwriters (VIU), especially for business customers. Its extensive network offers professional, custom-tailored, international customer support in this area by experts in Austria and the entire CEE region. Further development of this selective, profit-oriented underwriting approach involves more intensive risk management and increased risk diversification.

As in the year before, the Standard & Poor's rating agency once again confirmed VIG Holding's financial strength by awarding a rating of A+ with a stable outlook in 2013. This high credit rating once again gives VIG Holding the number one position in terms of ratings compared to the other companies listed on the Vienna Stock Exchange.

Management Report 2013

VIG HOLDING BUSINESS DEVELOPMENT

Premiums written, net earned premiums, expenses for insurance claims and benefits, administrative expenses and reinsurance balance had the following breakdown for property/casualty insurance in 2013 (and in the same period in 2012):

	2013			2012		
	Direct business	Indirect business	Total	Direct business	Indirect business	Total
in EUR '000						
Premiums written	51,112	877,664	928,776	26,506	871,766	898,272
Net earned premiums	51,051	897,041	948,092	22,787	882,952	905,739
Expenses for claims and insurance benefits	34,375	674,323	708,698	3,041	628,780	631,821
Administrative expenses	4,193	218,531	222,724	2,566	230,491	233,057
Reinsurance balance	-14,766	-5,459	-20,225	-17,414	-1,510	-18,924

The reinsurance balance is composed of net earned reinsurance premiums, effective reinsurance claims and reinsurance commissions.

Financial performance indicators

Premium Income

VIG Holding's total premium volume rose by 3.4% year-on-year in 2013 to EUR 928.78 million. The increase was primarily due to good premium growth in the corporate client business.

Premium income from indirect business (assumed reinsurance) rose by 0.7% to EUR 877.66 million, which was a similar level to 2012. Due to good business development, direct premiums written (corporate business) rose 92.8% year-on-year to EUR 51.11 million in 2013, thereby continuing the positive growth achieved in 2012.

VIG Holding retained EUR 893.62 million of the gross premiums written, an increase of EUR 15.66 million over the previous year, and EUR 35.15 million was ceded to reinsurers in 2013 (2012: EUR 20.31 million). Gross earned premiums were EUR 948.09 million (2012: EUR 905.74 million), and net earned premiums increased by EUR 26.09 million to EUR 912.80 million.

Expenses for claims and insurance benefits

Gross expenses for claims and insurance benefits were EUR 708.70 million in 2013. EUR 34.38 million of this amount was attributable to corporate business (2012: EUR 3.04 million), EUR 31.33 million more than the

previous year. The increase was primarily due to higher premium income from direct business. Expenses for claims and insurance benefits for assumed reinsurance rose 7.2% to EUR 674.32 million. After deducting reinsurance of EUR 12.30 million, expenses for claims and insurance benefits amounted to EUR 696.40 million (2012: EUR 632.26 million).

Administrative expenses

Administrative expenses were EUR 222.72 million in 2013, which was EUR 10.33 million lower than the previous year (2012: EUR 233.06 million), primarily due to the decrease in commissions from assumed reinsurance business. EUR 4.19 million of the administrative expenses were for the corporate business and EUR 218.53 million for the reinsurance business. After reinsurance commissions for ceded reinsurance business, EUR 219.99 million in administrative expenses remained for VIG Holding, a decrease of EUR 12.53 million compared to the previous year.

Combined Ratio

VIG Holding had a combined ratio of 100.4% in 2013 (2012: EUR 97.5%). This ratio is calculated as the sum of all underwriting expenses and income, and net payments for claims and insurance benefits, including the net change in underwriting provisions, divided by net earned premiums in the property/casualty segment.

Financial result

VIG Holding had a financial result of EUR 206.76 million. This corresponds to a year-on-year decrease of 12.8% (2012: EUR 237.04 million), which was primarily due to the increase in other expenses for investments, and increased write-downs of shares in affiliated companies. The increase in other expenses for investments to EUR 20,975,430 was mainly due to foreign currency measurement of deposits on assumed reinsurance business. Shares in affiliated companies were written down by EUR 130,000,000 to reflect permanent impairment.

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

	2013	2012
in EUR '000		
Land and buildings	8,252	8,325
Investments in affiliated companies and participations	296,294	317,698
Other investments	26,979	386
Total income (net)	331,525	326,409
Other investment and interest income	16,742	29,716
Expenses for asset management	-48,267	-41,933
Interest expenses	-72,264	-76,234
Other investment expenses	-20,975	-916
Investment profit according to income statement	206,761	237,042

Result from ordinary activities

VIG Holding earned a result from ordinary activities of EUR 218.66 million in 2013. This was a decrease of 13.0% compared to the result of EUR 251.29 million earned in the previous year.

Solvency ratio

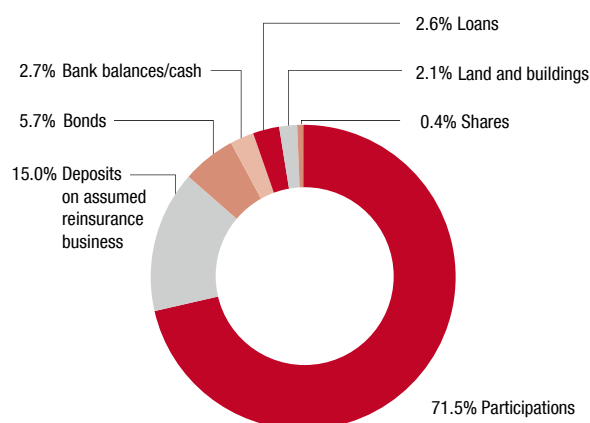
VIG Holding's solvency ratio of 1,447.7% is extremely high, due to an outstanding endowment of capital resources combined with a low capital requirement.

Investments

Investments, including liquid assets, were EUR 5,551.84 million as of 31 December 2013 (2012: EUR 5,236.15 million). 71.5% of the investments at the end of 2013 were

participations, 15.0% deposits on assumed reinsurance business, 5.7% bonds, 2.7% bank deposits and cash on hand, 2.6% loans, 2.1% land and buildings and 0.4% shares.

BREAKDOWN OF INVESTMENTS



Underwriting provisions

Underwriting provisions were EUR 845.01 million as of 31 December 2013. This corresponds to a year-on-year increase of 20.7% (2012: EUR 699.90 million), which was primarily due to provisions for outstanding claims (loss reserves) arising from assumed reinsurance business.

Non-financial performance indicators

VIG has a corporate culture of appreciation and openness. The insurance business is based on trust. VIG earns this trust not only in its day-to-day dealings with customers and business partners, but also by assuming social responsibility for initiatives that range from sponsoring local cultural events and providing funding for art projects all the way to active promotion of volunteer activities. Sustainable conduct has a wide variety of aspects at VIG.

Social involvement – Example: Social Active Day

The Social Active Day is an important example in the area of social activities. Vienna Insurance Group began the initiative in 2011. It encourages employees to become

involved in a good cause and allows them to take one working day off for this purpose. Special-needs facilities, homeless shelters and initiatives, nursing homes, children's aid programmes and many more projects receive active support. The number of participants at VIG Holding rose from 75 in the previous year to 99 in 2013.

Cultural involvement –

Example: Gustav Mahler Youth Orchestra

VIG Holding feels that arts and culture make an important contribution to a society's quality of life, and it therefore promotes artists and cultural projects. One of these is the Gustav Mahler Youth Orchestra, which Vienna Insurance Group has supported since 2011. The orchestra was founded in 1986 with the aim of helping young Austrian musicians play music with their colleagues from the former CSSR and Hungary. Since 1992, it has offered highly talented musicians throughout Europe up to the age of 26 the opportunity to work together with the great conductors and soloists of our time. The Gustav Mahler Youth Orchestra has been an ambassador of Unicef Austria since 2012.

In 2013, Herbert Blomstedt agreed to be a guest conductor. During its Easter tour the Gustav Mahler Youth Orchestra went, among other places, to Vienna, Paris, Zagreb, Bratislava and Lisbon. As a special honour, during Wagner Year 2013 the orchestra was invited to give two concert performances of Richard Wagner's *Rienzi* under the direction of Philippe Jordan at the Salzburg Festival.

Environmental factors

Conservation of resources and the environment play an important role for VIG Holding. This can be seen in the Company headquarters, which includes district cooling for energy-efficient air conditioning, sustainable lighting and a video conference room to reduce future business travel.

Employees

VIG Holding's success is due to the personal and professional qualifications of its employees – and, in particular, their commitment – with internationality, diversity and mobility also playing an important role. VIG Holding offers dedicated employees a wide range of development possibilities, and uses job rotation programs and international training courses to encourage them to gather experience and knowledge in VIG's markets. Another special feature is the internal job market, which offers employees the opportunity to make their own career choices about which responsibilities and challenges they want to pursue. Flexible working hours, a company cafeteria, a variety of internal company healthcare services and other benefits ranging all the way to a company kindergarten allow employees to make full use of their potential during the working day.

VIG Holding had an average of 214 employees in 2013, of which approximately 8% were part-time. Approximately 55% of the employees were women. Women held around 35% of the management positions directly below the Managing Board in 2013.

