



STRONG ROOTS IN CENTRAL AND EASTERN EUROPE

ANNUAL FINANCIAL REPORT **2008**

pursuant to §82 sec. 4 of the Austrian Stock Exchange Act

KEY FIGURES FOR VIENNA INSURANCE GROUP

		2005	2006	2007	2008
Income statement					
Premiums written	EUR millions	5,007.84	5,881.51	6,911.93	7,898.87
Property/Casualty	EUR millions	2,563.32	3,067.15	3,671.17	4,278.85
Life	EUR millions	2,156.43	2,516.46	2,934.16	3,305.73
Health	EUR millions	288.09	297.90	306.60	314.28
Premiums written	EUR millions	5,007.84	5,881.51	6,911.93	7,898.87
Austria	EUR millions	3,170.97	3,434.73	3,695.37	3,755.72
Czech Republic	EUR millions	891.51	1,048.00	1,130.47	1,419.72
Slovakia	EUR millions	330.94	387.68	494.52	605.60
Poland	EUR millions	74.07	335.06	543.14	795.14
Romania	EUR millions	136.17	236.89	413.49	608.22
Other CEE markets	EUR millions	127.04	198.37	383.77	496.35
Other markets	EUR millions	277.14	240.78	251.17	218.11
Investment income	EUR millions	605.43	716.45	1,002.64	918.14
Profit before taxes	EUR millions	240.34	320.97	437.30	540.80
Property/Casualty	EUR millions	145.47	175.69	265.07	414.23
Life	EUR millions	73.41	132.47	157.20	102.40
Health	EUR millions	21.45	12.81	15.03	24.17
Profit before taxes	EUR millions	240.34	320.97	437.30	540.80
Austria	EUR millions	144.52	209.06	286.80	344.33
Czech Republic	EUR millions	60.09	59.12	73.81	107.45
Slovakia	EUR millions	24.98	27.66	30.30	4.99
Poland	EUR millions	1.50	7.73	18.78	26.11
Romania	EUR millions	0.54	2.75	4.56	57.46
Other CEE markets	EUR millions	1.16	2.83	10.25	-14.41
Other markets	EUR millions	7.54	11.82	12.80	14.87
Net profit for the period after taxes and minority interest	EUR millions	196.98	260.90	312.62	408.53
Balance sheet					
Investments	EUR millions	16,924.74	19,600.95	23,237.37	28,149.97
Shareholders' equity	EUR millions	2,059.33	2,283.21	2,615.56	4,138.79
Underwriting provisions	EUR millions	14,816.16	16,867.28	20,040.65	25,029.14
Total assets	EUR millions	19,441.45	22,483.45	26,745.07	33,665.12
Share information					
Number of shares	Shares	105,000,000	105,000,000	105,000,000	128,000,000
Market capitalisation	EUR millions	5,234.25	5,586.00	5,775.00	3,087.36
Average number of share traded by day	Shares	about 32,600	about 107,000	about 125,000	about 172,000
Price as at 31 December	EUR	49.85	53.20	55.00	24.12
High	EUR	52.20	54.27	57.90	58.20
Low	EUR	24.65	41.26	45.01	16.00
Share performance for the year (excluding dividends)	%	105.10	6.72	3.38	-56.10
Dividend per share	EUR	0.66	0.82	1.10	2.00*
Dividend yield	%	1.32	1.54	2.00	8.29*
Earnings per share	EUR	2.27	2.48	2.98	3.41
Price-earnings ratio as at 31 December		21.96	21.45	18.46	7.07
Number of employees					
Total		16,346	18,587	20,307	23,393
thereof CEE		10,868	12,729	14,057	16,937
thereof Austria and Other markets		5,478	5,858	6,250	6,456

* incl. bonus dividend

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

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VIENNA INSURANCE GROUP MANAGEMENT REPORT

PERFORMANCE 2008

BUSINESS DEVELOPMENT OF THE GROUP IN 2008

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

Premiums grow to around EUR 7.90 billion

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

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

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

Expenses for claims and insurance benefits

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

Operating expenses

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

Profit before taxes increases by 23.7%

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

Earnings per share

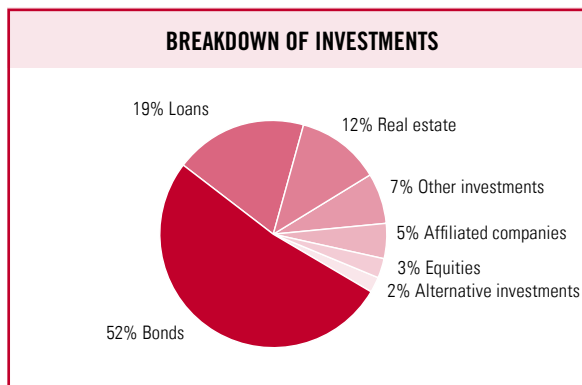
Earnings per share, which is equal to the ratio of Group net profit for the year divided by the average number of shares outstanding, rose to EUR 3.41 in 2008. The increase in net profit therefore resulted in strong growth of 14.4% in earnings per share (2007: EUR 2.98). This was in spite of the additional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

Combined ratio significantly below 100%

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

Financial result

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



Investments nearly EUR 25 billion

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

Shareholders' equity

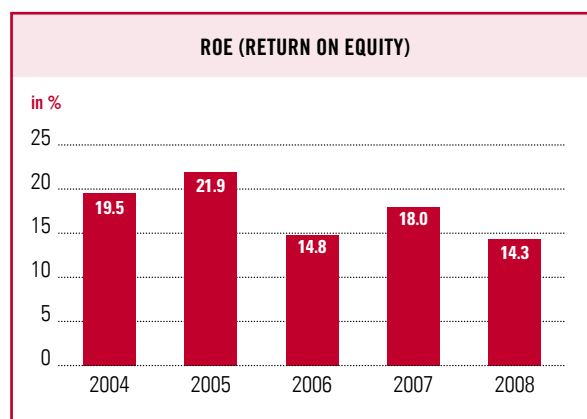
The Vienna Insurance Group's capital base was increased by 58.2% to EUR 4,138.79 million in 2008 (2007: EUR 2,615.56 million). The increase in equity resulted primarily from the capital increase carried out in the first half of 2008 and the issuing of hybrid capital.

Underwriting provisions

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

RoE (Return on Equity)

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



Cash flow

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

BUSINESS DEVELOPMENT IN DETAIL

Group premium income

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

Gross premiums written by business segment

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

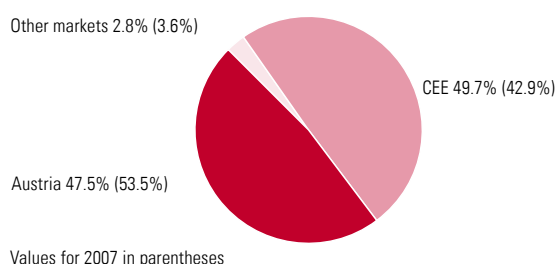
Gross premiums written by geographical segment

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

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

** Other markets: Germany, Liechtenstein

PERCENTAGE OF TOTAL PREMIUMS BY REGION IN 2008

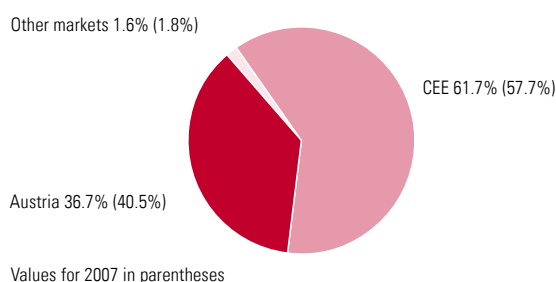


Property and casualty insurance

Vienna Insurance Group companies generated EUR 4,278.85 million in property and casualty premiums in 2008 (2007: EUR 3,671.17 million), representing an increase of 16.6%. This increase in premiums was primarily due to the 17.3% increase in premiums (EUR 982.76 million) achieved by the Vienna Insurance Group companies in the Czech Republic, the 27.5% increase (EUR 413.45 million) achieved by the companies in Poland, and the 42.3% increase (EUR 596.16 million)

achieved by the companies in Romania. The share of premiums generated in the CEE region has already reached 61.7% in the property and casualty segment. In comparison, the percentage was only 57.7% in 2007.

PERCENTAGE OF PREMIUMS BY REGION IN PROPERTY/CASUALTY IN 2008

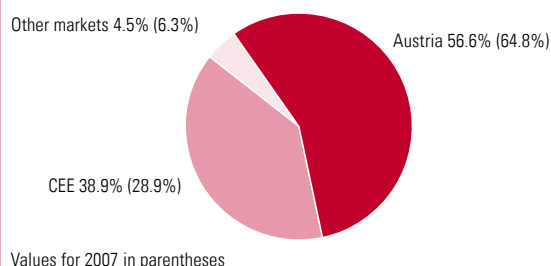


Double-digit growth in life insurance premiums

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

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

PERCENTAGE OF PREMIUMS BY REGION IN LIFE INSURANCE IN 2008



Health insurance premiums up 2.5%

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

Profit before taxes

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

Profit before taxes by business segment

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

Profit before taxes by geographical segment

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

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

** Other markets: Germany, Liechtenstein

Growth driven by property and casualty insurance in 2008

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

Life insurance reaches EUR 102.40 million

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

Health insurance profits grow by 60.9%

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

Employees

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

Employees by region

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

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

** Other markets: Germany, Liechtenstein

Investments

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

- Austria: Sparkassen Versicherung AG Vienna Insurance Group¹
- Czech Republic: Pojišťovna České spořitelny, a.s., Vienna Insurance Group.
- Slovakia: Poistovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group¹
- Romania: SC BCR Asigurari de Viata Vienna Insurance Group S.A.¹ and SC BCR Asigurari Vienna Insurance Group S.A.¹
- Croatia: Erste osiguranje Vienna Insurance Group d.d.¹
- Hungary: Erste Vienna Insurance Group Biztosító Zrt.¹

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

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

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

Risk management

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

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

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

GEOGRAPHIC SEGMENT REPORTING

AUSTRIA

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

V.I.G. companies in Austria

Wiener Städtische Versicherung AG Vienna Insurance Group



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

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

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

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

Donau Versicherung AG Vienna Insurance Group



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

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

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

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

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

Sparkassen Versicherung AG Vienna Insurance Group¹



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

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

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

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

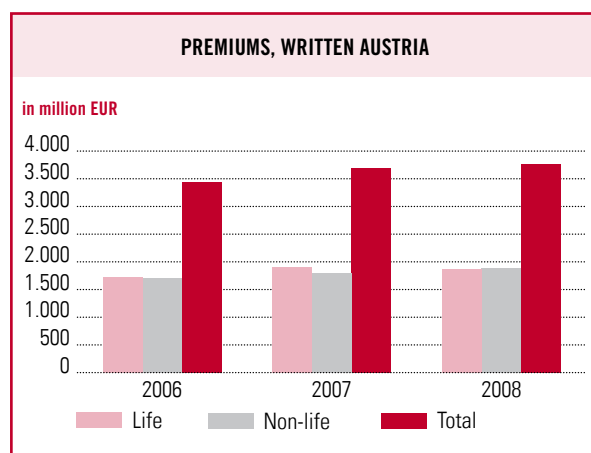
Of particular note is its "s Garantie Concept" product, a single-premium index-linked life insurance policy that s Versicherung was quick to offer in order to satisfy customers' needs for stability. The single-premium capital guarantee product has a 12-year term and offers a 166.5% capital guarantee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

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

Business development in Austria in 2008

Premium growth

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



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

Expenses for claims and insurance benefits

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

Operating expenses

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

Profit of EUR 344.33 million

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

Combined ratio of 94.6%

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

Vienna Insurance Group in Austria*

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

* BA-CA Versicherung included until 30 June 2008.

s Versicherung included since 1st July 2008.

CZECH REPUBLIC

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

V.I.G. companies in the Czech Republic

Kooperativa pojišťovna, a.s., Vienna Insurance Group



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

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

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

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

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



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

ČPP is a composite insurer that has operated in the Czech insurance market for more than 10 years. The company has been one of the best on the market for some time, particularly in the segment of motor vehicle liability insurance, where the company's coverage of 830,000 vehicles once again placed it third in the market in 2008. At the beginning of 2008, ČPP introduced a unique bonus system to the motor vehicle insurance market, under the name "extrabonus Profi".

This system guarantees a 15% reduction in premiums right from the start for motor vehicle liability and own-damage policyholders with a claims-free driving record.

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

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

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



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

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

PČS focuses on the life insurance business. Its product "Flexi Invest 2008" was named "Best Life Insurance Policy of 2008".

"Flexi Invest" life insurance is a modern, transparent and broadly risk-hedged investment product that combines the advantages of life insurance and a savings product. The flexibility of this product is achieved by allowing policyholders the option of putting together their own portfolios or selecting one of three investment strategies offered. By giving customers the ability to freely modify

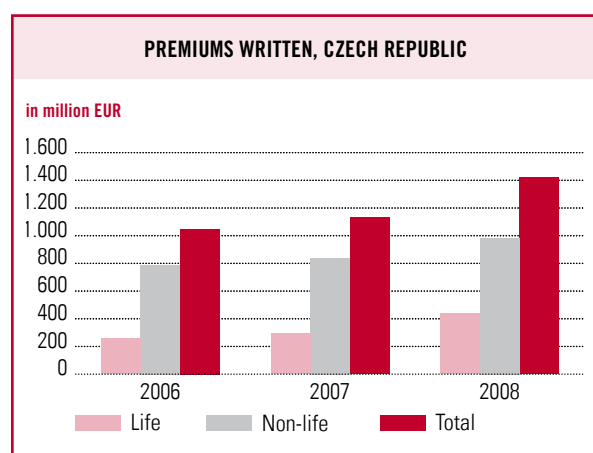
the funds they have invested at any time, the product can be tailored not only to customer needs but to current market developments as well.

