TRANSLATION FROM GERMAN ORIGINAL – IN CASES OF DOUBT THE GERMAN VERSION PREVAILS

JOINT REPORT

OF THE MANAGEMENT BOARD

of

VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG

and

OF THE MANAGEMENT BOARD

of

VERSA-Beteiligungs AG

on the

de-merger of the Insurance Business
from VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG
to VERSA-Beteiligungs AG
according to the De-Merger and Acquisition Agreement

Introduction

Due to the continuous expansion of its business activities towards Central and Eastern Europe, VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG ("VIG" or "Transferring Company") has developed from an insurance company solely active in Austria to the group holding of one of the largest insurance groups in this region.

In order to adequately accommodate this development, a new structure was created by internal operational and organisational changes, which concentrates the insurance business in a separate business division, while a holding structure has been established within the same legal entity, which aggregates central corporate functions, infrastructure and business divisions with group-wide responsibilities.

In consequent continuance of this structural change, the legal separation of the insurance business concentrated in the Insurance Business from the holding activities by way of de-merger by transfer to VERSA-Beteiligungs AG ("VERSA" or "Acquiring Company"), a wholly owned subsidiary of VIG, shall be implemented.

The implementation shall be made by a de-merger of the Insurance Business from VIG to VERSA by way of universal succession.

The managing board of VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG as Transferring Company and the managing board of VERSA-Beteiligungs AG as Acquiring Company herewith jointly issue their report in accordance with sec 4 and 17 No 5 of the Austrian De-merger Act (*Spaltungsgesetz,* „SpaltG“) in connection with § 220a of the Austrian Stock Corporation Act (*Aktiengesetz*, „AktG“):

1. De-Merger and Acquisition Agreement

1.1 VIG as Transferring Company and VERSA as Acquiring Company have prepared a de-merger and acquisition agreement regarding the transfer of the Insurance Business from VIG to VERSA (in the following „De-Merger and Acquisition Agreement“). It forms the basis of this report.

1.2 Terms used in this report shall have the same meanings as in the De-Merger and Acquisition Agreement, if used in the De-Merger and Acquisition Agreement.

2. Description of the de-merger

2.1 VIG intends to concentrate the central group functions, infrastructure and operational business divisions that relate to the whole group into a holding company. It shall in the future perform the function of a managing holding company, but also, based on a new license, operate as an insurance company in the corporate client and reinsurance business.

2.2 For this reason, VIG will de-merge its Insurance Business to an already existing subsidiary, which is currently registered under the name „VERSA-Beteiligungs AG“, in accordance with the SpaltG and with recourse to the benefits of Article VI Reorganisation Tax Act (*Umgründungssteuergesetz*, „UmgrStG“) under the waiver of granting new shares and by way of a universal succession.

3. Description of the De-Merger and Acquisition Agreement

3.1 General

3.1.1 The De-Merger and Acquisition Agreement exists as a draft version and will be concluded on 10 May 2010 by way of a notarial deed, which is the form required by sec 17 No 1 SpaltG.

3.1.2 As the latest financial statements of the companies involved in the de-merger – prepared as of 31 December 2009, respectively – refer to a business year the expiry of which on the date of execution of the De-Merger and Acquisition Agreement on 10 May 2010 dates back no longer than six months, the preparation of an interim balance sheet pursuant to sec 7 para 2 No 3 SpaltG is not required.

3.2 Name, seat and articles of association of the involved companies

Sec 17 No 1 in connection with sec 2 para. 1 No 1 SpaltG mandatorily require that statements on the name, the seat, and the articles of association of the involved companies have to be included into the De-Merger and Acquisition Agreement. This was done in Clause 2 of the De-Merger and Acquisition Agreement.

3.3 Transfer of assets of the Transferring Company

3.3.1 Upon registration of the de-merger in the Companies Register, the de-merged assets of VIG transfer by way of universal succession in accordance with sec 14 para 2 SpaltG to VERSA. By way of the de-merger process, the Insurance Business and all Assets attributed thereto including all rights and obligations connected therewith, will be transferred in the meaning of the De-Merger and Acquisition Agreement to VERSA. Further perfection acts for the transfer are not required.