Significant events after the balance sheet date

There were no significant events after the balance sheet date.

Other information

VIG Holding and some of its subsidiaries make technical contributions and design projects to further develop software specific to the insurance industry.

VIG Holding has no branch offices.

Please see the notes to the financial statements (I. Summary of significant accounting policies) for information on the use of financial instruments.

RISK REPORT

In general, all Group companies are responsible for managing their own risks. The VIG Holding corporate risk management department provides framework guidelines in all major areas for these companies. The requirements set in the investments and reinsurance areas are particularly strict and are also applied in VIG Holding as a separate company.

The enterprise risk management department (ERM) reports to the Managing Board and is responsible for Group-wide risk management and implementation of the European sol-

veny regulations (Solvency II). ERM assists the Managing Board with updating the corporate risk strategy, and with continuous improvements to the risk organisation and corporate risk management topics. ERM also creates a framework for Group-wide risk management that uses key principles and concepts, uniform terminology and clear instructions and support. The international actuarial department, corporate reinsurance department, asset risk management, asset management, group controlling, internal audit and group IT departments are also involved in the ongoing process of risk monitoring and management.



Additional internal control units in all areas, and auditing of internal control systems by the internal audit department as part of an independent review of the risk management system.

VIG Holding's overall risk can be divided into the following risk categories:

- **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.

- **Underwriting risk:** The core business of an insurance company consists of the transfer of risk from policyholders to the company.
- **Credit risk:** This risk quantifies the potential loss due to a deterioration of the situation of a counterparty against which claims exist.

- **Strategic risks:** Strategic risks can arise due to changes in the economic environment, case law, or the regulatory environment.
- **Operational risks:** These may result from deficiencies or errors in business processes, controls or projects caused by technology, staff, organisation or external factors.
- **Liquidity risk:** This arises from the need to match the investment portfolio to insurance obligations.
- **Concentration risk:** Concentration risk is a single direct or indirect position, or a group of related positions, with the potential to significantly endanger the insurance company, its core business or key performance measures. Concentration risk is caused by an individual position, a collection of positions with common holders, guarantors or managers, or by sector concentrations.

VIG Holding is primarily exposed to market risk due to its activities as an insurance holding company. A conservative investment policy is used to limit other market risk due to investments. Market risk is monitored using fair value measurement, value-at-risk (VaR) calculations, sensitivity analysis and stress tests.

VIG Holding is also exposed to underwriting risks as a result of its international corporate business and reinsurance business. Appropriate underwriting provisions are determined using recognised actuarial methods and assumptions and managed by means of guidelines concerning the assumption of insurance risks. VIG Holding also limits the potential liability from its insurance business/active reinsurance business by ceding part of the risk it has assumed to the external reinsurance market through the Group reinsurance company VIG RE.

With respect to credit risk, consideration is only given to those issuers or contracting parties whose credit quality or reliability can be assessed by VIG Holding, whether on the basis of an in-house analysis, credit assessments/ratings from recognised sources, unambiguous guarantees or the possibility of recourse to reliable mechanisms for safeguarding investments.

Liquidity risk is limited by matching the investment portfolio to insurance obligations. Operational and strategic risks, which might be caused by deficiencies or errors in business processes, controls and projects, or changes in the business environment, are also continuously monitored. Limits are used to keep concentrations within the desired margin of safety.

Investments

VIG Holding's investments primarily consist of participations and deposits. Additional investments are mainly made in fixed-interest securities (bonds, loans) and real estate, and only to a small extent in shares and other investments.

VIG Holding aligns its investments to its liability profile and aims to achieve sustainable increases in value in accordance with Group investment guidelines, which are based on a long-term conservative investment policy.

Use of forward exchange transactions

VIG Holding uses forward exchange transactions and currency swaps to hedge expected dividend payments in the most important currencies, CZK, PLN and RON, and planned distributions of Company earnings in the same currencies for the current financial year.

The expected and planned amounts are checked regularly and used to make any needed adjustments to the hedge amounts.

Solvency II

The changes to the European insurance supervisory system referred to as Solvency II that are to be implemented by all member states of the EU present great challenges for insurance companies. Uncertainty about the actual effective date and the final detailed formulation of Solvency II made it especially important for companies to provide a high deal of flexibility in their implementation plans.

Based on developments and activities at the European and national levels, Solvency II can be expected to enter into force at the beginning of 2016. For example, the European insurance supervisory authority EIOPA published interim measures at the end of 2013, and requested that all EU national supervisory authorities submit a comply-or-explain report for the requirements in the interim measures. In addition, a draft of the Level 2 implementation measures – “Delegated Acts on Solvency II” – was presented at the beginning of 2014 for evaluation.

Based on this, most EU member states also took decisive steps to ensure that Solvency II will enter into force at the beginning of 2016. The small amendment to the Austrian Insurance Supervision Act (VAG) that is expected to enter into force on 1 July 2014 in Austria refers in detail to the EIOPA interim measures that specify requirements for the core areas of Solvency II and concern the following points:

- The governance system
- Reporting to national supervisory authorities
- Forward looking assessment of own risks (FLOAR) in preparation for the Own Risk and Solvency Assessment (ORSA) under Solvency II
- The approval of (partial) internal models under Solvency II

VIG is well prepared to fulfil the extensive requirements placed on the Company by Solvency II starting in 2016 and the VAG amendment starting in the middle of 2014. The

Group-wide “Solvency II” project that began in financial year 2009 and is centrally managed from Austria follows legal developments in detail and promptly implements needed measures in order to ensure consistent, timely implementation of Solvency II and the interim measures at both the Group and individual company level.

Standardised guidelines, calculation and reporting solutions and advanced risk management processes were developed and implemented with the assistance of experts from the Group companies. The adjustments needed based on the recently published changes to calculation methods and reporting information in the latest draft were analysed and are currently being implemented in the systems.

Intensive work on the development and implementation of a partial internal model is continuing at both the Group and individual company levels as part of the Solvency II project. The calculation procedures have been established in the individual companies and the required know-how is available there to allow consistent, management parameters to be determined both at the Group and individual company levels. Regular consultations are being held with supervisory authorities in the individual VIG countries in order to ensure approval of the partial internal model when Solvency II comes into effect.

With respect to future qualitative risk management requirements, Vienna Insurance Group is establishing a uniform governance system appropriate for Solvency II that includes all necessary key functions and clearly defines responsibilities and processes. In addition, Group-wide uniform standards and methods for risk inventory and ORSA were developed and successfully introduced at the Group and local levels in the year just ended. A Group-wide unified internal control system ensures compliance with the guidelines and requirements resulting from the risk management system.

This Group-wide approach with intensive involvement of the local companies promotes the exchange of knowledge and experience and full acceptance of the guidelines and processes within VIG as a whole, so that based on the current regulatory requirements and the analyses and test calculations that have been performed, VIG is well prepared for the qualitative and quantitative requirements of Solvency II at both the Group and individual company levels.

OUTLOOK 2014

Aside from further preparations for the approval procedure for VIG's partial internal model, the main focus of the Solvency II preparations in 2014 is on fulfilling the requirements of EIOPA's interim measures and the European Commission's Delegated Acts – Solvency II, which are currently in the draft stage, and related functional and technical adjustments to calculation and reporting processes.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN THE ACCOUNTING PROCESS

General structure and organisation

The internal control and risk management system (ICS) plays an important role in VIG and is firmly anchored in the structural and process organisation of the Company. Responsibilities are clearly defined in the ICS and extend from the overall responsibility of the Managing Board to establish an effective control system and appropriate risk management, to the responsibility of middle management to ensure adequate risk control infrastructure in the various areas, all the way to the individual employees, who are expected to perform their work responsibly and proactively report and/or remedy potential risks, deficiencies and sources of errors.

The ICS itself is comprised of all measures and control activities used to minimise risks – particularly for the areas of accounting and compliance, but also for other operational risks. It extends from specially established processes, organisational units such as accounting and controlling to guidelines, regulations and individual controls within processes such as automated audits or the use of the principle of dual control.

Important control elements in the accounting process

The documentation for the annual financial statement preparation process includes the important elements of the internal control and risk management system that are present in the accounting process. The controls documented there are used during the process to ensure that potential errors whose occurrence cannot be completely ruled out in spite of the many additional functional and technical controls in existing IT systems (e.g. SAP) are identified and corrected at an early stage in the reporting.

This allows the following objectives of the annual financial statement process to be achieved:

- **Completeness:** All transactions during the reporting period are recorded in full.
- **Existence:** All reported assets and liabilities exist on the balance sheet date.
- **Accuracy:** All transactions recorded in the financial statements apply to the same period as the financial statements.
- **Measurement:** All asset, liability, income and expense items were recognised at fair value in accordance with accounting requirements.
- **Ownership:** Proper presentation of rights and obligations.
- **Presentation:** All financial statement items are correctly presented and disclosed.

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

The auditor takes the internal control system into account during the audit to the extent that it is relevant to the preparation of the annual financial statements.