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

Business development in the Czech Republic in 2008

Premiums increase by an outstanding 25.6%

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



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

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

Expenses for claims and insurance benefits

The Czech companies of the Vienna Insurance Group incurred expenses for insurance claims of EUR 806.31 million in 2008 (2007: EUR 631.35 million). This represented an increase in expenses for insurance claims (less reinsurance) of EUR 174.96 million, or 27.7%.

Operating expenses

The Vienna Insurance Group's Czech companies incurred operating expenses of EUR 281.58 million in 2008, including acquisition costs and less reinsurance commissions received, which represents an increase of 28.6% over the value of EUR 218.96 million the year before.

Czech Republic already contributing EUR 107.45 million to Group profit

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

Combined ratio of 92.2%

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

Vienna Insurance Group in the Czech Republic*

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

* PČS included since 1st October 2008.

SLOVAKIA

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

V.I.G. companies in Slovakia

Kooperativa poisťovňa a.s., Vienna Insurance Group



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

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

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

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

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

Komunálna poisťovňa a.s., Vienna Insurance Group



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

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

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

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

Kontinuita poisťovňa a.s., Vienna Insurance Group



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

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

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

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

Poistovňa Slovenskej sporiteľne, a.s.
Vienna Insurance Group¹ (PSLSP)



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

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

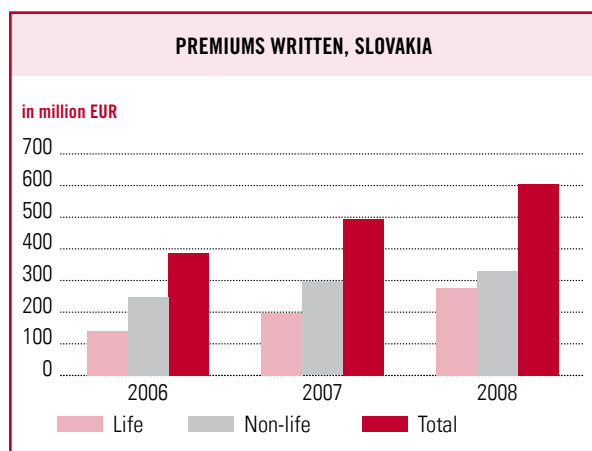
Since 2008, PSLSP too has been a part of the Vienna Insurance Group family. PSLSP commenced its insurance operations at the beginning of 2003 and is now the eighth largest life insurance company in Slovakia. PSLSP's main channel of distribution is Slovakia's largest commercial bank, Slovenská sporiteľňa,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

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

Business development in Slovakia in 2008

Premium growth

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



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

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

Expenses for claims and insurance benefits

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

Operating expenses

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

Slovakian companies contribute profit before taxes of EUR 4.99 million

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

Combined ratio of 93.3%

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

Vienna Insurance Group in Slovakia*

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

* PSLSP included since 1st October 2008

POLAND

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

V.I.G. companies in Poland

TU Compensa S.A., Vienna Insurance Group

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



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

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

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

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

Benefia TU Majątkowych S.A., Vienna Insurance Group

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



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

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

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

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

TU InterRisk S.A.



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

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

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

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


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

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

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

Business development in Poland in 2008
Premium growth

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

The non-life segment generated premium volume of EUR 413.45 million in 2008 (2007: EUR 324.34 million), an increase of 27.5% over the previous year. InterRisk contributed a particularly impressive EUR 202.47 million to premiums, an increase of 26.1%. Compensa Non-life's premium volume rose

to EUR 164.87 million, a 29.0% increase over the year before, primarily due to strong growth in the motor vehicle own-damage segment.

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

Expenses for claims and insurance benefits

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

Operating expenses

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

Polish companies increase their profit before taxes by 39.0%

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

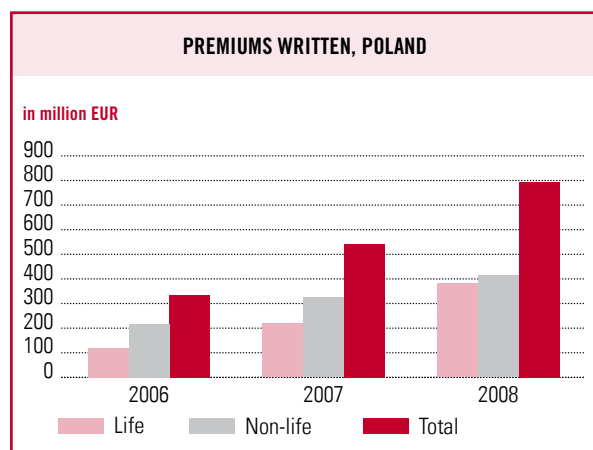
Combined ratio of 98.7%

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

Vienna Insurance Group in Poland*

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

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



ROMANIA

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

V.I.G. companies in Romania

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



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

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

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

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

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

SC Asigurarea Romaneasca Asirom Vienna Insurance Group S.A.



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

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

SC BCR Asigurari

Vienna Insurance Group S.A.¹ (BCR Non-life)



SC BCR Asigurari de Viata

Vienna Insurance Group S.A.¹ (BCR Life)



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

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

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

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

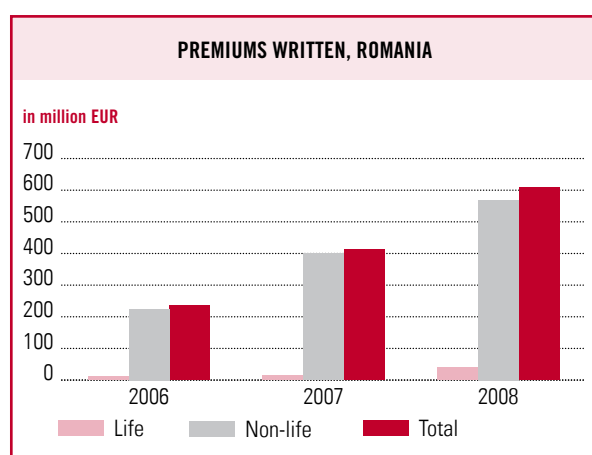
BCR Non-life is one of the Top 5 insurers in the non-life segment in Romania, and focuses its sales efforts on motor vehicle insurance.

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

Business development in Romania in 2008

Premium growth

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



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

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

The life insurance premium income earned by the Vienna Insurance Group's Romanian companies increased by 187.1%, to EUR 39.06 million, in 2008 (2007: EUR 13.60). This above-average increase in premiums is due to the

first-time consolidation of Asirom in 2008. Asirom contributed around 65% of the total premiums generated in the life insurance segment.

Expenses for claims and insurance benefits

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

Operating expenses

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

Profit before taxes increases to EUR 57.5 million in Romania

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

Combined ratio of 104.7%

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

Vienna Insurance Group in Romania*

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

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

OTHER CEE MARKETS

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

Bulgaria

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

Croatia

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

Serbia

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

Turkey

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

Ukraine

The Vienna Insurance Group operates through four insurance companies in Ukraine: CJS UIK Kniazha, IC Globus Insurance Company, CJSC Life Insurance Jupiter Vienna Insurance Group and CJSC Insurance Company (UIG). Kniazha, established in 1997, is a non-life insurer operating successfully in the segment of motor vehicle insurance, and is number 2 in the Ukrainian market for motor vehicle liability insurance. Globus and UIG help to strengthen the Vienna Insurance Group's position

in the motor vehicle insurance market. Jupiter represents the Vienna Insurance Group in the life insurance business. Distribution alternatives were expanded by means of a cooperative arrangement concluded in 2008 with the Erste Group's Ukrainian subsidiary in order to take advantage of additional potential in the Ukrainian insurance market.

Hungary

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

Business development in the Other CEE Markets segment in 2008

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

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

Premium growth

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

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

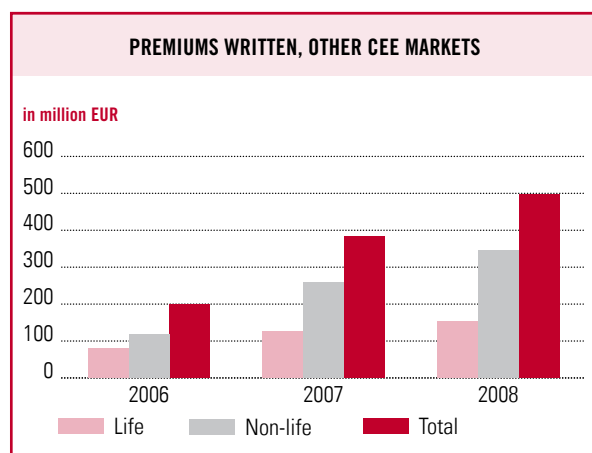
The life insurance premium income generated by the Vienna Insurance Group companies in the Other CEE markets segment increased 21.6%, to EUR 151.87 million, in 2008 (2007: EUR 124.92 million). The top contribution came from Hungary, which recorded an increase of 31.1%.

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

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

Expenses for claims and insurance benefits

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



Operating expenses

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

Profit before taxes

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

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

Combined ratio of 105.8%

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

Vienna Insurance Group in Other CEE markets*

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

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

OTHER MARKETS

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

Germany

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

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

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

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

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

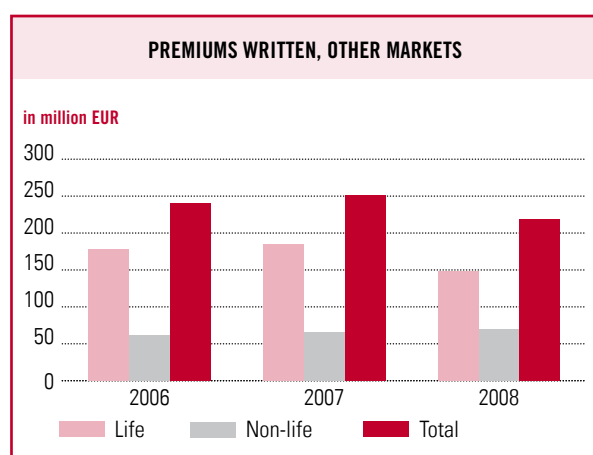
Liechtenstein

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

Business development in the Other markets segment in 2008

Premium growth

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



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

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

Expenses for claims and insurance benefits

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

Operating expenses

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

Profit before taxes increases 16.2% in Other markets segment

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

Combined ratio of 74.0%

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

InterRisk in Germany achieves outstanding combined ratio of 74.0%.

Vienna Insurance Group in Other markets

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

OUTLOOK FOR 2009

ECONOMIC DEVELOPMENT

Austria

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

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

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

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

CEE

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

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

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

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

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

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

THE 2009 INSURANCE MARKET

Austria

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

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

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

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

CEE

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

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

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

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

VIENNA INSURANCE GROUP – OUTLOOK

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

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

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

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

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

WIENER STÄDTISCHE VERSICHERUNG AG VIENNA INSURANCE GROUP

**Consolidated financial statements in accordance with
International Financial Reporting Standards (IFRS)**

31 December 2008

Reporting period	1.1.2008–31.12.2008
Balance sheet comparison date	31.12.2007
Income statement comparison period	1.1.2007–31.12.2007
Currency	EUR

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2008

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

* including trading assets

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2008

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

CONSOLIDATED SHAREHOLDERS' EQUITY

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

	Share capital	Other capital reserves	Capital reserves from premiums paid on hybrid capital	Retained earnings	Unrealised gains and losses	Currency translation and other reserves	Shareholders' equity before minority interest*	Minority interests	Shareholders' equity
in EUR '000									
As of 1 January 2007	109,009	1,035,029	0	775,701	245,128	47,542	2,212,409	70,799	2,283,208
Exchange rate	0	0	0	0	0	10,686	10,686	-1,960	8,726
Changes in scope of consolidation/ownership interests	0	0	0	55,474	9,680	0	65,154	194,141	259,295
Unrealised gains and losses from financial investments available for sale	0	0	0	0	-176,662	0	-176,662	-6,020	-182,682
Profit for the period	0	0	0	312,618	0	0	312,618	36,253	348,871
Dividend payment	0	0	0	-86,100	0	0	-86,100	-15,755	-101,855
As of 31 December 2007	109,009	1,035,029	0	1,057,693	78,146	58,228	2,338,105	277,458	2,615,563
As of 1 January 2008	109,009	1,035,029	0	1,057,693	78,146	58,228	2,338,105	277,458	2,615,563
Exchange rate	0	0	0	0	0	-39,889	-39,889	-944	-40,833
Capital increase/hybrid capital issue	23,878	1,073,974	245,602	0	0	0	1,343,454	0	1,343,454
Changes in scope of consolidation/ownership interests	0	0	0	72,418	0	0	72,418	-40,790	31,628
Unrealised gains and losses from financial investments available for sale	0	0	0	0	-135,248	0	-135,248	920	-134,328
Profit for the period	0	0	0	408,533	0	0	408,533	33,810	442,343
Dividend payment	0	0	0	-115,500	0	0	-115,500	-3,537	-119,037
As of 31 December 2008	132,887	2,109,003	245,602	1,423,144	-57,102	18,339	3,871,873	266,917	4,138,790

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

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

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

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

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

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

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

SEGMENT REPORTING

CONSOLIDATED BALANCE SHEET BY PRIMARY SEGMENTS (LINES OF BUSINESS)

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

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

The amounts indicated for each business segment have been adjusted for internal segment transactions. As a result, the asset and liability balances cannot be used to infer the shareholders' equity allocated to each area of operations.

SEGMENT REPORTING

CONSOLIDATED INCOME STATEMENT BY SEGMENT

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

The Wiener Städtische Versicherung AG Vienna Insurance Group is the leading Austrian insurance company in Central and Eastern Europe and thus the largest listed insurance group in Austria as well. Its registered office is located at Schottenring 30, 1010 Vienna. As the ultimate parent company, Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung includes Wiener Städtische Versicherung AG Vienna Insurance Group in its consolidated financial statements.

The insurance companies of the Vienna Insurance Group offer high-quality insurance services in both the life and non-life segments in 23 countries of Central and Eastern Europe.