3.3.2 The existing license for the conduct of insurance business and the authorizations for the de-merged business unit will be transferred according to sec 13a para. 1a Insurance Supervisory Act (*Versicherungsaufsichtsgesetz*, "VAG") from VIG to VERSA.

3.3.3 In case of a universal succession, the rights and obligations from contractual relations with regard to the concerned assets and liabilities transfer to the acquiring company without the requirement of further consents by the contracting parties. Contracts included in the transfer may contain provisions, that in case of a change of the economic or legal ownership or control rights of a contracting party the other contracting party may unilaterally demand the termination of the contract or an amendment of the contractual conditions. As VERSA is, however, a wholly owned subsidiary of VIG, and the transfer of the de-merged Assets to VERSA as Acquiring Company does not result in a change of the economic or legal ownership or control rights, these prerequisites are not fulfilled.

3.4. No granting of shares

3.4.1 The reason for not granting shares in VERSA to the shareholders of VIG is outlined in Clause 3.2 of the De-Merger and Acquisition Agreement. According to sec 17 No 5 SpaltG in connection with sec 224 para 2 No 1 AktG, the granting of shares in the acquiring company to the shareholders of the transferring company can be omitted in a de-merger if the shareholders of the transferring company directly or indirectly participate in the acquiring company in the same percentage. As the Acquiring Company is a wholly owned subsidiary of VIG, and therefore of the Transferring Company, every shareholder of VIG indirectly participates via its shareholding in VIG in the same percentage in the Acquiring Company. For this reason, the granting of shares can be omitted. Furthermore, the de-merger of the Insurance Business does not violate the prohibition of repayment of equity, due to the fact that the Insurance Business is transferred from the Transferring Company to a wholly owned subsidiary and the assets of VIG are thereby not diminished.

3.4.2 Clause 3.3 of the De-Merger and Acquisition Agreement outlines which statements provided in the SpaltG are not required in the De-Merger and Acquisition Agreement due to the fact that a granting of shares in VERSA does not take place. In general, these provisions relate to statements on the exchange ratio of the shares, their assignment, and further aspects in this context. A discussion of such provisions which do not apply can be omitted.

3.4.3 Clause 3.5 of the De-Merger and Acquisition Agreement outlines that an amount from the assets transferred to VERSA, which was the risk reserve in VIG in accordance with sec 73a VAG (taxed part), will be dedicated as risk reserve according to sec 73a VAG in VERSA. This amount will be identified in the Transfer Balance Sheet as risk reserve pursuant to sec 73a VAG within the equity capital. The free capital reserve resulting from the de-merger will be reduced in the same amount in VERSA.

3.5 No capital decrease

If a de-merger loss occurs in the transferring company pursuant to sec 17 No 3 SpaltG in the course of a de-merger in such a way that the share capital of the transferring company needs to be decreased, the de-merger must be registered only after compliance with the provisions concerning ordinary capital decreases. In case of the de-merger of the Insurance Business, no such loss occurs. According to sec 33 para 7 in connection with 20 para 4 No 1 UmgrStG, the book value of the proportionate equity of the de-merged assets and liabilitites needs to be added to the book value of the shareholding in the acquiring company in the balance sheet of VIG. With regard to taxes, this results neither in a profit nor a loss. A reduction of the share capital or a release of capital reserves at the Transferring Company is therefore not necessary.

3.6 Effective date of the de-merger

The effective date of the de-merger is the end of 31 December 2009. The Final Balance Sheet refers to that date. The de-merger becomes effective – notwithstanding the effectiveness of the transfer pursuant to sec 14 para 2 SpaltG upon registration of the de-merger in the Austrian Companies Register – with regard to tax and contractual effects with the beginning of 1 January 2010.

3.7 Exact description and allocation of assets and liabilities

3.7.1 Sec 17 No 1 in connection with sec 2 para 1 No 10 SpaltG provides that the De-Merger and Acquisition Agreement has to contain an exact description and allocation of the assets and liabilities transferred to the Acquiring Company. The Assets to be de-merged consist of the Insurance Business.

3.7.2 The Insurance Business is described in more detail in the De-Merger and Acquisition Agreement. General clauses are used to describe the de-merged Assets to the maximum extent possible and are specified in particular cases by detailed lists and annexes.