Effectiveness and controls

To ensure the effectiveness of the internal control system, VIG established an annual evaluation and documentation

process for the ICS with the professional assistance of external auditors. This process identifies, analyses, assesses, documents and reports risks and controls existing for VIG Holding to the Managing Board, particularly those in the areas of accounting and compliance. Optimisation measures are introduced into the control environment based on the findings and their implementation is also monitored and reported by the responsible units.

The results of this process are also used later by the internal audit department as a basis for its subsequent audit of the accounting process and the control environment established there.

In the second half of 2013 this ICS process was used to update the documentation of risks and controls and confirm that all significant risks arising from the accounting process are covered by effective controls in VIG Holding, so that the financial reporting risk (i.e. the remaining risk of incorrect reporting) can be categorised as low.

DISCLOSURES REQUIRED UNDER SECTION 267(3a) IN COMBINATION WITH SECTION 243a UGB

1. The Company has EUR 132,887,468.20 in share capital that is divided into 128,000,000 no-par value bearer shares with voting rights, with each share participating equally in the share capital.

2. The Managing Board is not aware of any restrictions on voting rights or the transfer of shares.

3. Wiener Städtische Versicherungsverein holds (directly or indirectly) approximately 70% of the share capital.

4. No shares have special rights of control. See point 6 for information on the rights of the shareholder Wiener Städtische Versicherungsverein.

5. Employees who hold shares exercise their voting rights without a proxy during General Meetings.

6. The Managing Board must have at least three and no more than seven members. The Supervisory Board has

three to ten members (shareholder representatives). The shareholder Wiener Städtische Versicherungsverein has the right to appoint up to one third of the members of the Supervisory Board if, and so long as, it holds 50% or less of the Company's voting shares. General Meeting resolutions are adopted by a simple majority, unless a different majority is required by law or the articles of association.

7. a) The Managing Board is authorised to increase the Company's share capital by a nominal amount of EUR 66,443,734.10 by issuing 64,000,000 no-par value bearer or registered shares in one or more tranches on or before 2 May 2018 against cash or in-kind contributions. The terms of the share rights, the exclusion of shareholder pre-emption rights, and the other terms and conditions of the share issue are decided by the Managing Board, subject to Supervisory Board approval. Preference shares without voting rights may also be issued, with rights equivalent to those of existing preference shares. The issue prices of ordinary and preference shares may differ.

b) The Annual General Meeting of 3 May 2013 authorised the Managing Board to issue, subject to Supervisory Board approval, 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 2 May 2018, with or without exclusion of shareholder pre-emptive rights, and to grant the holders of convertible bonds conversion rights for up to 30,000,000 no-par value bearer shares with voting rights in accordance with the convertible bond terms set by the Managing Board.

c) The share capital has consequently been raised in accordance with Section 159 (2) no. 1 of the Austrian Stock Corporation Act (AktG) by a contingent capital increase of up to EUR 31,145,500.36, through the issue of up to 30,000,000 no-par value 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 Annual General Meeting resolution of 3 May 2013 exercise the subscription or exchange rights they were granted. The Managing Board did not adopt any resolutions in financial year 2013 regarding the issuance of convertible bonds based on the authorisation granted on 3 May 2013.

d) The Annual General Meeting of 3 May 2013 further authorised the Managing Board to issue, subject to Supervisory Board approval, one or more tranches of bearer income bonds with a total nominal value of up to EUR 2,000,000,000.00 on or before 2 May 2018, with or without exclusion of shareholder pre-emptive rights. The Managing Board has not adopted any resolutions to date regarding the issuance of income bonds based on this authorisation.

As of 31 December 2013, no authorisation of the Managing Board under Section 65 of the AktG (acquisition of own shares) was in effect, and the Company held none of its own shares on 31 December 2013.

8. As of 31 December 2013, the Company was not party to any material agreements that would come into effect, change or terminate if control of the Company were to change due to a takeover bid, in particular, no agreements that would affect participations held in insurance companies. Existing agreements that would come into effect if control of the Company were to change due to a takeover bid concern participations held in other (non-insurance) companies.

9. No compensation agreements exist between the Company and its Managing Board members, Supervisory Board members or employees covering the case of a public takeover bid.

OUTLOOK

Austria

Austria is expected to show an initial economic upswing compared to 2013. Based on improved economic indicators in the 2nd half of 2013 and increased German and US demand for exports, an increase in gross domestic product can already be expected in the 1st half of 2014. According to the Austrian Institute of Economic Research (WIFO), economic growth will be approximately 1.7% for 2014 as a whole. This means that Austrian economic growth should be approximately one half percentage point higher than the eurozone in both 2014 and 2015.

According to the October forecast by the International Monetary Fund (IMF), government finances will not deteriorate seriously, with the structural deficit forecast to be 1.8% and 1.5% of gross domestic product in the coming two years, respectively. Only vague estimates exist at this point concerning the increase in national debt due to the emergency nationalisation of Hypo Alpe Adria. The estimates range from an additional 4% to 6% of GDP.

The Austrian banking system is currently in a restructuring phase. A number of banks have been nationalised in previous years, but not all of the restructuring processes have been concluded. There is generally a feeling of confidence, however, with respect to stress testing of Austrian banks by the European Central Bank.

On international financial markets, Austria continues to receive an AA+ rating from Standard & Poor's. No unexpected challenges are anticipated at the regulatory level for Austrian insurance companies. The process of preparing for Solvency II has already been underway for a number of years with the participation of affected stakeholders and involves considerable expense. The funding of nursing care is a topic that could still generate further discussion at the political and insurance industry levels.

The market forecast by the Austrian Association of Insurance Companies (VVO) predicts premium growth of 1.9% in 2014. This means that the insurance industry should grow faster than gross domestic product. At the same time, the life insurance business is still depressing the overall forecast. Premiums are expected to decrease by 1.1% in the area of life insurance. The positive growth in health (+3.2%) and property & casualty insurance (+2.2%) will, however, compensate for this drop. Life insurance premiums are, however, likely to receive a boost from the statutory regulations that entered into effect on 1 March 2014 and reduce the tax-relevant minimum lock-in period for single-premium life insurance policies back to ten years for people 50 years and older.

CEE region

The eurozone is the most important export market for countries in the CEE region. Because of this dependency, in addition to the eurozone, economic growth will also increase slightly in the Central and Eastern European economic area in 2014 as compared to the previous year. While the countries of the eurozone slowly approach a 1% rate of real economic growth, the IMF is forecasting real growth of 2.7% for the CEE region. Although this is still not a particularly overwhelming figure when compared with the past, particularly the years before 2008, if viewed in the context of positive growth in the eurozone and the forecasts for subsequent years it is definitely a reason for cautious optimism. Starting in 2015, growth should be consistently higher than 3%, which means that sustained positive growth can be expected.

In addition, 2014 should be the last year that countries in the CEE region where VIG operates, specifically Serbia (-0.6%) and Slovenia (-1.0%), have to battle recessions. According to current forecasts, every VIG country will be able to record positive economic growth starting in 2015.

Achieving successful business performance nevertheless remains difficult in some countries. Net exports produce economic growth, but are still not growing in all countries. The countries are highly dependent on the eurozone as an export market and on commodity prices, and political dependencies also exist. Expansive fiscal policy is likely in the Czech Republic, Bulgaria and Romania, but the opposite is generally expected in Albania and Serbia.

Current developments in the Ukraine represent a special case that is difficult to predict at the present time.

Therefore, in spite of optimistic expectations, it is still generally possible for external factors such as the failure to implement fiscal or structural policy measures or, in particular, an economic slowdown in Southern and Western Europe to also have a negative effect on the countries of Central and Eastern Europe. On the other hand, if the

eurozone records better growth, the larger countries like Poland and the Czech Republic could recover more quickly and boost growth in the entire CEE region. The GIIPS countries in particular have been showing relatively optimistic signals recently, which also contributes to the general stabilisation of the Western European economy.

The CEE still remains a heterogeneous region, with a North-South divide and a wide variety of problems, particularly structural problems. At the same time, it is a region with higher growth than the eurozone and great potential for companies willing to play a role in systematic convergence processes in order to benefit from successes in the future.

Outlook for the Group

Vienna Insurance Group will continue to follow its proven strategy and remain true to its Group-wide management principles in the coming year. The Group will also continue to focus on its core competence – the insurance business – and follow a risk-conscious, conservative investment policy.

The regional focus of the Group will also remain unchanged. As before, Vienna Insurance Group continues to be convinced of the high potential offered by the CEE region and remains committed to Austria and Central and Eastern Europe as its home market. Since the growth and convergence process is progressing at different rates in the CEE countries, VIG will continue to base its actions on the opportunities and conditions in each individual market in 2014. During growth phases, the focus is on the above-average exploitation of potential. Phases of calm in the market, on the other hand, are used to promote profit optimisation and efficiency improvements.

VIG continues to have a stated goal of using its proven multi-brand strategy and many optimally developed regional distribution channels, such as the successful cooperation with Erste Group, to grow faster than the market in Austria and the CEE region in 2014. The priority will primarily be on promoting further organic growth.