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

Significant accounting policies

The consolidated financial statements as of 31 December 2008 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), including the applicable interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements were prepared based on the published IFRS adopted by EU regulation, application of which was mandatory as of 31 December 2008. The present consolidated financial statements therefore implement the following changes in requirements: In October 2008, the IASB published changes to IAS 39 (Financial instruments: recognition and valuation) and IFRS 7 (Financial instruments: disclosures) under the title "Reclassification of financial assets" that entered into force retroactively as of 1 July 2008. Since 2002, the designation IFRS has stood for the overall framework of all standards adopted by the IASB. Previously adopted standards continue to be referred to as International Accounting Standards (IAS). By the time the consolidated financial statements were prepared, additional standards, as well as changes to standards and interpretations, respectively approved by the IASB or IFRIC had been adopted by the EU and published in its Official Journal. Application of these standards and interpretations was not yet mandatory in financial year 2008, and the Vienna Insurance Group likewise did not apply them in advance of their dates of mandatory application. The effect of these provisions is insignificant and in some cases cannot yet be reliably estimated.

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

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

The accounting policies described below have been applied uniformly during the entire reporting period and all prior reporting periods since preparation of the IFRS opening balance sheet as of 1 January 2004. This applies similarly to all fully consolidated companies included in the consolidated financial statements. The sole exception to this Group-wide uniform application of accounting policies concerns the valuation of insurance policies in accordance with IFRS 4, as discussed in more detail in the section titled "Classification of insurance policies".

Scope and methods of consolidation

Wiener Städtische Versicherung AG Vienna Insurance Group, Vienna is the parent company of the Vienna Insurance Group. All companies that are under the control ("control principle") of Wiener Städtische AG ("subsidiaries") are fully consolidated in the consolidated financial statements. Control exists when Wiener Städtische AG is, directly or indirectly, in a position to determine the financial and business policy of a subsidiary. Consolidation of a subsidiary starts when control is gained and ends when this influence no longer exists. The consolidated financial statements include a total of 28 domestic and 41 foreign companies. Subsidiaries that are immaterial for a true and fair presentation of the net assets, financial position and results of operations of the Group were not included in the scope of consolidation. A total of 21 domestic and 13 foreign subsidiaries were excluded for this reason.

Companies that are managed as a joint venture with other companies ("joint venture companies") are included using the proportional consolidation method (recognition of a proportionate share of the assets, liabilities, income and expenses).

This applies to those companies that were managed as a joint venture with TBIH Financial Services Group N.V., Amsterdam. Since the company is a pure holding company and the business operations are conducted in the associated enterprises, a 60% share of the latter is directly incorporated in the consolidated financial statements. During the reporting period, four companies were included in the consolidated financial statements using proportional consolidation.

Associated companies are companies over which Wiener Städtische AG has a significant influence, but does not exercise control. These companies are accounted for using the equity method. The present consolidated financial statements include 5 domestic at equity consolidated companies and 1 foreign at equity consolidated company. In addition, 13 affiliated companies that are of lesser importance for the results of operations of the Group were also accounted for using the equity method. In accordance with the requirements of IAS 39 "Financial instruments", 34 companies of minor importance were treated as available-for-sale financial instruments and measured accordingly at fair value. Wiener Städtische AG owns a 31.6% interest in Wüstenrot Versicherungs-Aktiengesellschaft, Salzburg. Significant influence within the meaning of IAS 28 does not exist, since Wiener Städtische is not in a position to receive timely IFRS financial statements from Wüstenrot Versicherungs-Aktiengesellschaft. In accordance with the requirements of IAS 39 "Financial instruments", the shares are treated as available-for-sale financial instruments. For more information, please refer to note 6, "Other securities", in the Notes to the Consolidated Financial Statements.

Fully controlled investment funds ("special funds") were fully consolidated in accordance with the requirements of SIC 12. Mutual funds in which the Vienna Insurance Group holds the majority of units were not fully consolidated, since Vienna Insurance Group has no control over such mutual funds.

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

- "Neue Heimat" Gemeinnützige Wohnungs- und Siedlungsgesellschaft in Oberösterreich GmbH, Linz
- Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck
- Erste gemeinnützige Wohnungsgesellschaft "Heimstätte Gesellschaft m.b.H.", Vienna
- GIWOG Gemeinnützige Industrie-Wohnungs-AG, Leonding
- GEMYSAG Gemeinnützige Mürz-Ybbs-Siedlungsanlagen-GmbH, Kapfenberg
- "Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Vienna

Distribution of the annual profit of non-profit housing development companies is subject to statutory restrictions in Austria and there is only limited access to the assets of such companies. The total profit before taxes of all consolidated non-profit housing development companies was EUR 31,408,000 (EUR 35,253,000).

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

First-time inclusion of a subsidiary is performed in accordance with the purchase method of accounting by allocating the cost of acquisition to the identifiable assets and liabilities of the acquired company. The amount by which the cost of acquisition of the subsidiary exceeds the fair value of the net assets acquired is recognised as goodwill. If the fair value of the net assets acquired exceeds the cost of acquisition (positive differences from capital consolidation), after a second critical appraisal of the recognition and valuation of the assets and liabilities acquired, the Vienna Insurance Group recognises this excess amount as income on the income statement.

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

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

The following companies were deconsolidated during the financial year:

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

The deconsolidation of the above companies had the following effects:

Balance sheet

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

Income Statement

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

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

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

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

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

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

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

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

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

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

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

Companies founded	Interest in %	Date founded
HOTELY SRNÍ, a.s., Most	72.43	01.07.2008
ČPP servis, s.r.o., Prague	91.72	25.07.2008
VIG RE, Prague	100.00	18.08.2008

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

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

Classification of insurance policies

Policies under which a Group company assumes a significant insurance risk from another party (the policyholder) as a result of a provision whereby the policyholder receives compensation if a specified uncertain future event (the insured event) adversely affects the policyholder are treated as insurance policies as defined in the IFRS. A distinction is made between insurance risk and financial risk. Financial risk is the risk of a possible future change in specific interest rates, securities prices, price indices, interest rate indices, credit ratings, or credit indices, or another variable, provided that, in the case of a non-financial variable, the variable is not specific to one counterparty. In many cases, particularly in the life insurance area, insurance policies as defined in the IFRS also transfer financial risk.

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

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

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

are considered to be profit-dependent net income participation.

Policies with profit-dependent net income participation exist in all markets in the Vienna Insurance Group, primarily in the life insurance segment, and to a secondary extent also in the pro

perty/casualty and health insurance segments, and are treated as insurance policies in accordance with IFRS 4. Net income participation in the life insurance segment exists essentially in the form of participation in the adjusted net income of the balance sheet unit in question calculated according to national accounting requirements. Net income or profit participation amounts that have already been allocated or committed to policyholders are reported in the mathematical reserve. Amounts reported in the local annual financial statements which have been committed or allocated to policyholders by means of net income participation are reported on the balance sheet in the provision for profit-dependent premium refunds. In addition the profit-dependent portion resulting from application of IFRS versus local valuation requirements ("deferred profit participation") is reported in the provision for profit-dependent premium refunds. The rate used in Austria for calculating deferred profit participation is approx. 80% of the difference between the value recognised in the local financial statements and the value recognised in the IFRS financial statements.

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

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

Recognition and accounting methods for insurance policies

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

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

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

Adequacy test for liabilities arising from insurance policies

Liabilities from insurance policies and financial insurance policies are tested at each reporting date for adequacy of the insurance liabilities recognised in the financial statements. Up-to-date estimates of the various valuation parameters are examined, taking into account all future cash flows associated with the insurance policies, to determine whether the recognised liabilities are adequate. If these tests determine that the book value of the insurance liabilities is negative, taking into account capitalised acquisition costs and/or capitalised policy portfolio values, the entire shortfall is immediately recognised in profit or loss.

Foreign currency translation

Transactions in foreign currency

The individual Group companies recognise transactions in foreign currency using the mean rate of exchange on the date of each transaction. Monetary assets and liabilities in foreign currency existing on the balance sheet reporting date are translated to euros using the mean rate of exchange on the balance sheet reporting date. Any resulting foreign currency gains and losses are recognised with direct effect on the income statement.

Foreign currency translation of individual financial statements

For purposes of the IFRS, the functional currency of Wiener Städtische AG subsidiaries located outside of the Eurozone is the currency of the country where they are located. All assets and liabilities reported in individual financial statements are translated to euros using the mean rate of exchange on the balance sheet reporting date. Income statement items are translated using the average month-end mean rate of exchange during the reporting period. Foreign exchange gains and losses arising since 1 January 2004 have been recognised directly in equity under the "Differences arising from foreign exchange translation" item. The following table shows the relevant exchange rates for the consolidated financial statements:

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

Impairment

Assets are tested at a minimum on each balance sheet reporting date for indications of impairment. Intangible assets with an indefinite useful life (primarily goodwill) are tested even if there are no signs of impairment. Since scheduled amortisation of goodwill resulting from mergers is not permitted under IFRS 3 (business combinations), the Vienna Insurance Group performs impairment tests at least once a year. For this reason, the subsidiaries are combined into an economic unit (CGU) at the level of the region (secondary reporting segment), separated into life

and non-life (primary reporting segment). Impairment arises only if there is a need to write down the entire economic unit. The value in use of the economic units is calculated using the earnings-based discounted cash flow method. The capitalised earnings value is calculated using budget projections for the next three years. Earnings following the three-year period are extrapolated using an annual growth rate. Discount rates are calculated using a base rate equal to the average annual return on Austrian government bonds adjusted for sector and market risk.

Discount rates

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

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

Estimates

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

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

Accounting policies for specific items in the financial statements

Intangible assets

GOODWILL

The goodwill shown in the balance sheet is essentially the result of applying the purchase method of accounting for companies acquired since 1 January 2004 (date financial reporting was converted to IFRS). For companies acquired before 1 January 2004, the difference between the cost of acquisition and the value of the net assets acquired was offset directly against equity. Using the option afforded by IFRS 1, no adjustments were made to this accounting.

Goodwill is valued at acquisition cost less accumulated impairment losses. In the case of ownership interests in associated companies, goodwill is included in the amortised book value of

the ownership interest. If goodwill arising from reorganisations was recognised in the consolidated financial statements of previous years, the book value of these goodwill items were carried over into the IFRS accounting in accordance with IFRS 1.

PURCHASED INSURANCE PORTFOLIOS

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

In addition, the insurance portfolio value arising from the acquisition of an insurance portfolio before conversion of the accounting to IFRS is also reported in this item. It was possible to carry the portfolio value over to the IFRS financial statements without change. Straight-line amortisation is performed over a maximum of ten years.

OTHER INTANGIBLE ASSETS

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

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

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

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

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

Investments

GENERAL INFORMATION ON THE ACCOUNTING FOR INVESTMENTS

In accordance with applicable IFRS requirements, some Group assets and liabilities are carried at fair value in the accounts for the consolidated financial statements. This applies in particular to a significant portion of investments. Fair value is determined according to the following hierarchy:

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

The use of different pricing models and assumptions can lead to differing results for fair value. Changes in the estimates and assumptions used to determine the fair value of assets in cases where no market price quotations are available may necessitate a write-up or write-down of the book value of the assets in question and recognition of the corresponding income or expense in the income statement.

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

Financial instruments shown as investments are regularly tested for impairment. If impairments to fair value are necessary, these are recognised in profit or loss if the reduction in value is permanent, and the corresponding investment item is not otherwise being valued at fair value with recognition of unrealised profits and losses (financial instruments recognised at fair value through profit or loss and investments of unit-linked and index-linked life insurance). The assessment as to whether a reduction in value is permanent is based on an evaluation of market conditions, the issuer's financial position, and other factors. In the case of equity instruments, the Group normally assumes permanent impairment if a reduction of 20% in (amortised) acquisition cost is observed over a period of more than six consecutive months. Likewise, permanent impairment is immediately assumed if a reduction of more than 50% has existed, even for a short time, as of the valuation date.

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

LAND AND BUILDINGS

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

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

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

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

Useful life in years	from	to
Buildings	20	50

SHARES IN AT EQUITY VALUED COMPANIES

Material holdings of shares in associated companies are valued using the equity method in accordance with IAS 28 "Investments in associates". The annual financial statements of at equity consolidated companies were prepared in accordance with IFRS requirements.

FINANCIAL INSTRUMENTS

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

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

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

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

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

This item also includes shares in affiliated companies that are not material for a true and fair presentation of the net assets, financial position and results of operations of the Group and are therefore not included in consolidation. These shares are valued analogously to the valuation of financial instruments available for sale. These valuation principles are also applied to shares in associated companies that were not significant enough to be

accounted for using the equity method. The interest in Wüstenrot Versicherungs-Aktiengesellschaft, as presented above on page 80 in the "Scope of consolidation and methods of consolidation" section, is also shown here. Information on the valuation of financial investments available for sale is provided in the notes below on the accounting for financial instruments.

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

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

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

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

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

The Vienna Insurance Group performed the following reclassifications:

Fair value as of the reclassification date

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

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

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

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

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

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

Investments of unit-linked and index-linked life insurance

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

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

Reinsurers' share of underwriting provisions

The reinsurers' share of the underwriting provisions is valued in accordance with contractual provisions.

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

Receivables

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

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

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

Other assets

Other assets are valued at acquisition cost less impairment losses.

Taxes

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

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

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

from existing loss carryforwards are included in the calculation. Differences arising from goodwill that is not deductible for tax purposes and quasi-permanent differences related to ownership interests are not included in the overall tax deferral calculation.