3.7.3 The items included in the de-merged Assets can be identified with the help of the allocation rules in Clause 7 and the Annexes of the De-Merger and Acquisition Agreement.

3.7.4 The exact allocation of the transferred Assets is described in Clause 7 of the De-Merger and Acquisition Agreement. Clause 3.1 of the De-Merger and Acquisition Agreement and the detailed rules in Clause 7 provide in detail which Assets are part of the Insurance Business and are therefore included by the de-merger, and which assets and liabilities are part of the residual assets and liabilities and therefore remain with the Transferring Company. Clause 7.9 of the De-Merger and Acquisition Agreement contains the provisions required by sec 2 para 1 No 11 SpaltG with respect to the allocation of assets and liabilities which would otherwise not be able to be allocated to one of the companies involved in the de-merger according to the De-Merger and Acquisition Agreement, and it provides for such case that said assets transfer to the Acquiring Company.

3.8 Final Balance Sheet, De-Merger Balance Sheet and Transfer Balance Sheet

According to sec 17 No 1 in connection with 2 para 1 No 12 SpaltG, the De-Merger and Acquisition Agreement has to include the Final Balance Sheet of the Transferring Company, hence the Final Balance Sheet of VIG as well as the De-Merger Balance Sheet which shows the assets and liabilities remaining with the Transferring Company after the de-merger. Furthermore, the De-Merger and Acquisition Agreement includes a Transfer Balance Sheet which outlines the de-merged Assets.

These balance sheets have been drawn up. They are attached to the De-Merger and Acquisition Agreement as Annex 8.1, Annex 8.2 and Annex 8.3, and constitute integral parts of the De-Merger and Acquisition Agreement.

3.9 Sundry

3.9.1 Clause 6 of the De-Merger and Acquisition Agreement contains statements on circumstances which have to be made pursuant to sec 2 para 1 Nos 8 and 9 SpaltG. Rights in the meaning of sec 2 para 1 No 8 SpaltG are not granted to individual shareholders or holders of special rights, nor are any kinds of advantages in the meaning of sec 2 para 1 No 9 SpaltG granted to any member of the management board or supervisory board of the companies involved in the de-merger or to an auditor involved in the de-merger.

3.9.2 Clause 3.4 of the De-Merger and Acquisition Agreement outlines that the de-merger at hand is neither a non-proportionate de-merger according to sec 8 para 3 SpaltG nor a de-merger between different legal forms pursuant to sec 11 SpaltG, which is why the offer for cash compensation in accordance with sec 17 SpaltG in connection with sec 11 SpaltG in connection with sec 2 para 1 No 13 SpaltG can be omitted. The de-merger on hand constitutes neither a de-merger between different legal forms pursuant to sec 11 SpaltG nor a non-proportionate de-merger according to sec 8 para 3 SpaltG. The provision of sec 11 SpaltG (cash compensation offer; *Barabfindungsgebot*) would only apply in case that shareholders of the Transferring Company would suffer a disadvantage by the granting of shares in the Acquiring Company due to the fact that the Transferring Company has a different legal form than the acquiring company. As this does not apply for the case at hand, this provision is not applicable.

3.10 Effectiveness of the de-merger

The De-Merger and Acquisition Agreement is conditional on the approvals by the shareholders' meetings of VIG and VERSA and by the approval of the de-merger by the

Financial Markets Authority (*Finanzmarktaufsichtsbehörde*) in accordance with sec 13a para 1a VAG. Only when all three conditions have been fulfilled, the De-Merger and Acquisition Agreement enters into force by registration in the Companies Register of the Commercial Court Vienna. The documents required for the de-merger will be filed also with the mentioned court.

Vienna, 29 April 2010

_____	_____
Dr. Günter Geyer	Dr. Martin Simhandl
_____	_____
Erich Leisz	Dr. Hans-Peter Hagen
_____	_____
Mag. Robert Lasshofer	Dr. Christine Dornaus
_____	_____
Ing. Martin Divis	Franz Fuchs
_____	_____
Dr. Judit Havasi	Mag. Peter Höfinger

as members of the management board of
VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG

_____	_____
Mag. Natalia Fichtinger	Dr. Judit Hasavi
_____	_____
Mag. Helene Kanta	Mag. Robert Lasshofer

as members of the management board of
VERSA-Beteiligungs AG