This does not mean, however, that VIG will not make purchases now or in the future that will improve its market position and fit well into its existing portfolio. A recent example of this is the agreement to acquire the insurance company Donaris, which Vienna Insurance Group is using to position itself in the Moldovan insurance market in 2014. This will open up the last remaining country in the CEE region in 2014. Mergers will be considered when clear potential synergies outweigh the benefits of a diversified market presence.

Outlook for VIG Holding

VIG Holding has once again set itself the goal of increasing premium volume from international reinsurance and cross-

border corporate business in 2014. In addition, as part of its management responsibilities as the holding company, it will continue to focus on coordinating and initiating measures aimed in particular at optimisation in the areas of process organisation and earning power. Process harmonisation and improvement and standardisation of IT architecture are also priorities. Work will also be done to push forward the strategic initiative for the small and medium-sized business customer segment in order to best exploit the potential of this highly promising customer group in the future. VIG Holding's responsibility here will primarily be to assist VIG companies with strategy implementation and ensure sharing of best practices within the Group.

PROPOSED APPROPRIATION OF PROFITS

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe ended financial year 2013 with net retained profits of EUR 267,801,744.20. The following appropriation of profits will be proposed during the General Meeting:

The 128 million shares shall receive a dividend of EUR 1.30 per share. The payment and ex-dividend dates for this dividend will be 16 June 2014 and 11 June 2014, respectively.

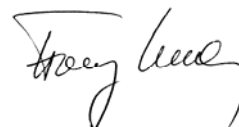
A total of EUR 166,400,000.00 will therefore be distributed.

The net retained profits of EUR 101,401,744.20 remaining for financial year 2013 after the dividend has been paid will be carried forward.

The Managing Board:



Peter Hagen
General Manager,
Chairman of the Managing Board



Franz Fuchs
Member of the Managing Board



Peter Höfing
Member of the Managing Board



Martin Simhandl
CFO, Member of the Managing Board

Vienna, 25 March 2014

Separate financial statements

BALANCE SHEET AS OF 31 DECEMBER 2013

Assets	31.12.2013		31.12.2012
		in EUR	in EUR '000
A. Intangible assets			
Other intangible assets		25,278,978.64	23,975
Total intangible assets		25,278,978.64	23,975
B. Investments			
I. Land and buildings		119,410,603.64	112,953
II. Investments in affiliated companies and participations			
1. Shares in affiliated companies	3,967,622,952.03		4,016,987
<i>thereof reorganisation surplus</i>	<i>8,883,755.76</i>		<i>8,884</i>
2. Bonds and other securities of affiliated companies and loans to affiliated companies	278,246,000.00		208,539
3. Participations	250,832.88	4,246,119,784.91	248
III. Other investments			
1. Shares and other non-fixed-interest securities	116,695,515.00		66,559
2. Bonds and other fixed-interest securities	69,343,018.50		95,300
4. Mortgage receivables	578,000.00		0
3. Other loans	17,127,885.22		12,753
4. Bank deposits	138,609,088.68	342,353,507.40	135
IV. Deposits on assumed reinsurance business		832,471,909.50	702,370
Total investments		5,540,355,805.45	5,215,844
C. Receivables			
I. Receivables from direct insurance business			
1. from policyholders	1,838,020.04		4,854
2. from insurance intermediaries	206.89		0
3. from insurance companies	3,399,318.28	5,237,545.21	14,204
II. Receivables from reinsurance business		14,744,780.21	12,584
III. Other receivables		159,268,455.42	113,613
Total receivables		179,250,780.84	145,255
D. Pro rata interest		2,356,609.19	2,837
E. Other assets			
I. Tangible assets (not incl. land and buildings)		1,352,864.00	1,037
II. Current bank balances and cash on hand		11,485,187.82	20,303
III. Other assets		250,002,445.53	2
Total other assets		262,840,497.35	21,342
F. Deferred charges			
I. Deferred tax assets		9,261,165.28	9,261
II. Other deferred charges		1,353,844.92	1,654
Total deferred charges		10,615,010.20	10,915
Total ASSETS		6,020,697,681.67	5,420,168

BALANCE SHEET AS OF 31 DECEMBER 2013

Liabilities and shareholders' equity	31.12.2013	31.12.2012
	in EUR	in EUR '000
A. Shareholders' equity		
I. Share capital		
1. Par value	132,887,468.20	132,887
II. Capital reserves		
1. Committed reserves	2,267,232,422.07	2,267,232
III. Retained earnings		
1. Free reserves	518,823,776.85	443,824
IV. Risk reserve as per § 73a VAG, taxed portion	18,121,446.00	12,645
V. Net retained profits	267,801,744.20	255,754
<i>of which brought forward</i>	<i>102,154,319.44</i>	<i>100,218</i>
Total shareholders' equity	3,204,866,857.32	3,112,342
B. Tax-exempt reserves		
I. Valuation reserve for impairment losses	34,860,087.73	32,901
Total reserves	34,860,087.73	32,901
C. Subordinated liabilities		
I. Hybrid bond	500,000,000.00	500,000
II. Supplementary capital bond	800,000,000.00	300,000
Total subordinated liabilities	1,300,000,000.00	800,000
D. Underwriting provisions – retention		
I. Unearned premiums		
1. Gross	70,441,089.35	72,510
2. Reinsurers' share	-1,898,135.71	68,542,953.64
-1,903		
II. Provision for outstanding claims		
1. Gross	797,994,773.69	641,579
2. Reinsurers' share	-21,553,943.64	776,440,830.05
-12,309		
III. Other underwriting provisions		
1. Gross	29,875.00	22
2. Reinsurers' share	0.00	29,875.00
0		
Total underwriting provisions	845,013,658.69	699,899
E. Non-underwriting provisions		
I. Provision for severance pay	1,830,265.00	1,754
II. Provision for pensions	19,139,831.00	15,514
III. Other provisions	33,484,788.95	26,370
Total non-underwriting provisions	54,454,884.95	43,638
F. Other liabilities		
I. Liabilities from direct insurance business		
1. to policyholders	24,022,481.27	7,671
2. to insurance intermediaries	366,517.60	2,069
3. to insurance companies	14,969,446.71	39,358,445.58
9,523		
II. Liabilities from reinsurance business	12,075,265.98	14,398
III. Liabilities to financial institutions	40,118,576.55	45,066
IV. Other liabilities	488,052,353.19	649,797
Total liabilities	579,604,641.30	728,524
G. Deferred income	1,897,551.68	2,864
Total LIABILITIES AND SHAREHOLDERS' EQUITY	6,020,697,681.67	5,420,168

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

	2013		2012
	in EUR		in EUR '000
Underwriting account:			
1. Net earned premiums			
Premiums written			
Gross	928,775,777.97		898,272
Ceded reinsurance premiums	-35,151,182.52	893,624,595.45	-20,309
Change in unearned premiums			
Gross	19,316,656.17		7,467
Reinsurers' share	-146,192.03	19,170,464.14	1,272
Total premiums	912,795,059.59		886,702
2. Investment income from underwriting business			13,695,402.25
3. Other underwriting income			106,553.18
4. Expenses for claims and insurance benefits			
Payments for claims and insurance benefits			
Gross	539,867,610.84		431,035
Reinsurers' share	-2,584,000.06	537,283,610.78	-2,757
Change in provision for outstanding claims			
Gross	168,830,584.27		200,786
Reinsurers' share	-9,715,817.44	159,114,766.83	3,196
Total expenses for claims and insurance benefits	-696,398,377.61		-632,260
5. Increase in underwriting provisions			
Other underwriting provisions			
Gross	7,575.00		22
Reinsurers' share	0.00	7,575.00	0
Total increase in underwriting provisions			-7,575.00
6. Administrative expenses			
Acquisition expenses	222,238,120.58		232,600
Other administrative expenses	485,796.58		457
Reinsurance commissions and profit commissions from reinsurance cessions	-2,734,715.65		-537
Total administrative expenses	-219,989,201.51		-232,520
7. Other underwriting expenses			-81,139.89
Underwriting result (amount carried forward)	10,120,721.01		39,040

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

	2013	2012
	in EUR	in EUR '000
Underwriting result (amount carried forward)	10,120,721.01	39,040
Non-underwriting account:		
1. Income from investments and interest income		
Income from participations	411,518,987.80	357,209
Income from land and buildings	12,391,721.99	12,198
Income from other investments	21,023,889.58	22,771
Income from the disposal of investments	23,985,941.77	3,853
Other investment and interest income	17,317,641.02	29,716
Total investment income	486,238,182.16	425,747
2. Expenses for investments and interest expenses		
Expenses for asset management	48,267,398.02	41,933
Depreciation of investments	134,298,032.07	55,355
Interest expenses	72,263,845.58	76,234
Losses from the disposal of investments	3,672,139.98	14,267
Other investment expenses	20,975,431.50	916
Total investment expenses	-279,476,847.15	-188,705
3. Investment income transferred to the underwriting account	-13,695,402.25	-16,624
4. Other non-underwriting income	18,200,434.18	3,174
5. Other non-underwriting expenses	-2,723,586.70	-11,344
6. Result from ordinary activities	218,663,501.25	251,288
7. Taxes on income	29,420,049.60	8,581
8. Profit for the period	248,083,550.85	259,869
9. Release of reserves		
Release of valuation reserve for impairment losses	944,130.80	987
Total release of reserves	944,130.80	987
10. Transfer to reserves		
Transfer to risk reserve as per § 73a VAG	5,476,770.00	5,320
Transfer to the valuation reserve for impairment losses	2,903,486.89	0
Transfer to free reserves	75,000,000.00	100,000
Total transfer to reserves	-83,380,256.89	-105,320
11. Profit for the year	165,647,424.76	155,536
12. Retained profits brought forward	102,154,319.44	100,218
Net retained profits	267,801,744.20	255,754

NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF 2013

I. Summary of significant accounting policies

The annual financial statements as of 31 December 2013 were prepared in accordance with the accounting provisions of the Austrian Commercial Code (UGB) and the special provisions of the Austrian Insurance Supervision Act (VAG), as amended, and in accordance with **Austrian generally accepted accounting principles** and the general standard of presenting a true and fair view of the net assets, financial position and results of operations of the Company.