Deferred tax assets are not recognised if it is not probable that the tax benefits they contain can be realised. Deferred taxes are calculated using the following tax rates:

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

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

Underwriting provisions

UNEARNED PREMIUMS

According to the current version of IFRS 4, figures in annual financial statements prepared in accordance with national requirements may be used for the presentation of figures relating to insurance policies in the consolidated financial statements. In Austria, a cost discount of 15% is used when calculating unearned premiums in the property and casualty insurance area (10% for motor vehicle liability insurance), corresponding to EUR 28,192,000 (EUR 29,913,000). No acquisition costs in excess of this figure are capitalised. For foreign companies, in the property/casualty insurance area, a portion of the acquisition commissions is generally recognised in the same proportion as the ratio of earned premiums to written premiums. To ensure uniform presentation within the Group, these capitalised acquisition costs are also shown in the consolidated financial statements as a reduction in unearned premiums. In the life insurance area, acquisition costs are calculated using the rates set out in the business plans and included by zillmerisation when calculating the mathematical reserve. Negative mathematical reserves are set to zero for Austrian companies. For foreign companies, negative mathematical reserves are recognised and netted with the mathematical reserves. No additional acquisition costs are capitalised. In general, no capitalisation of acquisition costs is performed for health insurance.

MATHEMATICAL RESERVE

Mathematical reserves in the life insurance business segment are calculated using the prospective method as the mathematical present value of obligations (including declared and allocated profit shares and an administrative cost provision) less the present value of all future premiums received. The calculation is based on factors such as expected mortality, costs, and the discount rate.

As a rule, the mathematical reserve and related tariff are calculated using the same basis, which is applied uniformly for the entire tariff and during the entire term of the policy. An annual adequacy test of the calculation basis is performed in accordance with IFRS 4 and applicable national accounting requirements (see section titled "Adequacy test for liabilities arising from insurance policies"). As a rule, in life insurance the official mortality tables of each country are used. If current mortality expectations differ to the benefit of policyholders from the calculation used for the tariff, leading to a corresponding insufficiency in the mathematical reserves, the provisions are increased appropriately as part of the adequacy test of insurance liabilities.

In life insurance, acquisition costs are included by zillmerisation as a reduction of mathematical reserves. In accordance with national requirements; negative mathematical reserves resulting from zillmerisation are set to zero for Austrian insurance companies. Negative mathematical reserves are not set to zero for Group subsidiaries with registered offices outside Austria. These negative mathematical reserves are recognised in the mathematical reserve item in the consolidated financial statements. The following average discount rates are used to calculate mathematical reserves:

As of 31.12.2008: 3.44%

As of 31.12.2008: 3.41%

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

In health insurance, mathematical reserves are also calculated using the prospective method as the difference between the actuarial present value of future insurance payments less the present value of future premiums. The claims frequencies used to calculate the mathematical reserve derive primarily from analyses conducted on the Group's own insurance portfolio. As a rule, the mortality tables used correspond to published mortality tables.

The following discount rates are used for the great majority of transactions when calculating mathematical reserves:

As of 31.12.2008: 3.00%

As of 31.12.2007: 3.00%

PROVISION FOR OUTSTANDING INSURANCE CLAIMS

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

PROVISION FOR PROFIT-INDEPENDENT PREMIUM REFUNDS

The provisions for profit-independent premium refunds relate in particular to the "property and casualty insurance" and "health insurance" segments, and pertain to premium refunds in certain insurance classes that are contractually guaranteed to policyholders in the event that there are no claims or a low level of claims. These provisions are formed at the individual policy level with no discounting.

PROVISION FOR PROFIT-DEPENDENT PREMIUM REFUNDS

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

The provision for deferred profit participation, which is recognised by analogous application of the provisions for deferred taxes, is also shown in this item. Please see the section titled "Classification of insurance policies".

OTHER UNDERWRITING PROVISIONS

The other underwriting provisions item primarily shows cancellation provisions. Cancellation provisions are formed for the cancellation of premiums that have been written but not yet paid by the policyholder, and therefore represent a liabilities-side allowance for receivables from policyholders. These provisions are formed based on the application of certain percentage rates to overdue premium receivables.

Underwriting provisions of unit-linked and index-linked life insurance

Underwriting provisions of unit-linked and index-linked life insurance represent obligations to policyholders that are linked to the performance and income of corresponding investments. The valuation of these provisions corresponds to the valuation of the investments of unit-linked and index-linked life insurance, and is based on the fair value of the investment fund or index serving as a reference.

Provision for pensions and similar obligations

PENSION OBLIGATIONS

Pension obligations are based on individual contractual obligations and collective agreements. The obligations are defined benefit obligations.

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

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

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

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

A portion of the direct pension obligations are administered as an occupational group insurance plan following conclusion of an insurance contract in accordance with § 18 f to 18 j VAG.

POST-EMPLOYMENT OBLIGATIONS

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

The provision is calculated using the projected unit credit method. Under this method, the sum of the present values of future payments is calculated up to the point in time when the claims reach their highest value (to a maximum of 25 years). The calculation for the balance sheet reporting date in question is based on an actuarial report.

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

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

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

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

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

OTHER NON-UNDERWRITING PROVISIONS

Other non-underwriting provisions are recognised if a de jure or de facto obligation exists to a third party based on a past event, it is probable that this obligation will lead to an outflow of resources, and a reliable estimate can be made of the amount of the obligation.

The provisions are recognised at the value representing the best possible estimate of the expenditure needed to fulfil the obligation. If the present value of the provision calculated using a normal market rate of interest differs significantly from the nominal value, the present value of the obligation is recognised.

The other non-underwriting provisions item also includes personnel provisions other than the provisions for pensions and similar obligations. These relate primarily to provisions for unused vacation and anniversary bonus obligations. Anniversary bonus obligations are measured using the calculation method described for post-employment benefit obligations and the same calculation parameters. The corridor method is not used.

(Subordinated) liabilities

As a rule, liabilities are recognised at amortised cost. This also applies to liabilities arising from financial insurance policies.

Earned premiums*

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

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

Expenses for claims and insurance benefits

All payments to policyholders arising from loss events, claims settlement expenses directly related to loss events, and internal costs attributable to claims settlement under the causation principle, are shown as expenses for insurance claims. Expenses for loss prevention are also presented in this item. Expenses for insurance claims are reduced by the income gained from using existing contractual and statutory avenues of recourse (this applies in particular to property and casualty insurance). Changes in underwriting provisions, except for the change in the cancellation provision, are also shown in the expenses for insurance claims item.

Operating expenses

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

- Expenses for insurance claims (claims settlement expenses)
- Expenses arising from investments (expenses for asset investment)
- Operating expenses

RISK REPORTING

The Vienna Insurance Group's core competence is dealing professionally with risk. The Group's primary business is assuming risks from its customers using a variety of insurance packages. The insurance business consists of deliberately assuming diverse risks and managing them profitably. One of the primary responsibilities of risk management is to ensure that the obligations assumed under insurance policies can be satisfied at all times.

The Vienna Insurance Group is exposed to a number of other risks in addition to the underwriting risks of its insurance policy portfolio. A risk management process is used to identify, analyse, evaluate, report, control and monitor these risks. The risk control measures used are avoidance, reduction, diversification, transfer and acceptance of risks and opportunities.

The overall risk of the Group can be divided into the following risk categories:

- **Underwriting risks:** The core business of Vienna Insurance Group is the risk transfer from the insurance holders to the insurance company.
- **Credit risk:** This risk quantifies the potential loss due to deterioration of the situation of a contracting party owing receivables.
- **Market risk:** Market risk is taken to mean the risk of changes in the value of investments caused by unforeseen fluctuations in interest rate curves, share prices and currency rates, and the risk of changes in the market value of real estate and ownership interests.
- **Strategic risks:** These can arise due to changes in the economic environment, case law, and the regulatory environment.
- **Operational risks:** These may result from deficiencies or errors in business processes, controls or projects caused by technology, staff, organisation or external factors.
- **Liquidity risk:** Liquidity risk depends on how good the fit is between the investment portfolio and insurance commitments.
- **Concentration risk:** Concentration risk is a single direct or indirect position or an associated group of positions with the potential to significantly endanger the insurance company, core business or key performance measures. Concentration risk is caused by an individual position, a collection of positions with common owners, guarantors or managers, or by sector concentrations.

As a rule, local companies in the Vienna Insurance Group are responsible for managing their own risks, while at the same time strict requirements are set in terms of investments and capital assets, as well as for reinsurance.

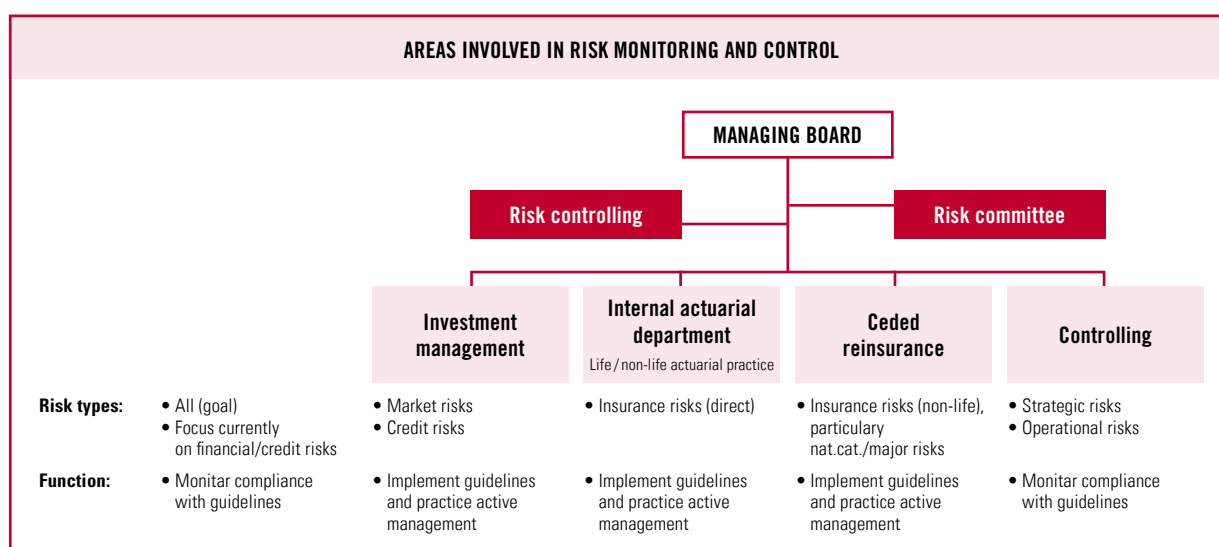
Effective risk and opportunities management requires ERM (Enterprise Risk Management) and a risk policy and risk strategy set by management. ERM enables managers to deal effectively with uncertainty and the risks and opportunities it involves, and strengthens their ability to create value. Taking all relevant potential future events into account improves the utilisation and proactive realisation of opportunities. Reliable information on risks improves the allocation of capital. ERM provides a procedure for identifying and selecting alternative reactions to risks.

The Vienna Insurance Group risk management department is an independent organisational unit. Every employee contributes to the effectiveness of risk management in the Vienna Insurance Group. Great importance is placed on the day-to-day implementation of a suitable risk monitoring culture. Transparent and verifiable processes form an essential element of this Group-wide risk culture. Deviations from set target values and the admission and reporting of errors can take place in our Company, and are used to promote the active problem-solving abilities of our employees.

Risk management in the Vienna Insurance Group is governed by a number of internal guidelines. Underwriting risks in property and casualty insurance are primarily managed using actuarial models for setting tariffs and monitoring the progress of claims, and guidelines for the assumption of insurance risks. The most important underwriting risks in life and health insurance are primarily biometric ones, such as life expectancy, occupational disability, illness and the need for nursing care. To manage these underwriting risks, Vienna Insurance Group has formed reserves for paying future insurance benefits.

The Vienna Insurance Group limits its potential liability from its insurance business by passing on some of the risks it assumes to the international reinsurance market. It spreads this reinsurance coverage over a large number of different international reinsurance companies that the Vienna Insurance Group believes have adequate creditworthiness, in order to minimise the risk (credit risk) due to the insolvency of one reinsurer.

The Vienna Insurance Group monitors the various market risks in its security portfolio using fair value valuations, value-at-risk (VaR) calculations, sensitivity analyses and stress tests.



Liquidity risk is limited by matching the investment portfolio to insurance commitments. Operational and strategic risks which might be caused by deficiencies or errors in business processes, controls and projects and changes in the business environment are also monitored continuously.

- **Risk committee:** The cross-class risk committee is formed by the actuarial, operations, reinsurance, internal audit and corporate risk controlling departments. The risk committee is responsible for optimisation and ongoing development of an ERM system. ERM is a framework for company-wide risk management that uses key principles and concepts, uniform terminology and clear instructions and support.
- **Group actuarial department:** Underwriting risks are managed by the Group actuarial department. This department subjects all insurance solutions to in-depth actuarial analysis covering all classes of insurance business (life, health, property and casualty). Stochastic simulations are performed regularly as part of the ALM process.
- **Reinsurance:** The reinsurance business for all Group companies is managed by the central reinsurance department established at Wiener Städtische AG.
- **Risk controlling:** The risk controlling department prepares a quarterly risk budget for the investment area. Budget compliance is checked weekly. Compliance with securities guidelines and the Company's own limit system is monitored continuously. Periodic VaR calculations and analyses and detailed stress tests are performed for this monitoring. An analysis of the Company's risk capital model is an element of Standard & Poor's FSR (Financial Strength Rating) for Vienna Insurance Group.

- **Controlling:** The controlling department monitors and controls operational developments at domestic and foreign insurance companies. This is accomplished by means of monthly reports submitted to the controlling department by the companies and an analysis of plan and forecast figures.
- **Audit:** The audit department systematically monitors operating and business processes, the internal controlling system of all operational corporate areas and the functionality and adequacy of risk management. The internal audit department operates continuously and reports directly to the full Management Board.
- **Operations:** Operations acts as an interface between the technical and claims departments and the Group's country head offices and the external service providers in the areas of information technology and telephony. Operations is also responsible for optimisation of internal processes, strategic procurement, facility management and construction matters related to real estate occupied by the Group.

Business risks

The Vienna Insurance Group calculates its underwriting reserves using recognised actuarial methods and assumptions. These assumptions include estimates of the long-term interest rate trend, returns on capital investments, the allocation of capital investments among equities, interest rate instruments and other categories, net income participations, mortality and morbidity rates, cancellation rates and future costs. The Group monitors actual experience relating to these assumptions and adjusts its long-term assumptions where changes of a long-term nature occur.

GUARANTEED MINIMUM INTEREST RATES

The Vienna Insurance Group also has a considerable portfolio of policies with guaranteed minimum interest rates, including annuity and endowment insurance. On existing policies, Vienna Insurance Group guarantees a minimum interest rate averaging just below 3.5% p.a. If interest rates fall below the guaranteed average minimum rate for any length of time, the Vienna Insurance Group could find itself forced to use its equity to subsidise reserves for these products.

CLAIMS AND BENEFITS

In accordance with normal industry practice and accounting and supervisory requirements, the companies of the Vienna Insurance Group work together with the Group actuarial department to independently form reserves for claims and claims handling expenses arising from property and casualty insurance business. The reserves are based on estimates of the payments that will be made for these claims and related claims handling expenses. These estimates are made both on a case by case basis in the light of the facts and circumstances available at the time the reserves are formed, as well as for losses that have already been incurred but which have not yet been reported to Vienna Insurance Group ("IBNR"). These reserves represent the expected costs required for final settlement of all known pending claims and IBNR losses.

Loss reserves, including IBNR reserves, may vary depending on a number of variables that affect the total costs of a claim, such as changes in the legal framework, the outcome of court cases, changes in processing costs, repair costs, loss frequency, claim size and other factors such as inflation and interest rates.

INTEREST RATE FLUCTUATIONS

The Vienna Insurance Group is exposed to market risk, that is, the risk of suffering losses as a result of changes to market parameters. For the Vienna Insurance Group, interest rates are the most relevant parameters for market risk. Ignoring investments held for the account of and at the risk of policyholders, the Vienna Insurance Group's investments consist largely of fixed interest securities. The majority of these securities are denominated in Euro. As a result, interest rate fluctuations in the Euro zone have a significant effect on the value of these financial assets.

STOCK PRICE RISK

The Vienna Insurance Group has an equity portfolio which, even including shares held in funds, constitutes less than 3% of investments. The Vienna Insurance Group's equity holdings include, inter alia, interests in a number of Austrian companies and positions in other companies whose shares trade primarily on the Vienna Stock Exchange or stock exchanges in the Central and Eastern European region. Should stock markets move down, reported values might need to be adjusted.

ASPECTS OF TAX LAW ENVIRONMENT AFFECTING EARNINGS

Changes to tax law changes could negatively affect the attractiveness of certain Vienna Insurance Group products currently enjoying tax advantages. Thus, the introduction of laws to reduce the tax advantages of the Group's old-age retirement products or other life insurance products could considerably diminish the attractiveness of those products.

DEVELOPMENTS IN CENTRAL AND EASTERN EUROPE

The expansion and development of business operations in the countries of Central and Eastern Europe that do not yet belong to the EU is a core component of the Vienna Insurance Group's strategy. The Vienna Insurance Group's goal is to achieve an even stronger presence in these target markets. As part of the strategy pursued in this region, the Vienna Insurance Group has made acquisitions and established new companies. Political, economic and social conditions in these countries have changed rapidly in recent years. Far-reaching political and economic reforms have led to a situation where in which political and economic change can take place as new democratic and market oriented systems are being constructed.

RISKS DUE TO ACQUISITIONS

To date, the Vienna Insurance Group has acquired a series of companies in countries of Central and Eastern Europe, or has acquired interests therein.

Acquisitions often bring challenges in terms of corporate management and financing, such as:

- The need to integrate the infrastructure of the acquired company, including management information systems, and risk management and controlling systems;
- Settlement of open questions of a legal, supervisory, contractual or labour law nature raised by the acquisition;
- Integration of marketing, customer support and product lines; and
- Integration of different corporate and management cultures.

Cross-border acquisitions in Central and Eastern Europe can present a major challenge, due to differences in national cultures, business practices and legal systems.

CLIMATE CHANGE

The environmental catastrophes that have been becoming increasingly common in recent years, such as floods, pile-ups of flood debris, landslides, storms, etc., may be the result of general climate change. It is possible that the number of claims thus caused may continue to rise in the future.

CREDIT RISK FROM INVESTMENTS

In managing risks related to credit quality, a distinction must be made between "liquid" or "marketable" risks (exchange-listed

bonds and shares) and “bilateral” risks, such as, for example, time deposits, OTC derivatives, loans, private placements and securities custodial accounts/depositories. Risks relating to the former are limited at the portfolio level by means of rating and diversification limits.

Consideration is only given to those issuers or contracting parties whose credit quality or reliability can be assessed by Wiener Städtische, whether on the basis of an analysis performed by Wiener Städtische, credit assessments/ratings from recognised sources, unambiguous guarantees or the possibility of recourse to reliable mechanisms for safeguarding investments.

CREDIT RISK DUE TO REINSURANCE

The Vienna Insurance Group follows a policy of ceding a portion of assumed risks to reinsurance companies. This transfer of risk to reinsurers does not, however, relieve Vienna Insurance Group of its obligations to policyholders. The Vienna Insurance Group is therefore exposed to the risk of insolvency on the part of reinsurers.

CURRENCY RISKS

To diversify its portfolio, the investment area also makes use of international capital markets and, to a very small extent, foreign currencies. The Vienna Insurance Group’s great degree of involvement in the CEE region results in currency risks at the Group level in spite of matching local currency investments made at the local level.

CONCENTRATION RISK

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

REGULATORY ENVIRONMENT

Vienna Insurance Group is subject to (insurance) regulations in Austria and abroad.

These regulations govern such matters as:

- Capitalisation of insurance companies and groups;
- Admissibility of investments as security for underwriting reserves;
- Licences of the various companies of the Vienna Insurance Group;
- Marketing activities and the sale of insurance policies; and
- Cancellation rights of policyholders.

Changes to the statutory framework could make restructuring necessary, thereby resulting in increased costs.

INVESTMENTS

The Group invests in fixed-interest securities (bonds, loans/credits), shares, real estate, equity interests, and structured investment products, taking into account the overall risk position of the Group and the investment strategy provided for this purpose. Within the risk limits, the Chief Investment Officer of the Vienna Insurance Group implements the strategy decided on by the strategic investment committee. When determining exposure volumes and limits, the risk inherent in the specified categories and the market risks are of fundamental importance. The capital investment strategy is laid down in the form of investment guidelines, compliance with which is continuously monitored by the central risk controlling and internal audit departments. Investment guidelines are laid down on a centralised basis and are mandatory for all group companies, with a distinction made between investment strategies for Austria, the CEE region and Germany.

The investment strategy for Austria can be summarised as follows:

- Vienna Insurance Group practices a conservative investment policy designed for the long-term.
- Vienna Insurance Group focuses on its asset mix as a way to ensure that cash flows match its long-term liability profile and to create sustainable increases in value through the use of correlation and diversification effects of the individual asset classes.
- Investment management depends on the asset class in question or on the orientation within asset classes, whether performed internally or by an outside manager. Decisions in this regard are made by a committee set up for this purpose.
- Management of market risk on securities is aimed at providing a transparent view of the risk exposure arising from price, interest-rate, and currency fluctuations as they affect profitability and the value of securities investments, and at limiting these risks. Risks are limited by setting position limits and by means of a two-tier limit system for risk exposure.
- Market developments are monitored continuously and the allocation of portfolio assets managed actively.

About 64% of Vienna Insurance Group’s investment portfolio consists of direct holdings of fixed-interest securities and loans. Direct holdings of shares and real estate amount to 3% and approximately 13%, respectively, in each case valued by the book value of the total investment portfolio.

The table below shows the breakdown of the Vienna Insurance Group's investments as of 31 December 2008 and 31 December 2007, in EUR millions, broken down by property and casualty, health, and life insurance segments:

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

* Includes shares in unconsolidated subsidiaries and other ownership interests.

Maturity structure

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

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

The following tables show the maturity structure and rating structure of financial investments that are available for sale:

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

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

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

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

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

Bonds

As of 31 December 2008, bonds represented approximately 48% of total investments in the Vienna Insurance Group's securities portfolio. When the bond portion of unit trusts is included, bonds represent approximately 52% of all investments. Vienna Insurance Group actively manages its bond portfolio using estimates of changes in interest rates, spreads, and credit quality, taking into account limits related to individual issuers, credit quality, maturity, countries, currencies and issue volume. Investments in fixed-interest securities are almost always currency congruent, that is, they are made in the same currency as the obligations to policyholders. With regard to its bond portfolio, the Vienna Insurance Group is currently not planning any changes to its investment strategy.

According to the Group's investment guidelines for Austria, bond investments are made almost exclusively in investment grade bonds with a Standard & Poor's rating of AAA to BBB. Investments in non-investment grade bonds are only made in individual cases and in accordance with decisions to this effect by the Management Board. The goal is to achieve the greatest possible diversification among individual issuers, to avoid accumulation risks, to ensure good average credit quality, to control foreign currency effects, and to make the majority of investments in mid- to long-term maturities.

Equities

As of 31 December 2007, Vienna Insurance Group's held equity investments represented less than 3% of the book value of the total investment portfolio. In accordance with the investment guidelines for Austria, management is performed using the "top-down" approach, subject to the constraint that diversification be used to minimize the market price risk of the equities. Key elements are diversification by markets or regions, sectors or industries, capitalisation (large, medium and small caps), business cycle (value, growth), and valuation allocations (fundamental or quantitative models). For the Group's companies in CEE countries, the overall equity component is very small.

Risk diversification within the Vienna Insurance Group equity portfolio is achieved by geographic diversification. In addition to investments in sound international blue-chip securities, the portfolio also contains a variety of blocks of liquid shares in listed Austrian companies. Highly restrictive investment rules apply to subsidiaries in the CEE-region, such that equities play no, or only a secondary, role in their portfolios.

Loans/ Lending

Vienna Insurance Group loans had a book value of EUR 3,994.2 million on 31 December 2008, and a book value of EUR 1,187.4 million on 31 December 2007. The increase in the book value in financial year 2008 was due to reclassifications and the acquisition of s Versicherung. In the CEE region, investments in loans and credits have much less importance. Loans in this region are made almost exclusively to the Group's own real estate subsidiaries.

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

The carrying value of reclassified loans was not impaired as of 31 December 2008. A portfolio analysis and an analysis of remaining time to maturity for the Vienna Insurance Group's loan portfolio are provided in Note 5, "Loans and other investments", in the notes to the consolidated financial statements.

Land and buildings

As of 31 December 2008, the Vienna Insurance Group's real estate portfolio had a book value of EUR 3,090.4 million (market value: EUR 3,471.5 million) and a book value of EUR 2,868.7 million as of 31 December 2007 (market value: EUR 3,200.8 million). The real estate portfolio is used primarily to create highly inflation-resistant long-term positions for the insurance business, and to create silent reserves. The real estate portfolio represents approximately 13% of the total investment portfolio of the Vienna Insurance Group. To date, real estate has not represented a strategic asset class for companies in the CEE countries.

The following table shows Vienna Insurance Group real estate investments as of 31 December 2008 and 31 December 2007, broken down by location and type of use of the respective properties:

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

At equity consolidated companies

The Vienna Insurance Group's holdings of shares in at equity consolidated companies had a book value of EUR 119.7 million as of 31 December 2008, and a book value of EUR 51.8 million as of 31 December 2007. Shares in at equity consolidated companies therefore represented approximately 0.5% of the book value of the total investment portfolio as of 31 December 2008. The Vienna Insurance Group focuses primarily on long-term interests in insurance companies, or in companies whose activities are closely related to insurance. Reflecting a greater concentration on the core business, the tendency over the last few years has been towards a reduction of purely financial equity interests outside of the insurance portfolio. To date, the Vienna Insurance Group has held only a few financial equity interests in the CEE region, primarily serving to support insurance business operations.

Market risk

The Vienna Insurance Group divides market risk into interest rate, equity, currency, real estate, and ownership interest risks. For the Vienna Insurance Group, interest rates and equity prices

are the most relevant parameters for market risk. Currency prices are less important at present. The Vienna Insurance Group uses fair value assessments, value-at-risk calculations, sensitivity analyses and stress tests to monitor market risks.

The composition of capital assets is aimed at providing coverage for insured risks appropriate to the insurance business and the durations of the liabilities of the Vienna Insurance Group.

Interest-rate and equity risk

In the Vienna Insurance Group's investment design, the bond segment serves primarily to ensure stable earnings over the long term. Derivatives are used to reduce investment risk. Appropriate investment guidelines expressly govern the use of derivatives for bonds managed by third parties. Unit trusts, for example, must be expressly governed by the corresponding investment guidelines.

The equity segment serves to increase earnings over the long term, provides diversification and compensates for long-term erosion in value due to inflation. The Vienna Insurance Group assesses equity risk by considering diversification within the overall portfolio and the correlation to other securities exposed to price risk.

Market price risk affecting profit or loss is controlled by periodically calculating the VaR according to the "Investment and Risk Strategy – Securities" guideline for securities and adjusting it to the limit relative to the risk budget. The VaR is determined based on a daily variance-covariance calculation. The Vienna Insurance Group statistically estimates variances and covariances from market data over a 12-month period.

The Vienna Insurance Group uses a 99% confidence level. The holding period is between 10 and 20 days. Each stock's average risk contribution is somewhat smaller than its risk yield contribution. The foreign-currency risk contribution corresponds only to a few percentage points of the overall risk.