The **precautionary principle** was satisfied in that only profits that had been realised as of the balance sheet date were reported and all identifiable risks and impending losses were recorded in the balance sheet.

Figures are generally shown in thousands of euros (EUR '000). Figures from the previous year are indicated as such or shown in brackets.

Intangible assets were reported at cost less amortisation over three to ten years.

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

Equities and other non-fixed interest **securities** and shares in affiliated companies are valued according to the strict lower-of-cost-or-market principle (strenges Niederstwertprinzip). Starting in 2008, bonds, other fixed-income securities and **participations** have been valued using the less strict lower-of-cost-or-market principle (gemildertes Niederstwertprinzip) provided for in Section 81h (1) VAG.

Valuation using the less strict lower-of-cost-or-market principle resulted in write-downs of EUR 178,000 (EUR 568,000) not being performed.

The Company takes into account the overall risk position of the Company and the investment strategy provided for

this purpose when making investments in fixed-interest securities, real estate, participations, shares, and structured investment products. The risk inherent in the specified categories and the market were taken into account when determining exposure volumes and limits.

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

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

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

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

A forward exchange transaction in PLN with a term limited to 10 April 2014 existed as of the 31 December 2013 balance sheet date. This transaction is being used to hedge future foreign currency dividends. Since the market value of the forward exchange transaction was negative as of the reporting date, a provision for expected losses was formed in the amount of EUR 153,000 (EUR 729,000).

An interest rate swap running until 12 January 2017 with a notional amount of EUR 120 million was entered into for the supplementary capital bond issued on 12 January 2005 that became a variable supplementary capital bond after the first year (AT0000342704). The interest rate swap had a market value of EUR -8,220,000 (-12,187,000) as of 31 December 2013. Since the interest rate swap was entered into as a hedge for coupon risk and is considered a valuation unit as defined in the AFRAC position paper, no provision for expected losses is required as of the balance sheet date.

Amounts denominated in **foreign currencies** are translated to euros using the appropriate mean rate of exchange.

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

Specific valuation allowances of adequate size are formed for doubtful **receivables** and deducted from their nominal values.

Tangible assets (not including land and buildings) are valued at cost less depreciation. Low-cost assets are fully written off in the year of purchase.

Tranche 2 of the hybrid bond, which had a nominal value of EUR 250,000,000.00, was repurchased by the Company on 13 August 2013 and recognised under the balance sheet item "other assets". This asset item could not be netted with the liabilities side, as the bond had not been cancelled yet.

Unearned premiums were essentially calculated by prorating over time after applying a deduction for expenses (15%) of EUR 870,000 (EUR 859,000).

The **provision for outstanding claims** for direct business is calculated for claims reported by the balance sheet date by individually assessing claims that have not yet been settled and adding lump-sum safety margins for large unexpected losses. Lump-sum provisions based on past experience are formed for claims incurred but not reported. Recourse claims of EUR 3,677,000 (EUR 5,967,000) were included.

In **indirect business**, provisions for outstanding claims are primarily based on reports from ceding companies as of the 31 December 2013 balance sheet date. The reported amounts were increased where this was considered necessary in light of past experience.

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

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

The **provisions for severance pay, pensions, and anniversary bonuses** are based on the pension insurance calculation principles of the Actuarial Association of Austria (AVÖ), AVÖ 2008-P (Employees), using a discount rate of 3% p.a. (2012: 3% p.a.). Company pension plan obligations are measured using the actuarial entry age normal method (Teilwertverfahren). The retirement age used to calculate the provisions for anniversary bonuses and severance pay is the statutory minimum retirement age as stipulated in the Austrian General Social Security Act (ASVG) (2004 reform), subject to a maximum age of 62 years for the provision for anniversary bonuses. The retirement age used to calculate the provision for pensions is based on each individual agreement. The following percentages were used for employee turnover based on age: <31 7.5%, 31-35 3.5%, 36-40 2.5%, 41-50 1.5%, 51-55 0.5% and 56-65 0%. The severance entitlement used to calculate the provision for severance obligations is based on each individual agreement or on the collective agreement. The following percentages were used for employee turnover based on age: <30 7.5%, 30-34 3.5%, 35-39 2.5%, 40-50 1.5%, 51-59 1.0% and 60-65 0.5%. The interest expenses for personnel provisions of EUR 529,000 (EUR 3,081,000) are reported under investment and interest expenses. A portion of the direct pension obligations, in the amount of EUR 232,000 (EUR 232,000), is administered as an occupational group insurance plan under an insurance policy concluded in accordance with Sections 18f to 18j VAG. Provisions are formed for another portion (actuarial pension amount of EUR 1,997,000 (EUR 1,711,000)). The severance pay provision required

under Austrian corporate law for 2013 was EUR 4,395,000 (EUR 4,124,000). The amount earmarked for satisfying the outsourced severance pay obligations that was held by the outside insurance company was EUR 2,916,000 (EUR 2,678,000). The difference of EUR

1,644,000 (EUR 1,574,000) between the size of the severance pay provisions to be formed under Austrian commercial law and the deposit held by the outside insurance company is reported under provisions for severance pay in the balance sheet.

II. Notes to the balance sheet

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

	Intangible assets	Land and buildings	Shares in affiliated companies	Bonds and other securities of affiliated companies and loans to affiliated companies	Participations
in EUR '000					
As of 31 December 2012	23,975	112,953	4,016,987	208,539	248
Additions	4,181	10,597	138,964	21,400	2
Disposals	0	0	58,328	51,693	0
Depreciation	2,877	4,139	130,000	0	0
As of 31 December 2013	25,279	119,411	3,967,623	278,246	250

The value of developed and undeveloped properties was EUR 36,262,000 (EUR 32,842,000) as of 31 December 2013.

The carrying amount of owner occupied property was EUR 17,269,000 (EUR 23,139,000).

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

The fair value of EUR 384,340,000 (EUR 318.238,000) for land and buildings is composed of market value appraisals for the years 2009 to 2013 as follows: 2013: EUR 257,455,000, 2012: EUR 52,100,000 (EUR 52,100,000), 2011: EUR 0 (EUR 42,690,000), 2010: EUR 49,765,000 (EUR 71,275,000), 2009: EUR 25,020,000 (EUR 25,020,000).

The other loans of EUR 17,128,000 (EUR 12,753,000) are loans to other borrowers not secured by insurance contracts.

The fair values of the investments are:

Items under § 81c (2) VAG	Fair value 31.12.2013	Fair value 31.12.2012
in EUR '000		
Land and buildings	384,340	318,238
Shares in affiliated companies	8,408,221	8,540,539
Bonds and other securities of affiliated companies and loans to affiliated companies	278,246	208,539
Participations	251	248
Shares and other non-fixed-interest securities	121,872	71,859
Bonds and other fixed-interest securities	70,173	105,190
Mortgage receivables	578	0
Other loans	17,128	12,753
Bank balances	138,609	135
Deposits receivables	832,472	702,370
Total	10,251,890	9,959,871

Hidden reserves fell by EUR 32,493,000 to a total of EUR 4,711,534,000 (EUR 4,744,027,000). The fair value of shares in affiliated companies and shares in companies in which a participation is held is equal to the stock exchange value or other available market value (up-to-date internal valuations or appraisal reports). If no stock exchange value or other available market value exists, the purchase price is used as the fair value, if necessary reduced by any write-downs or a proportionate share of the publicly reported equity capital, whichever is greater. For equities and other securities, stock exchange values or book values (purchase price, reduced by write-downs if necessary) are used as fair value. The remaining investments were valued at their nominal values, reduced by write-downs where necessary.

The following balance sheet items are attributable to affiliated companies and companies in which a participation is held:

in EUR '000	Affiliated companies		Companies in which an ownership interest is held	
	2013	2012	2013	2012
Deposits receivables	832,472	702,370	0	0
Receivables from direct insurance business	1,135	1,607	0	0
Receivables from reinsurance business	13,465	11,340	0	0
Other receivables	148,650	84,752	16	17
Liabilities from direct insurance business	2,202	3,448	0	0
Liabilities from reinsurance business	7,379	10,782	0	0
Other liabilities	479,770	644,809	0	3

Other receivables includes income of EUR 36,000,000 (EUR 18,000,000) that will not have an effect on cash flow until after the balance sheet date.