The following table shows the Vienna Insurance Group's VaR for available-for-sale securities:

Vienna Insurance Group VaR	31.12.2008
<i>in million EUR</i>	
10-day holding period	387.09
20-day holding period	547.43
Total risk capacity	636.00
20-days VaR as % of risk capacity	86.07

Capital market scenario analysis

The analysis is carried out annually for all Vienna Insurance Group companies in order to check the risk capacity of the investments. The following table shows the “stress parameters” and the coverage of the solvency requirement for each scenario for 31 December 2008:

Reduction in market value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
of equities	-20%	-10%	-20%	-20%	0%
of bonds	-5%	-2,5%	-5%	0%	-5%
of real estate	-5%	-10%	0%	-10%	-10%
Market value of assets minus liabilities					
without equity capital (in EUR millions)	2,607.16	2,922.06	2,780.73	3,071.87	2,772.25

In scenario 1, the market value of equities, bonds and real estate sharply decrease at the same time. The likelihood of such an extreme scenario's happening is very low. The market value of the assets is still considerably higher than the value of the liabilities after stress testing, which confirms the Vienna Insurance Group's excellent rating.

Life insurance

The following table shows the change in holdings of endowment insurance (not including term insurance), term, pension, and unit- and index-linked insurance, government-sponsored pension plans, and the total of these amounts.

	Endowment insurance (not including risk insurance)		Risk insurance		Pension insurance		Unit- and index-linked insurance		Government sponsored pension plans		Total	
	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured	No. of policies	Amt. insured
Number of policies in pc./Amount insured in EUR '000												
As of 1.1.2008	2,643,342	23,197,332	680,256	19,813,966	523,664	6,958,413	387,197	6,599,649	268,419	4,412,314	4,502,878	60,981,674
Changes in scope of consolidation	547,034	5,563,142	681,559	11,194,744	192,218	3,215,380	383,097	1,499,884	96,100	2,305,169	1,900,008	23,778,319
Additions												
New business	213,946	2,346,679	229,410	7,723,213	45,109	787,906	191,668	2,492,559	46,807	892,326	726,940	14,242,683
Increases	3,733	181,382	59	37,386	17	139,712	971	98,018	0	221,523	4,780	678,021
Total additions	217,679	2,528,061	229,469	7,760,599	45,126	927,618	192,639	2,590,577	46,807	1,113,849	731,720	14,920,704
Changes												
Changes in additions	81,698	1,518,858	13,253	580,618	57,619	1,573,661	24,509	1,021,543	3,983	52,837	181,062	4,747,517
Changes in reductions	-39,381	-1,117,805	18,220	-617,910	-52,611	-1,649,171	-23,050	-1,137,135	-4,397	-239,153	-101,219	-4,761,174
Total changes	42,317	401,053	31,473	-37,292	5,008	-75,510	1,459	-115,592	-414	-186,316	79,843	-13,657
Reductions due to maturity												
Due to contract expiration	-97,627	-585,781	-96,896	-2,223,122	-17,889	-250,876	-3,762	-28,055	-1	-9	-216,175	-3,087,843
Due to death	-18,387	-97,847	-1,665	-25,652	-1,873	-25,323	-844	-10,734	-313	-4,732	-23,082	-164,288
Total reductions due to maturity	-116,014	-683,628	-98,561	-2,248,774	-19,762	-276,199	-4,606	-38,789	-314	-4,741	-239,257	-3,252,131
Premature reductions												
Due to non-redemption	-20,922	-416,417	-12,103	-529,680	-3,116	-54,069	-13,023	-256,256	-1,844	-41,267	-51,008	-1,297,689
Due to cancellation without payment	-39,595	-235,958	-58,446	-1,259,495	-7,255	-98,045	-27,473	-194,899	-833	-11,965	-133,602	-1,800,362
Due to redemption	-116,205	-1,112,497	-5,200	-203,407	-30,360	-202,477	-19,706	-241,521	-13	-83	-171,484	-1,759,985
Due to premium release	-7,900	-361,004	-447	-46,199	-65	-53,612	-1,961	-132,327	-12	-186,556	-10,385	-779,698
Total premature reductions	-184,622	-2,125,876	-76,196	-2,038,781	-40,796	-408,203	-62,163	-825,003	-2,702	-239,871	-366,479	-5,637,734
As of 31.12.2008	3,149,736	28,880,084	1,448,000	34,444,462	705,458	10,341,499	897,623	9,710,726	407,896	7,400,404	6,608,713	90,777,175

European Embedded Value sensitivity analysis for the life insurance business

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

The embedded value consists of two components: the adjusted net assets at market value and the value of the insurance portfolio, which equals the cash value of distributable after-tax profits minus the capital commitment cost of the solvency capital. Thus, embedded value is an actuarial valuation of the value of a company, assuming the continuation of current operations (going concern), but explicitly excluding the value of future new business. In addition to the embedded value, the increase in value brought about by new business written during the reporting period is also determined.

The estimated trend of future profits is based on "best estimate" assumptions, i.e., a realistic assessment of economic and operational conditions based on future expectations and historical data, in which future risk is taken into account using stochastic models and an explicit calculation of capital commitment costs.

When calculating the embedded value, numerous assumptions are made about operational and economic conditions, as well

as other factors, some of which lie outside of the control of the Vienna Insurance Group. Although the Vienna Insurance Group considers these assumptions sound and reasonable, future developments may differ materially from expectations. Publication of the embedded value is therefore no guarantee or commitment that the expected future profits on which this value is based will be realised in this fashion.

The shareholder margin is calculated taking into account surpluses from all available income sources, with the profit participation regulation promulgated on 20 October 2006 being taken into account in the life insurance class for Austria. For the other sectors and markets, the amount of profit sharing assumed is based on local practice and the relevant regulatory rules.

The projections of future profits are based on realistic assumptions for investment income, inflation, costs, taxes, cancellations, mortality, illness and other key figures, such as changes in health-care costs and future premium increases.

The interest rate curve used depends on an assessment of the risks associated with the ability of future profits to be realised. In order to be able to make a statement on the impact of alternative interest rate curves, the embedded value as of 31 December 2008 and the increase in value resulting from new business in 2008 were calculated using an interest rate curve alternately increased and decreased by 1%.

Internal sensitivities are shown in the following table:

Sensitivities of the European embedded value of the life insurance and health insurance as of 31 December 2008

Change in % of the base value

European embedded value, Austria

Decrease in level of equity and property values -10%	-3.58
Interest rate curve shift +1%	14.25
Interest rate curve shift -1%	-28.87
Maintenance expenses +10%	-3.57
Maintenance expenses -10%	3.58
Lapse rate improvement 10%	0.67
Lapse rate deterioration 10%	-0.73
Improvement in mortality and morbidity rates for assurances +5%	0.17
Improvement in mortality, rates for annuities +5%	-0.31

Value of new business, Austria

Interest rate curve shift +1%	19.85
Interest rate curve shift -1%	-52.36
Maintenance expenses +10%	-10.84
Maintenance expenses -10%	9.58
Lapse rate improvement 10%	2.36
Lapse rate deterioration 10%	-3.48
Improvement in mortality and morbidity rates for assurances +5%	-0.33
Improvement in mortality, rates for annuities +5	-3.34

Property and casualty insurance provisions

GENERAL INFORMATION

If claims are asserted by or against policyholders, all amounts that a company in the Vienna Insurance Group's property and casualty segment pays or expects to have to pay to the claimant are referred to as losses and the costs of investigating, adjusting and processing these insurance claims are referred to as "claims handling expenses". Within the framework of its property and casualty insurance policies, Vienna Insurance Group has formed provisions by segment, extent of cover and year for each Group company, to pay for losses and claims handling expenses due to insurance claims.

Losses and claims handling expenses can be divided into two categories: provisions for known but not yet processed insurance claims and provisions for insurance claims that have been incurred but have not yet been reported ("IBNR"). Provisions for insurance claims that have yet to be processed are based on estimates of future payments, including the claims handling expenses for these insurance claims. These estimates are made on the basis of individual cases, in accordance with facts and circumstances discoverable at the time the provision is made. These estimates reflect the well founded judgement of Group adjusters based on general practices for forming insurance provisions and a knowledge of the nature and value of each type of claim. These provisions are adjusted regularly during normal processing and represent the expected eventual costs necessary to finally settle all pending reported insurance claims, taking into account inflation and other company and economic factors that could affect the amount of provisions that are required. Historical developments in distribution models and claims payments, the level of reported and not yet processed insurance claims and the nature of the extent of cover are also taken into account. In addition, court decisions and economic conditions can also affect the estimate of provisions and the eventual level of claims.

IBNR provisions are formed to counterbalance the expected costs of losses that have already occurred but have not yet been reported to the individual Group companies. These provisions, just like the provisions for reported insurance claims, are formed to counterbalance the expected costs (including claims handling expenses) necessary to finally settle these claims. Because at the time the provisions are formed the losses by definition are as yet unknown, the Group calculates its IBNR liabilities based on historical claims experience, adjusted by current developments in terms of claims-related factors. These provisions are based on estimates made using actuarial and statistical forecasts of the expected costs to finally settle these insurance claims. The analyses are based on the facts and circumstances known at the relevant time and on expectations

regarding legal and/or economic factors that determine the level of loss, such as case law, the inflation rate and labour costs. These provisions are regularly reviewed and revised once additional information is known and insurance claims are actually filed. The time needed to learn of these insurance claims and settle them is an important factor that must be taken into account when forming provisions. Insurance claims which are easy to settle, such as property damage in automobile insurance, are reported within a few days or weeks and are normally settled within a year.

More complicated insurance claims, such as bodily injury under automobile or general liability insurance, typically require longer processing times (on average four to six years, sometimes significantly longer). Also, difficult insurance claims where settlement regularly depends on the results of often protracted litigation, lead to substantially longer settlement times, especially in the liability, accident, building and professional liability insurance segments.

The ultimate costs of the claims and claims handling expenses depend on a series of variable circumstances. Between the time a claim is reported and its final settlement, changing circumstances may require that the provisions formed be revised upwards or downwards. For example, changes in the legal environment, the outcome of litigation and changes in medical costs, costs for materials for auto and house repair and hourly wage rates can have a substantial effect on the costs of insurance claims. These factors may result in actual developments differing from expectations – sometimes substantially. Loss reserve estimates are regularly reviewed and updated, using the most recent information available to management. Any changes to estimated reserves are reflected in operating results. The Vienna Insurance Group's conservative policy toward reserves is documented not least by the fact that liquidation of loss reserves regularly leads to a profit.

Based on the Group's internal procedures, management, based on the information currently available to it, believes that the Group's provisions in the property and casualty division are adequate. However, forming loss reserves is by nature an uncertain process, and therefore no guarantee can be given that, in the end, losses will not differ from the Group's initial estimates.

CHANGE IN GROSS CLAIMS RESERVE

The following table shows changes to the Vienna Insurance Group's loss reserves at the end of each year indicated. The provisions reflect the amount of expected losses, based on insurance claims that occurred in the current and all previous loss years which were not paid as of the reporting date, including IBNR.

Evaluating the information contained in this table requires caution, because each amount contains the effects of all changes from the previous periods. The circumstances and trends that in the past affected liability could possibly recur in the future and therefore no conclusions can be drawn from the information given in this table as to future results.

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

Reinsurance

The Vienna Insurance Group limits its liability arising from the insurance business by ceding, as necessary, a portion of the risks assumed to the international reinsurance market. Within the Vienna Insurance Group, only some risks of smaller foreign companies in the Group are reinsured. These risks are in turn ceded to reinsurers at the Group level.

REINSURANCE GUIDELINES

The Vienna Insurance Group's reinsurance guidelines are jointly determined each year by the central reinsurance department and the member of the Management Board responsible for reinsurance while the reinsurance strategy for the next fiscal year is being developed.

The reinsurance guidelines require each company in the Group, in conjunction with the central reinsurance department, to provide reinsurance coverage that is appropriate for its local company. The reinsurance guidelines govern the following matters:

- Reinsurance is a prerequisite for providing insurance coverage. Departments may only make a binding commitment to insure a risk if sufficient reinsurance coverage from external reinsurers has already been ensured.
- Retention: It is Group policy that no more than EUR 17.5 million per event of loss due to natural catastrophe can be placed at risk on a PML (probable maximum loss) basis. The maximum Group-wide retention per individual loss is less than EUR 4 million.
- Selection of reinsurers – diversification. Vienna Insurance Group and its consolidated companies divide their reinsurance coverage among many different international reinsurance companies of appropriate credit quality, so as to minimise the risk growing out of a reinsurer's being unable to pay. No significant default of a reinsurer has occurred in the history of the Vienna Insurance Group.
- Selection of reinsurers – rating. For business segments where claims take a long time to be settled, especially for auto liability and general liability, Wiener Städtische AG uses as reinsurers companies with outstanding ratings (at least a Standard & Poor's rating of "A," preferably "AA" or higher), which in all likelihood will continue to exist over the long term. Even for business segments with claims that are settled quickly (for example, natural catastrophes, fire, technology, transportation, storm, burglary, household, water pipes, auto collision), where the number of reinsurers is greater, the preferred rating is Standard & Poor's "A" or higher. Only in a few cases – and for limited periods of time – are reinsurers with lower ratings accepted.
- Design of the reinsurance programs. If economically justified, any company in the Group may purchase reinsurance coverage individually from external reinsurers. If individual reinsurance contracts can only be purchased by a company in the group on uneconomical terms, the Vienna Insurance Group strives, as far as possible, to jointly place reinsurance contracts covering risks from natural catastrophes, property lines, accident, aviation and motor vehicle third-party liability under the Green Card [international motor vehicle insurance certificate] agreement. The Vienna Insurance Group at times acts as its own reinsurance company when a Group company is unable to purchase reinsurance contracts at economical terms in the reinsurance market. If necessary, these intercompany reinsurance contracts are, for reasons of safety, passed on by retrocession to the reinsurance market. The guidelines for Wiener Städtische AG reinsurance coverage are presented below. Retentions for all other companies in the Group are below those of Wiener Städtische AG.

REINSURANCE COVERAGE USING THE EXAMPLE OF WIENER STÄDTISCHE

- Natural catastrophes. Wiener Städtische AG provides insurance for damages caused by natural catastrophes such as storms, hail, flooding or earthquakes. Wiener Städtische AG uses reinsurance coverage to limit its retained losses from natural catastrophes to EUR 4.5 million per loss event.
- Corporate customer business. In the corporate customer business, predominantly proportional reinsurance cessions limit Wiener Städtische AG's maximum net loss to EUR 1.5 million. This reinsurance structure can guard against both the effects of individual large losses, for example from fire, as well as an increased loss frequency.
- Private customer business. The private customer business consists essentially of stable insurance portfolios having calculable results that are marked, above all, by a stable loss frequency. Thus, frequent claims are only reinsured for exposed segments, for example storm insurance, with a targeted use of proportional reinsurance to reduce the effects on retention. The effects on the retention of the few major claims to be expected are insured by non-proportional reinsurance. Even in this business segment, the maximum net loss of Wiener Städtische AG is between EUR 1.0 and 2.0 million for each class of insurance.

1. INTANGIBLE ASSETS

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

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

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

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

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

The purchased insurance portfolio results from the acquisition of existing portfolios and the securities acquired as part of the acquisition of the insurance companies described in the section "Scope and methods of consolidation".

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

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

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

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

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

2. LAND AND BUILDINGS

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

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

Rental income from let sites and properties amount to EUR 275,785,000, while **operating expenses** total EUR 72,319,000.

3. SHARES IN AT EQUITY CONSOLIDATED COMPANIES

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

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

4. PARTICIPATIONS – DETAILS

As of 31 December 2008, there were holdings in the following companies:

The subsidiaries of the Wiener Städtische Versicherung AG Vienna Insurance Group are assigned as follows to “Wiener Städtische Versicherung AG”, on the one hand, and the “Vienna Insurance Group”, on the other: Financial interests that support its Austrian business, and ownership interests that are complementary to and support its Austrian business areas, are listed under the affiliated companies and ownership interests of Wiener Städtische Versicherung AG. Insurance company interests and strategic Group companies are assigned to the Vienna Insurance Group.

Affiliated companies and participations WIENER STÄDTISCHE Versicherung AG

Company	Country of domicile	Interest in capital (%)	Equity (EUR '000)	Last annual financial statements
Fully consolidated companies				
„Grüner Baum“ Errichtungs- und Verwaltungsges.m.b.H., Innsbruck	Austria	100.00	-12	2008
Anděl Investment Praha s.r.o., Prague	Czech Republic	100.00	30,174	2008
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00	2,010	2008
CENTER Hotelbetriebs GmbH, Vienna	Austria	80.00	-749	2008
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00	16,069	2008
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00	23	2008
Gesundheitspark Vienna-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00	25,810	2008
LVP Holding GmbH, Vienna	Austria	100.00	55,175	2008
PFG Holding GmbH, Vienna	Austria	89.23	136,146	2008
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	92.88	87,463	2008
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	60.00	11,824	2008
Projektbau GesmbH, Vienna	Austria	90.00	38,288	2008
Projektbau Holding GmbH, Vienna	Austria	90.00	41,692	2008
Senioren Residenz Fulererpark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	100.00	-4,168	2008
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70	10,423	2008
Wiener Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100.00	1,634	2008
Companies consolidated using the equity method of accounting				
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30.00	8,094	2008
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00	39,439	2008
PKB Privatkliniken Beteiligungs-GmbH, Vienna (consolidated financial statements)	Austria	25.00	20,059	2008
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	Austria	60.00	33,181	2008
Non-consolidated companies				
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00	714	2007
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00	10,672	2007
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00	874	2007
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	100.00	acquired in 2008	
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100.00	95	2007
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	Austria	100.00	762	2007
FUTURELAB Holding GmbH, Vienna (consolidated balance sheet)	Austria	41.67	47,724	2007
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00	234	2007
HUMANOCARE gemeinnützige Betriebsgesellschaft für Betreuungseinrichtungen GmbH, Vienna	Austria	100.00	526	2007

Affiliated companies and participations
WIENER STÄDTISCHE Versicherung AG

Company	Country of domicile	Interest in capital (%)	Equity (EUR '000)	Last annual financial statements
HUMANOcare Management-Consult GmbH, Vienna	Austria	75.00	196	2007
Humanomed Krankenhaus Management Gesellschaft m.b.H., Vienna	Austria	25.00	883	2007
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	31.58	163,411	2007
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	74.64	41	2007
Realitätenverwaltungs- und Restaurantbetriebs-Gesellschaft m.b.H., Vienna	Austria	100.00	424	2007
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	40.00	3,116	2007
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	23.56	42,133	2007

Affiliated companies and participations
VIENNA INSURANCE GROUP

Company	Country of domicile	Interest in capital (%)	Equity (EUR '000)	Last annual financial statements
Fully consolidated companies				
„Neue Heimat“ Gemeinnützige Wohnungs- und Siedlungsgesellschaft in Oberösterreich, Gesellschaft mit beschränkter Haftung, Linz	Austria	99.81	82,912	2008
„Schwarzatal“ Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Vienna	Austria	34.68	82,235	2008
„WIENER STÄDTISCHE OSIGURANJE“ akcionarsko društvo za osiguranje, Belgrade	Serbia	100.00	7,590	2008
Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.00	69,285	2008
ARITHMETICA Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	Austria	100.00	368	2008
ASIGURAREA ROMANEASCA - ASIROM S.A., Vienna Insurance Group, Bucharest	Romania	99.04	72,301	2008
BENEFIA Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00	19,111	2008
BENEFIA Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	100.00	17,772	2008
BML Versicherungsmakler GmbH, Vienna	Austria	100.00	237,787	2008
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	99.88	2,133	2008
BULGARSKI IMOTI LIFE Insurance Company, Sofia	Bulgaria	99.97	3,930	2008
Bulgarski Imoti Non-Life Insurance Company, Sofia	Bulgaria	99.88	3,104	2008
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00	2,053	2008
CAPITOL, a.s., Bratislava	Slovakia	100.00	640	2008
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	91.72	53,140	2008
COMPENSA Holding GmbH, Wiesbaden	Germany	100.00	19,657	2008
Compensa Towarzystwo Ubezpieczeń Na Życie Spółka Akcyjna Vienna Insurance Group, Warsaw	Poland	100.00	32,868	2008
Compensa Towarzystwo Ubezpieczeń Spółka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.86	45,466	2008
Cosmopolitan Life Vienna Insurance Group - dioničko društvo za osiguranje, Zagreb	Croatia	100.00	3,239	2008
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	94.73	118,526	2008
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Vienna	Austria	100.00	28,131	2008

Affiliated companies and participations

VIENNA INSURANCE GROUP

Company	Country of domicile	Interest in capital (%)	Equity (EUR '000)	Last annual financial statements
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	73.18	105,934	2008
Erste Vienna Insurance Group Biztosító Zrt. ¹ , Budapest	Hungary	95.00	5,366	2008
Erste osiguranje Vienna Insurance Group d.d. ¹ , Zagreb	Croatia	95.00	3,379	2008
GEMYSAG Gemeinnützige Mürz-Ybbs-Siedlungsanlagen - GmbH, Kapfenberg	Austria	34.57	66,282	2008
Geschlossene Aktiengesellschaft „Kniazha“, Kiev	Ukraine	99.99	5,025	2008
GESCHLOSSENE AKTIENGESellschaft JUPITER LEBENS-VERSICHERUNG VIENNA INSURANCE GROUP, Kiev	Ukraine	73.00	1,758	2008
GIWOG Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	34.60	176,026	2008
Insurance Company with Added Liability „Globus“, Kiev	Ukraine	74.00	2,650	2008
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00	17,558	2008
InterRisk Towarzystwo Ubezpieczeń Spolka Akcyjna, Warsaw	Poland	99.97	47,298	2008
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00	30,100	2008
KÁLVIN TOWER Immobilienentwicklungs- und Investitions-gesellschaft m.b.H., Budapest	Hungary	100.00	1,804	2008
Kapitol pojišťovaci a finanční poradenství, a.s., Brunn	Czech Republic	100.00	8,319	2008
Komunálna poisťovňa a.s. Vienna Insurance Group, Bratislava	Slovakia	76.74	15,497	2008
KONTINUITA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00	20,520	2008
KOOPERATIVA poisťovňa a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00	199,905	2008
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	91.72	377,732	2008
Kvarner Vienna Insurance Group dioničko društvo za osiguranje, Rijeka	Croatia	98.75	15,065	2008
Kvarner Wiener Städtische Nekretnine d.o.o., Rijeka	Croatia	98.75	51	2008
Neue Heimat Oberösterreich Holding GmbH, Vienna	Austria	100.00	19,801	2008
Omniasig Asigurari de Viata SA, Bucharest	Romania	50.01	5,116	2008
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	98.86	123,401	2008
Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group ¹ , Bratislava	Slovakia	95.00	16,230	2008
Pojišťovna České spořitelny, a.s., Vienna Insurance Group ¹ , Prague	Czech Republic	95.00	61,003	2008
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00	20,832	2008
Sparkassen Versicherung AG Vienna Insurance Group ¹ , Vienna	Austria	95.00	222,231	2008
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	100.00	34,224	2008
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendorf	Liechtenstein	100.00	9,597	2008
VIG RE zajišťovna, a.s., Prague	Czech Republic	100.00	94,409	2008
VLTAVA majetkovosprávni a podílová spol.s.r.o., Prague	Czech Republic	100.00	2,862	2008
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100.00	267,609	2008
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	100.00	301,083	2008
Companies consolidated using the equity method of accounting				
AIS Servis, s.r.o., Brunn	Czech Republic	70.00	2,516	2008
Benefita, a.s., Prague	Czech Republic	100.00	-281	2008
Česká Kooperativa Londýn Ltd., London	Great Britain	100.00	429	2008
ČPP servis, s.r.o., Prague	Czech Republic	91.72	11	2008
Global Expert, s.r.o., Pardubice	Czech Republic	100.00	787	2008
HOTELY SRNÍ, a.s., Most	Czech Republic	72.43	8,653	2008
Kámen Ostroměř, s.r.o., Ostrava-Hrabova	Czech Republic	100.00	361	2008
KIP, a.s., Prague	Czech Republic	86.43	3,909	2008

Affiliated companies and participations VIENNA INSURANCE GROUP

Company	Country of domicile	Interest in capital (%)	Equity (EUR '000)	Last annual financial statements
KOORDITA, a.s., Oströměř	Czech Republic	100.00	1,173	2008
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.63	24,589	2008
Mělnická Zdravotní a.s., Prague	Czech Republic	100.00	1,959	2008
Sanatorium Astoria, a.s., Karlovy Vary	Czech Republic	75.06	2,890	2008
Sparkassen Immobilien AG, Vienna (consolidated financial statements)	Austria	9.88	631,296	2008
SURPMO a.s., Prague	Czech Republic	99.91	560	2008
Unigeo, a.s., Ostrava-Hrabova	Czech Republic	100.00	5,525	2008
Non-consolidated companies				
„WIENER RE“ akcionarsko društvo za reosiguranje, Beograd	Serbia	100.00	founded in 2008	
Blizzard Real Sp. z o.o., Warsaw	Poland	100.00	acquired in 2008	
CAPITOL Spolka z o.o., Warsaw	Poland	100.00	431	2007
Central Point IT-Solutions GmbH, Vienna	Austria	44.00	111	2007
Geschlossene Aktiengesellschaft „Strachowaja kompanija „MSK Life“, Moscow	Russia	25.01	1,961	2007
Joint Belarus-Austrian Insurance Company Kupala, Minsk	Belarus	96.76	801	2007
Passat Real Sp. z o.o., Warsaw	Poland	100.00	acquired in 2008	
Polski Związek Motorowy Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	95.83	9,903	2007
Ringturm Kapitalanlagegesellschaft m.b.H., Vienna	Austria	100.00	3,016	2007
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	Austria	51.00	361	2007
SC BCR Asigurari de Viata Vienna Insurance Group S.A. ¹ , Bucharest	Romania	88.47	acquired in 2008	
SC BCR Asigurari Vienna Insurance Group S.A. ¹ , Bucharest	Romania	88.56	acquired in 2008	
Seesam Life Insurance SE, Tallinn	Estonia	100.00	5,950	2007
TBIH Financial Services Group N.V., Amsterdam ²	Netherlands	60.00	126,832	2007
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00	4,202	2007
Vienna International Underwriters GmbH, Vienna	Austria	100.00	46	2007
Wüstenrot Versicherungs-Aktiengesellschaft, Salzburg	Austria	31.60	218,702	2007
ZASO Victoria Non-Life, Minsk	Belarus	100.00	243	2007

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

²⁾ Through TBIH Financial Services N.V., in which it held 60% interest as of 31 December 2007, WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group indirectly holds interests in the following significant participations in insurance companies:

proportionally consolidated:

Bulgaria: Bulstrad Insurance Joint-Stock Company, Bulstrad Life Insurance Joint-Stock Company
Croatia: Osiguranje Helios d.d.
Turkey: Ray Sigorta A.Ş.

not consolidated:

Bulgaria: Bulstrad Health Insurance AD
Gorgia: International Insurance Company IRAO Ltd., Georgian Pension and Insurance Holding JSC, GPIH B.V.
Ukraine: Privat Joint-Stock Company VAB Insurance, Privat Joint-Stock Company VAB Life, Closed Joint-Stock Company Insurance Company „Ukrainian Insurance Group”
Romania: Omnisig Addenda S.A.
Macedonia: Insurance Company SIGMA AD SKOPJE
Albania: SIGURIA E MADHE Sh.A.