The following disclosures are provided for **off-balance sheet contingent liabilities**: Letters of comfort and liability undertakings totalling EUR 48,603,000 (EUR 48,603,000) have been issued in connection with borrowing. A total of EUR 44,103,000 (EUR 44,103,000) relates to letters of comfort for affiliated companies.

The amount shown under **other liabilities** includes EUR 3,367,000 (EUR 464,000) in tax liabilities and EUR 292,000 (EUR 272,000) in social security liabilities.

Liabilities arising from the use of off-balance sheet tangible assets were EUR 1,900,000 (EUR 1,725,000) for the following financial year and EUR 10,088,000 (EUR 9,159,000) for the following five years.

III. Notes to the income statement

Premiums written, net earned premiums, expenses for insurance claims and benefits, administrative expenses and reinsurance balance had the following breakdown for property and casualty insurance in 2013:

	Premiums written	Net earned premiums	Expenses for claims and insurance benefits	Administrative expenses	Reinsurance balance
Gross					
in EUR '000					
Direct business					
Fire and fire business interruption insurance	42,697	42,735	27,449	3,910	-13,409
Liability insurance	499	438	66	83	-257
Marine, aviation and transport insurance	844	850	952	202	18
Other non-life insurance	7,072	7,028	5,908	-2	-1,118
Total direct business	51,112	51,051	34,375	4,193	-14,766
(Previous year values)	(26,506)	(22,787)	(3,041)	(2,566)	(-17,414)
Indirect business					
Marine, aviation and transport insurance	421	421	75	130	-216
Other insurance	877,243	896,620	674,248	218,401	-5,243
Total indirect business	877,664	897,041	674,323	218,531	-5,459
(Previous year values)	(871,766)	(882,952)	(628,780)	(230,491)	(-1,510)
Total direct and indirect business	928,776	948,092	708,698	222,724	-20,225
(Previous year values)	(898,272)	(905,739)	(631,821)	(233,057)	(-18,924)

The **reinsurance balance** is composed of net earned reinsurance premiums, effective reinsurance claims and reinsurance commissions.

The result from indirect business was EUR 17,879,000 (EUR 40,306,000). The net earned premiums of EUR 897,041,000 (EUR 882,952,000) from indirect business were included immediately in the income statement.

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

	2013	2012
in EUR '000		
Income from participations	411,282	356,932
Income from other investments	14,775	14,440
Income from land and buildings	1,278	43

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

Losses on disposals of investments were EUR 3,672,000 (EUR 14,267,000) in financial year 2013.

The expenses for insurance claims and benefits, administrative expenses, other underwriting expenses and investment expenses include:

	2013	2012
<i>in EUR '000</i>		
Wages and salaries	18,531	16,751
Expenses for severance benefits and payments to company pension plans	-1,528	1,165
Expenses for retirement provisions	1,489	467
Expenses for statutory social contributions and income-related contribution and mandatory contributions	3,533	3,171
Other social security expenses	230	236

Commissions of EUR 3,330,000 (EUR 1,791,000) were incurred for direct business in financial year 2013.

The valuation reserve shown on the balance sheet as of 31 December 2013 and releases and additions over the financial year are broken down by asset item as follows:

	As of 31.12.2012	Release	Zugänge	As of 31.12.2013
<i>in EUR '000</i>				
Land and buildings	26,992	944	2,903	28,951
Shares in affiliated companies	5,909	0	0	5,909
Total	32,901	944	2,903	34,860

The formation and release of untaxed reserves resulted in a change in income tax expenses of EUR -490,000 (EUR 247,000) for the financial year.

IV. Significant participations

Affiliated companies and participations Vienna Insurance Group AG
as of 31 December 2013

Company	Direct interest in capital (%)	Equity capital (EUR '000)	Net income/loss (EUR '000)	Last annual financial statements
Affiliated companies				
"POLISA-ZYCIE" Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	98.57	9,618	1,569	2013
"WIENER RE" akcionarsko drustvo za reosiguranje, Belgrade	0.70	6,729	544	2013
"WIENER STÄDTISCHE OSIGURANJE" akcionarsko drustvo za osiguranje, Belgrade	100.00	15,081	1,781	2013
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Podgorica	100.00	943	-187	2012
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A., Bucharest	85.97	18,260	-53,255	2013
BENEFIA Dystrybucja Spolka z ograniczona odpowiedzialnoscia, Warsaw	0.02	-317	126	2012
BENEFIA Towarzystwo Ubezpieczen na Zycie S.A. Vienna Insurance Group, Warsaw	100.00	12,410	-5,713	2013
Benefia Towarzystwo Ubezpieczen S.A. Vienna Insurance Group, Warsaw	100.00	19,844	1,522	2013
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia	12.83	38,817	827	2013
Business Insurance Application Consulting GmbH, Vienna	100.00	2,412	240	2013
CAL ICAL "Globus", Kiev	80.00	5,949	-422	2013
COMPENSA Holding GmbH, Wiesbaden	100.00	20,339	-12	2013
Compensa Life Vienna Insurance Group SE, Tallinn	100.00	11,779	970	2013
Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group, Warsaw	71.13	47,913	4,996	2013
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	63.36	75,886	18,780	2013
DONAU Versicherung AG Vienna Insurance Group, Vienna	3.97	149,950	25,448	2013
ELVP Beteiligungen GmbH, Vienna	100.00	24,183	866	2013
Erste osiguranje Vienna Insurance Group d.d., Zagreb	90.00	9,228	1,218	2013
ERSTE Vienna Insurance Group Biztositö Zrt., Budapest	90.00	7,092	1,765	2013
Foreign Limited Liability Company "InterInvestUchastie", Minsk	99.95	358	14	2012
GPIH B.V., Amsterdam	11.11	6,797	-15	2013
InterAlbanian Vienna Insurance Group Sh.a., Tirana	93.17	3,583	-1,656	2013
InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	99.98	98,520	21,591	2013
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	100.00	48,010	16,550	2013
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	75.00	2,840	-853	2013
Jahorina osiguranje Vienna Insurance Group akcionasko drustvo, Pale	100.00	9,489	-2,955	2013
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group Skopje, Skopje	100.00	2,725	-329	2012
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	100.00	4,333	555	2013
Joint Stock Company for Insurance and Reinsurance Makedonija Skopje - Vienna Insurance Group, Skopje	94.25	20,290	1,417	2013
KOMUNÁLNA poisťovna, a.s. Vienna Insurance Group, Bratislava	18.86	43,767	6,632	2013
KOOPERATIVA poisťovna, a.s. Vienna Insurance Group, Bratislava	94.23	277,538	36,066	2013
Kooperativa, poisťovna, a.s. Vienna Insurance Group, Prague	96.32	521,455	132,755	2013
Wiener osiguranje Vienna Insurance Group dioničko drustvo za osiguranje, Zagreb	99.47	67,020	3,232	2013
LVP Holding GmbH, Vienna	100.00	647,797	-4,742	2013
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	99.40	148,865	-49,116	2013
Poisťovna Slovenskej sporitel'ne, a.s. Vienna Insurance Group, Bratislava	90.00	32,026	4,700	2013
Pojištovna české spořitelny, a.s., Vienna Insurance Group, Pardubice	90.00	117,595	30,487	2013
Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev	9.50	15,837	4,636	2013
Private Joint-Stock Company "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev	97.80	3,799	180	2013
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP", Kiev	99.99	8,055	-3,113	2013
Ray Sigorta A.S., Istanbul	12.67	34,661	3,381	2013
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	41.00	516	355	2012

Company	Direct interest in capital (%)	Equity capital (EUR '000)	Net income/loss (EUR '000)	Last annual financial statements
BCR Asigurari de Viata Vienna Insurance Group S.A., Bucharest	92.36	-11,546	-4,787	2013
SIGMA VIENNA INSURANCE GROUP Sh.A., Tirana	87.01	8,210	-2,314	2013
TBI Bulgaria EAD, Sofia	100.00	41,346	234	2013
TBIH Financial Services Group N.V., Amsterdam	68.97	265,894	6,803	2013
UNION Vienna Insurance Group Biztosító Zrt., Budapest	100.00	32,824	186	2013
Joint stock belarusian-austrian insurance company "Kupala", Minsk	52.34	2,156	351	2012
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	64.30	5,531	-266	2012
Vienna International Underwriters GmbH, Vienna	100.00	104	25	2012
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendorf	100.00	11,322	11	2013
VIG Asset Management investicni spolecnost a.s., Prague	100.00	134	17	2012
VIG Properties Bulgaria AD, Sofia	99.97	3,966	-85	2012
VIG RE zajist'ovna, a.s., Prague	70.00	124,050	13,507	2013
VIG Real Estate GmbH, Vienna	90.00	76,627	199	2013
VIG Services Ukraine LLC, Kiev	100.00	210	-277	2012
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	99.90	1,007,957	226,995	2013
Participations				
students4excellence GmbH, Vienna	24.75	48	3	2012

V. Other disclosures

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

The Managing Board is authorised to increase the Company's share capital by a nominal amount of EUR 66,443,734.10 by issuing 64,000,000 no-par value bearer or registered shares in one or more tranches on or before 2 May 2018 against cash contributions or contributions in kind. The terms of the share rights, the exclusion of shareholder pre-emption rights, and the other terms and conditions of the share issue are decided by the Managing Board, subject to Supervisory Board approval. Preference shares without voting rights may also be issued, with rights equivalent to those of existing preference shares. The issue prices of ordinary and preference shares may differ.

The Annual General Meeting of 3 May 2013 authorised the Managing Board to issue, subject to Supervisory Board approval, 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 2 May 2018, with or without exclusion of shareholder pre-emptive rights, and to grant the holders of convertible bonds conversion rights for up to 30,000,000 no-par value bearer shares with voting rights in accordance with the convertible bond terms set by the Managing Board. The share capital has consequently been raised in accordance with Section 159(2) no. 1 of the Austrian Stock Corporation Act (AktG) by a contingent capital increase of up to EUR 31,145,500.36, through the issue of up to 30,000,000 no-par value 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 Annual General Meeting resolution of 3 May 2013 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 3 May 2013.

The Annual General Meeting of 3 May 2013 further authorised the Managing Board to issue, subject to Supervisory Board approval, one or more tranches of bearer income bonds with a total nominal value of up to

EUR 2,000,000,000.00 on or before 2 May 2018, with or without exclusion of shareholder pre-emptive rights. The Managing Board has not adopted any resolutions to date regarding the issuance of income bonds based on this authorisation.

The Company held no treasury shares as of 31 December 2013.

Income bonds with a total nominal value of EUR 250,000,000.00 (Tranche 1) were issued on 12 June 2008 and income bonds with a total nominal value of EUR 250,000,000.00 (Tranche 2) were issued on 23 April 2009 based on the authorisation granted by the General Meeting of 16 April 2008. The Company repurchased Tranche 2 in August 2013. The income bonds are traded on the Vienna Stock Exchange. The interest rate is 8% p.a. until 12 September 2018 (fixed interest rate), after which the income bonds pay variable interest. The Company has the right to call the bonds each quarter after the start of the variable interest period.

On 12 January 2005, the Company issued supplementary capital bond 2005 - 2022 with a total nominal value of EUR 180,000,000.00 in accordance with Section 73c (2) VAG. The bond pays interest at 4.625% p.a. on its nominal value during the first twelve years of its term (fixed interest rate period), after which the bond pays variable interest.

On 12 January 2005, the Company also issued supplementary capital bond 2005, with a total nominal value of EUR 120,000,000.00 in accordance with Section 73c (2) VAG. This bond does not have a fixed term. The bond paid interest at 4.25% p.a. on its nominal value during the first year of its term, after which the bond pays variable interest. Interest was paid at 2% p.a. on the bond's nominal value during the period from 12 January 2013 to 11 January 2014.

On 9 October 2013 the Company issued a subordinated bond with a nominal value of EUR 500,000,000.00 and a maturity of 30 years. The Company can call the bond in full for the first time on 9 October 2023 and on each following coupon date. The subordinated bond bears interest at a fixed rate of 5.5% p.a. during the first ten years of its term and variable interest after that. The bonds are traded on the Vienna Stock Exchange.

The auditor has verified that the requirements under Section 73b (2) no. 4 VAG have been satisfied.

The Supervisory Board had the following members in financial year 2013:

Chairman:

Wolfgang Ruttenstorfer

Deputy Chairman:

Karl Skyba

Members:

Bernhard Backovsky
Martina Dobringer
Alois Hochegger
Heinz Öhler
Reinhard Ortner
Martin Roman
Friedrich Stara
Gertrude Tumpel-Gugerell

The Managing Board had the following members in financial year 2013:

Chairman:

Peter Hagen

Members:

Franz Kosyna (until 31 December 2013)
Franz Fuchs
Peter Höfingner
Martin Simhandl

The **average number of employees** was 214 (191). These employees were employed in the insurance business and resulted in personnel expenses of EUR 22,254,000 (EUR 21,790,000).

There were no loans outstanding to **members of the Managing Board** or **members of the Supervisory Board** as of 31 December 2013 (EUR 0).

No guarantees were outstanding for **members of the Managing Board** or Supervisory Board as of 31 December 2013.

In 2013, the total expenses for severance pay and pensions of EUR 858,000 (EUR 845,000) included severance pay and pension expenses of EUR 406,000 (EUR 374,000) for members of the Managing Board and senior management in accordance with Section 80 (1) of the Austrian Stock Corporation Act (AktG).

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

The members of the Managing Board received EUR 3,611,000 (EUR 4,213,000) in remuneration for their services to the Company during the reporting period. The members of the Managing Board received EUR 879,000 (EUR 1,227,000) from affiliated companies during the reporting period for their services to the Company, or as a manager or employee of an affiliated company. EUR 483,000 (EUR 538,000) of this amount was charged to the Company in the form of an intercompany charge.

Former **members of the Managing Board** received EUR 1,658,000 (EUR 1,943,000).

The **members of the Supervisory Board** received EUR 386,000 (EUR 373,000) in remuneration for their services to the Company in 2013.

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

The Company is a group member within the meaning of Section 9 of the Austrian Corporate Income Tax Act (KStG) of the Wiener Städtische Versicherungsverein, Vienna, group of companies. The taxable earnings of group members are attributed to the parent company. The parent company has entered into agreements with each group member governing the allocation of positive and negative tax amounts for the purpose of allocating corporate income tax charges according to origin. A claim of EUR 45,534,000 (EUR 15,405,000) exists against the parent company due to tax allocations of EUR 12,576,000 for 2013, EUR 15,596,000 for previous years and for equalisation payments of EUR 17,362,000 under the group agreement. Use was made of the option to capitalise deferred profit taxes of EUR 9,261,000 (EUR 9,261,000)

arising due to temporary differences between earnings under commercial law and taxable earnings.

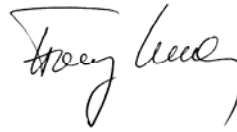
The Company is included in the consolidated financial statements prepared by Wiener Städtische Versicherungs-

verein, which has its registered office in Vienna. These consolidated financial statements have been disclosed and are available for inspection at the business premises of this company located at Schottenring 30, 1010 Vienna.

The Managing Board:



Peter Hagen
General Manager,
Chairman of the Managing Board



Franz Fuchs
Member of the Managing Board



Peter Höfinger
Member of the Managing Board



Martin Simhandl
CFO, Member of the Managing Board

Vienna, 25 March 2014

UNQUALIFIED AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna,

for the fiscal year from **1 January 2013 to 31 December 2013**. These financial statements comprise the statement of financial position as of 31 December 2013, the income statement for the fiscal year 2013, and the notes.

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

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

Auditors' Responsibility and Description of Type and Scope of the statutory audit

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

standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of 31 December 2013 and of its financial performance for the year from 1 January 2013 to 31 December 2013 in accordance with Austrian Generally Accepted Accounting Principles.

Report on Other Legal Requirements (Management Report)

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

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

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

Vienna, 25 March 2014

KPMG Austria AG
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Michael Schlenk



Thomas Smrekar

(Austrian Chartered Accountants)

Only the version of the annual financial statements audited by us may be published or disclosed together with our auditor's report. This auditor's report refers exclusively to the complete German version of the annual financial statements, including the management report. The provisions of Section 281(2) UGB must be observed for differing versions.

DECLARATION BY THE MANAGING BOARD

We declare to the best of our knowledge that the annual financial statements of Vienna Insurance Group AG prepared in accordance with the requirements of Austrian commercial law and the Austrian Insurance Supervision Act (VAG) give a true and fair view of the Company's net

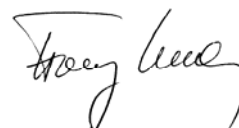
assets, financial position and results of operations, the management report presents the business development, performance and position of the Company so as to give a true and fair view of its net assets, financial position and results of operations, and the management report provides a description of the principal risks and uncertainties to which the Company is exposed.

Vienna, 25 March 2014

The Managing Board:



Peter Hagen
General Manager,
Chairman of the Managing Board



Franz Fuchs
Member of the Managing Board



Peter Höfner
Member of the Managing Board



Martin Simhandl
CFO, Member of the Managing Board

Managing Board areas of responsibility:

Peter Hagen: Group management, strategic planning, public relations, marketing, sponsoring, legal matters, people management, performance management motor vehicle insurance, asset risk management, IT, international processes and methods, SAP smile solutions; Country responsibilities: Austria (incl. coordination of s Versicherungsgruppe), Czech Republic, Ukraine

Franz Fuchs: Performance management personal insurance, strategic initiative health insurance; Country responsibilities: Baltic States, Poland, Romania

Peter Höfner: International corporate and large customer business, Vienna International Underwriters (VIU), reinsurance, strategic initiative SME business, strategic initiative private customer property insurance; Country responsibilities: Albania (incl. Kosovo), Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Hungary, Macedonia, Montenegro, Serbia, Slovakia

Martin Simhandl: Asset management, subsidiaries department, finance and accounting, group cost structure, internal capital model project (Solvency II project), treasury/capital market; Country responsibilities: Germany, Georgia, Liechtenstein, Turkey

SUPERVISORY BOARD REPORT

The Supervisory Board reports that it has taken the opportunity to comprehensively monitor the management of the Company, both acting as a whole and periodically by means of its committees, Chairman and Deputy Chairman. Detailed presentations and discussions during meetings of the Supervisory Board and its committees were used for this purpose, as were recurring meetings with the members of the Managing Board, who provided detailed explanations and supporting documentation relating to the management and financial position of the Company and the Group. The strategy, business development, risk management, internal control system and activities of the internal audit department of the Company were also discussed in these meetings.

The Supervisory Board has formed four committees from among its members. Information on the responsibilities and composition of these committees is available on the Company's website and in the corporate governance report.

One Annual General Meeting and four Supervisory Board meetings distributed across the financial year were held in 2013. Four meetings of the Audit Committee were also held. The financial statements and consolidated financial statements auditor for financial year 2012, PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (PwC), attended this meeting of the Audit Committee and the meeting of the Supervisory Board in 2013 dealing with the auditing of the 2012 annual financial statements and the 2012 consolidated financial statements and formal approval of the 2012 annual financial statements, as well as the Annual General Meeting for financial year 2012. The auditor responsible for financial year 2013, KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG), attended two Audit Committee meetings. The committee for decisions on urgent matters was contacted in writing on two occasions. Four meetings of the Committee for Managing Board Matters were held in 2013. The Strategy Committee did not hold any meetings in 2013; strategic matters were handled by the Supervisory Board as a whole.

No agenda items were discussed in the Supervisory Board and committee meetings without the participation of

members of the Managing Board. No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings. The Chairman of the Supervisory Board held individual discussions with the members of the Supervisory Board concerning Supervisory Board procedures. The Supervisory Board's evaluation of its activities based on these discussions found that the practices followed satisfied the requirements of the Austrian Stock Corporation Act and the Code of Corporate Governance, and that its organisational structure and procedures were satisfactory in terms of efficiency. During a meeting of the Audit Committee, the members of the committee consulted with the (consolidated) financial statements auditor concerning specification of two-way communications without the presence of the Managing Board.

Acting upon the proposal and motion of the Supervisory Board, the General Meeting selected KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG) to be the financial statements auditor and consolidated financial statements auditor for financial year 2013, and KPMG consequently performed these duties in financial year 2013.

By inspecting suitable documents, meeting with the Managing Board and holding discussions with the (consolidated) financial statements auditor, the Supervisory Board Audit Committee was able to form a satisfactory view of the accounting process and the procedure used for auditing the financial statements and consolidated financial statements, and found no reasons for objection. The Supervisory Board Audit Committee also monitored the independence of the auditor of the financial statements and consolidated financial statements, and after reviewing suitable documents and supporting records submitted to it, particularly with respect to additional services provided for the Company and the Group, was satisfied of the auditor's independence.

The Audit Committee also reviewed the effectiveness of the internal control system, the internal auditing system and the risk management system by obtaining verbal and written descriptions of the processes and organisation of these systems from the Managing Board, the (consolidated) financial statements auditor and the individuals directly responsible for these areas. The Audit Committee reported on these monitoring activities to the Supervisory Board

and stated that no deficiencies had been identified. The Supervisory Board was also given the opportunity during Supervisory Board meetings to satisfy itself about the functional adequacy of the existing control and auditing systems. In addition, the audit plan and the quarterly reports prepared by internal audit department were debated by the Audit Committee and Supervisory Board and discussed with the head of the internal audit department. The Supervisory Board found no reasons for objections.

In order to prepare the Supervisory Board proposal for selection of the financial statements and consolidated financial statements auditor, the Audit Committee obtained a list from KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG) of the fees received by the company broken down by service category, and documents concerning its licence to audit a stock corporation. It was determined that there were no grounds for exclusion or circumstances that could give rise to concerns about impartiality, and that sufficient protective measures had been taken to ensure an independent and impartial audit. It was also verified that KPMG was included in a statutory quality assurance system. The Audit Committee reported to the Supervisory Board on the findings of these investigations and proposed to the Supervisory Board and subsequently to the General Meeting that KPMG be selected as auditor of the financial statements and consolidated financial statements.

In addition, the Supervisory Board Audit Committee received the 2013 annual financial statements, management report and corporate governance report from the Managing Board, and reviewed and carefully examined them. The Supervisory Board Audit Committee also carefully examined the 2013 consolidated financial statements and Group management report. The Managing Board's proposal for appropriation of profits was also debated and discussed during the course of this examination. As a result of this examination and discussion, a unanimous resolution was adopted to recommend to the Supervisory Board that they be accepted without qualification. The committee chairman informed the Supervisory Board of the resolutions adopted by the committee.

The 2013 annual financial statements together with the management report and corporate governance report, the 2013 consolidated financial statements together with the

Group management report, and the Managing Board's proposal for appropriation of profits were subsequently taken up, thoroughly discussed, and examined by the entire Supervisory Board.

In addition, the auditor's reports prepared by the (consolidated) financial statements auditor KPMG for the 2013 annual financial statements and management report and the 2013 consolidated financial statements and Group management report were reviewed by the Audit Committee and by the entire Supervisory Board, and debated and discussed with KPMG. KPMG's audit of the 2013 annual financial statements and management report and the 2013 consolidated financial statements and Group management report did not lead to any reservations. KPMG determined that the annual financial statements comply with statutory requirements and give a true and fair view of the net assets and financial position of the Company as of 31 December 2013, and of the results of operations of the Company for financial year 2013 in accordance with Austrian generally accepted accounting principles. The management report is consistent with the annual financial statements. KPMG further determined that the consolidated financial statements also comply with statutory requirements and give a true and fair view of the net assets and financial position of the Group as of 31 December 2013, and of the results of operations of the Group for financial year 2013 in accordance with IFRS and Section 80b of the Austrian Insurance Supervision Act (VAG) in combination with Section 245a of the Austrian Commercial Code (UGB). The Group management report is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB are appropriate.

The final results of the review by the Audit Committee and the Supervisory Board also provided no basis for reservations. The Supervisory Board stated that it had nothing to add to the auditor's reports for the financial statements and consolidated financial statements.

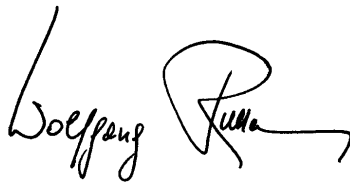
After a thorough examination, the Supervisory Board therefore adopted a unanimous resolution to approve the annual financial statements prepared by the Managing Board, to raise no objections to the management report, consolidated financial statements and Group management report, and to declare its agreement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

The 2013 annual financial statements have therefore been approved in accordance with Section 96(4) of the Austrian Stock Corporation Act (AktG).

The Supervisory Board proposes to the General Meeting that it approve the Managing Board's proposal for appropriation of profits and formally approve the actions of the Managing Board and Supervisory Board.

Vienna, April 2014

The Supervisory Board:

A handwritten signature in black ink, appearing to read 'Wolfgang Ruttendorfer', with a stylized flourish at the end.

Wolfgang Ruttendorfer
(Chairman)

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ABBREVIATIONS USED

Abbreviation	Full company name
Vienna Insurance Group or VIG ¹⁾	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna
Vienna International Underwriters or VIU	Vienna International Underwriters GmbH, Vienna
VIG Holding or Vienna Insurance Group AG ²⁾	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna
VIG RE	VIG RE zajišťovna, a.s., Prague
Wiener Städtische Versicherungsverein	Wiener Städtische Wechselseitiger Versicherungsverein - Vermögensverwaltung - Vienna Insurance Group, Vienna

¹⁾ Used when referring to Vienna Insurance Group as a group of companies

²⁾ Used when referring to the company itself.

NOTICE

This annual report includes forward-looking statements based on current assumptions and estimates that were made by the management of Vienna Insurance Group AG to the best of its knowledge. Statements using the words “expectation”, “target” or similar formulations indicate such forward-looking statements. Forecasts related to the future development of the Company are estimates made on the basis of information available as of the date this annual report went to press. Actual results may differ from the forecasts if the assumptions underlying the forecast prove to be wrong or if unexpectedly high risks occur.

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Rounding differences may occur when rounded amounts or percentages are added.

The annual report was prepared with great care to ensure that all information was complete and accurate. Rounding, typesetting and printing errors can nevertheless not be completely ruled out.

Our goal was to make the annual report quick and easy to read. For this reason we have not used phrasing such as “he/she”, “his/her”, etc. It should be understood that the text always refers to women and men equally without discrimination.

In case of doubt, the German version is authoritative.

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Pictures: Michael Kammeter

People on the cover:

Ivan Sabo, customer of Kooperativa (Slovakia) with his family
Dorota Czerwińska-Rybska, Member of the Managing Board, Polisa, Head of Human Resources, Compensa, Poland
Olga Reznik, Chairwoman of the Managing Board, Compensa Life (Baltic States), Estonia
Friedrich Mostböck, Head of Group Research, Erste Group, Austria