5. LOANS AND OTHER INVESTMENTS

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

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

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

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

Composition of reclassified loans

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

Loan maturities

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

Maturity structure of reclassified loans

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

Reclassified loans

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

6. OTHER SECURITIES

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

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

Detail
Financial investments reclassified as held to maturity

	Acquisition costs carried forward 31.12.2008	Fair value 31.12.2008
in EUR '000		
Government bonds	954,346	954,346
Corporate bonds	309,941	309,941
Other securities	129,497	129,497
Total	1,393,784	1,393,784

Financial investments reclassified as held to maturity

	Fair value as of reclassification date
in EUR '000	
Reclassified from the category Available for Sale	1,393,784
Total	1,393,784

Detail
Financial investments available for sale

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

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

For financial investments available for sale, the book value corresponds to the fair value. Unrealised gains and losses represent the difference between the acquisition costs being brought forward and the fair values.

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

*) Including financial investments held for trading

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

The amount shown under the item "Options" relates to options on shares intended to hedge existing share positions.

The fair values for the derivative financial investments include both the rights and obligations under derivative transactions existing as of the balance sheet reporting date.

7. INVESTMENTS OF UNIT- AND INDEX-LINKED LIFE INSURANCE

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

The balance sheet value corresponds to the fair value.

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

8. REINSURERS' SHARE IN UNDERWRITING PROVISIONS

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

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

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

9. RECEIVABLES

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

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

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

10. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents consist of cash on hand and demand deposits.

11. DEFERRED TAXES

The deferred tax credits and liabilities recognised relate to the amounts of temporary differences in balance sheet items listed in the following Table. (The differences were already valued using applicable tax rates.) It should be noted that deferred taxes, as far as allowable, are settled at the taxpayer level, and accordingly differing balances are shown either as assets or liabilities on the balance sheet.

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

12. OTHER ASSETS

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

* Deferred policyholder profit participation resulting from measurement differences.

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

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

13. CONSOLIDATED SHAREHOLDERS' EQUITY

Hybrid bond

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

Details, minority interests

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

Earnings per Share

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

Earnings per Share

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

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

Consolidated shareholders' equity

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

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

The Managing Board is authorised to increase the share capital of the Company by a nominal amount of EUR 30,626,408.69 through the issuance of 29,500,000 no-par value ordinary bearer or registered shares against cash or in-kind contributions in one or more tranches by 15 April 2013 at the latest. The terms of the share

rights, the exclusion of shareholder pre-emptive rights, and the other terms and conditions of the share issue shall be decided by the Managing Board subject to the approval of the Supervisory Board. Preference shares without voting rights may also be issued, with rights equivalent to those of existing preference shares. The offering prices of ordinary and preference shares may differ.

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

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

The General Annual Meeting of 16 April 2008 also authorised the Managing Board to acquire the Company's own no-par value bearer shares in accordance with § 65(1)(4) and (8) of the Austrian Stock Corporation Act to the maximum extent permissible by law during a period of 30 months following the date the General Annual Meeting resolution was adopted. The amount payable upon repurchase of the Company's own shares may not be more than 50% below or more than 10% above the average unweighted stock exchange closing price on the ten stock exchange trading days preceding the repurchase. The Managing Board may decide

to make the purchase via the stock exchange, through a public offer or in any other legally permissible and expedient manner. The Managing Board has made no use of this authorisation to date. The Company held no treasury shares as of 31 December 2008.

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

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

Proposed allocation of profits

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

to be distributed. The net retained profits of EUR 18,252,807.54 for financial year 2008 remaining after distribution of the dividend and the bonus dividend are to be carried forward.

ADJUSTED CAPITAL

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

14. SUBORDINATED LIABILITIES

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

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

1) The right to ordinary and extraordinary cancellation by the holder is excluded. Regular cancellation by the issuer is first allowed effective 12 January 2017.

2) This may be cancelled, in whole or in part, both by the holders as well as by Donau, not before 10 May 2014, upon the giving of 5 years' notice and as of May 10 of each subsequent year.

3) This may be cancelled, in whole or in part, both by the holders as well as by Donau, not before 31 December 2009, upon the giving of 5 years' notice and as of December 31 of each subsequent year.

4) This may be cancelled, in whole or in part, both by the holders as well as by Donau, not before 1 July 2002, upon the giving of 5 years' notice and as of July 1 of each subsequent year.

5) This can only be cancelled subject to not less than five years' notice, unless Austrian insurance regulators agree to repayment being made early.

6) This can only be cancelled subject to not less than five years' notice.

7) These have already been terminated.

Interest on supplementary capital loans may be employed for disbursements only insofar as the interest is covered by the company's domestic profit for the year. However, interest is always included in costs.

15. PROVISIONS OF UNEARNED PREMIUMS

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

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

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

16. MATHEMATICAL RESERVE

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

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

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

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

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

17. PROVISION FOR OUTSTANDING INSURANCE CLAIMS

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

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

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

A detailed presentation of the gross claims reserve is to be found in the section "Risk Reporting," under the heading with the same name.

18. PROFIT INDEPENDENT AND PROFIT DEPENDENT PREMIUMS REFUND

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

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

Provision for refund of premiums incl. deferred profit participation	349,406	553,982
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Development to health insurance	31.12.2008	31.12.2007
in EUR '000		
Provision for refund of premiums		
Book value as of 31.12. of the previous year	18,321	18,401
Book value as of 1.1.	18,321	18,401
Addition/release	-3,481	-80
Book value as of 31.12.	14,840	18,321

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

19. OTHER UNDERWRITING PROVISIONS

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

Other underwriting provisions relate chiefly to provision for anticipated lapses.

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

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

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

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

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

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

21. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

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

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

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

The following amounts are included in the income statements for the period under review and the comparative period from the previous year:

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

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

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

22. PROVISIONS FOR TAXES

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

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

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

23. OTHER PROVISIONS

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

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

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

24. LIABILITIES

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

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

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

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

25. OTHER LIABILITIES

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

26. CONTINGENT LIABILITIES AND RECEIVABLES

Litigation

Wiener Städtische AG and its affiliated companies are involved in a number of legal disputes arising from the normal course of business. Taking into account the provisions formed for these legal actions, the management of Wiener Städtische AG is of the opinion that they will have no significant effect on the business or consolidated financial position of the Vienna Insurance Group.

Coverage-related proceedings

In its capacity as an insurance company, the Vienna Insurance Group and its affiliated companies are involved as a defendant in a number of court proceedings or have been threatened with legal actions. In addition, there are proceedings to which the companies of the Vienna Insurance Group are not a party, but whose outcome could have an effect on them due to agreements with other insurers concerning participation in losses. In the opinion of the Vienna Insurance Group, adequate provisions have been formed to all claims of the Austrian Group companies, based on the amount in dispute.

Off-balance sheet commitments

The following table shows the off-balance sheet commitments as at 31 December 2007, 2006 and 2005.

Financial year ended 31 December	2006	2007	2008
<i>EUR '000</i>			
Liabilities and assumed liabilities	11.0	18.2	5.1
Letters of comfort	11.2	8.2	13.9
Guarantee bonds	0.2	2.2	0.0

The liabilities and assumed liabilities, as well as the letters of comfort for the individual financial years were primarily related to loans from holding companies.

No off-balance sheet financing structures via special purpose vehicles (SPVs) or other similar corporate structures exist.

27. NET EARNED PREMIUMS

The premiums written and earned in the reporting period of 2008 and in the comparable period of 2007 are broken down by segments as follows:

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

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

Premiums written	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
GROSS				
Direct business	3,647,516	2,930,963	306,375	6,884,854
Austria	1,474,451	1,898,439	306,375	3,679,265
Czech Republic	830,859	292,326	0	1,123,185
Slovakia	295,720	197,664	0	493,384
Poland	323,766	218,799	0	542,565
Romania	399,070	13,602	0	412,672
Other CEE markets	257,696	124,916	0	382,612
Other markets	65,954	185,217	0	251,171
Indirect business	23,652	3,203	222	27,077
Premiums written	3,671,168	2,934,166	306,597	6,911,931
CEDED TO REINSURERS	-784,132	-58,221	-982	-843,335
Premiums written – retained	2,887,036	2,875,945	305,615	6,068,596

Net earned premiums	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
GROSS				
Direct business	3,493,890	2,945,986	306,258	6,746,134
Indirect business	22,868	3,264	222	26,354
Net earned premiums	3,516,758	2,949,250	306,480	6,772,488
CEDED TO REINSURERS	-770,005	-59,808	-982	-830,795
Net earned premiums – retained	2,746,753	2,889,442	305,498	5,941,693

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

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

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

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

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

28. INCOME FROM AT EQUITY CONSOLIDATED COMPANIES

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

Detail – income	Current income 2008	Gains from disposal of investments 2008	Total 2008
in EUR '000			
Shares in at equity consolidated companies	5,087	176	5,263
Total	5,087	176	5,263

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

Detail – income	Current income 2007	Gains from disposal of investments 2007	Total 2007
in EUR '000			
Shares in at equity consolidated companies	5,048	37	5,085
Total	5,048	37	5,085

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

Detail – expenses	Losses from disposal of investments 2008	Total 2008
in EUR '000		
Shares in at equity consolidated companies	1,058	1,058
Total	1,058	1,058

The current loss from at equity consolidated companies not recognised in the income statement was EUR 1,000 (2007: 9,000).

29. FINANCIAL RESULT

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

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

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

Detail – income	Current income 2007	Income from write-ups 2007	Gains from the disposal of investments 2007	Total 2007
in EUR '000				
Owner-occupied land and buildings	10,983	0	3,196	14,179
Third-party leased land and buildings	204,098	0	26,899	230,997
Loans	63,460	0	17	63,477
Financial investments held to maturity	15,524	0	2,413	17,937
Fixed-interest securities	15,468	0	2,413	17,881
Other securities	56	0	0	56
Financial investments available for sale	578,015	0	340,484	918,499
Shares and other ownership interests	55,143	0	241,696	296,839
Investment funds	61,737	0	69,039	130,776
Remaining non-fixed-interest securities	26,336	0	5,312	31,648
Fixed-interest securities of associated companies	1,061	0	0	1,061
Fixed-interest securities of participating companies	13,771	0	89	13,860
Fixed-interest securities	419,071	0	24,348	443,419
Other securities	896	0	0	896
Trading assets	19,413	32,407	18,907	70,727
Fixed-interest securities	18,052	20,078	3,297	41,427
Equities	420	5,653	4,727	10,800
Investment funds	26	922	137	1,085
Derivatives	0	5,754	10,746	16,500
Other securities	915	0	0	915
Financial investments recognised at fair value through profit or loss	5,716	6,167	5,233	17,116
Fixed-interest securities	5,095	3,196	55	8,346
Equities	196	2,096	1,823	4,115
Investment funds	360	875	3,355	4,590
Other securities	65	0	0	65
Other investments	88,926	0	708	89,634
Unit-linked and index-linked life insurance	13,654	0	5,544	19,198
Total	999,789	38,574	403,401	1,441,764
of which ownership interests	14,067	0	11,299	25,366

Detail – expenses

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

Detail – expenses

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

Detail – expenses	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
Depreciation on investments	43,010	102,048	10,990	156,048
Exchange rate	-206	1,502	3	1,299
Losses from the disposal of investments	8,441	58,053	4,580	71,074
Interest expenses	26,086	87,814	7,834	121,734
Personnel provision	14,657	13,807	2,849	31,313
Interest on borrowings	11,429	74,007	4,985	90,421
Other expenses	16,039	75,105	2,906	94,050
Total	93,370	324,522	26,313	444,205

Detail – expenses	Depreciation on investments 2007	Exchange rate changes 2007	Losses from the disposal of investments 2007	Total 2007
in EUR '000				
Owner-occupied land and buildings	11,502	0	860	12,362
Third-party leased land and buildings	84,552	0	0	84,552
Loans	161	-18	0	143
Financial investments held to maturity	0	102	30	132
Fixed-interest securities	0	102	30	132
Financial investments available for sale	18,625	1,902	48,911	69,438
Shares and other ownership interests	15,625	-30	13,613	29,208
Investment funds	1,540	0	14,839	16,379
Remaining non-fixed-interest securities	210	372	4,147	4,729
Fixed-interest securities of associated companies	0	0	78	78
Fixed-interest securities of participating companies	0	83	596	679
Fixed-interest securities	1,250	1,478	15,638	18,366
Other securities	0	-1	0	-1
Trading assets	31,841	1,077	17,049	49,967
Fixed-interest securities	28,313	1,077	1,000	30,390
Equities	1,310	0	740	2,050
Investment funds	1,185	0	9	1,194
Derivatives	718	0	15,092	15,810
Other securities	315	0	208	523
Financial investments recognised at fair value through profit or loss	9,324	222	2,115	11,661
Fixed-interest securities	6,961	27	1,117	8,105
Equities	1,848	116	295	2,259
Investment funds	515	79	703	1,297
Other investments	43	-1,986	1,231	-712
Unit-linked and index-linked life insurance	0	0	878	878
Total	156,048	1,299	71,074	228,421
<i>thereof impairment</i>	<i>34,574</i>			
<i>thereof ownership interests</i>	<i>3,622</i>	<i>0</i>	<i>46</i>	<i>3,668</i>

The Interest expenses and Other expenses result from items on the liabilities side of the balance sheet or from business operations and therefore cannot be directly allocated to an investment class.

30. OTHER INCOME

Detail	Property/Casualty 2008	Life 2008	Health 2008	Total 2008
in EUR '000				
Other underwriting income	51,267	39,248	38	90,553
Other non-underwriting income	26,595	10,308	1	36,904
Total	77,862	49,556	39	127,457

Other income is primarily comprised of EUR 62,405,000 in gains from exchange rate changes and EUR 8,811,000 in compensation for services performed.

Detail	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
Other underwriting income	23,981	6,372	33	30,386
Other non-underwriting income	11,281	10,291	2	21,574
Total	35,262	16,663	35	51,960

31. EXPENSES FOR CLAIMS AND INSURANCE BENEFITS

Detail	Gross 2008	Ceded to reinsurers 2008	Retained 2008
in EUR '000			
Property/casualty insurance			
Expenses for insurance claims			
Claims and benefits	2,426,211	-415,594	2,010,617
Changes in provisions for outstanding claims	291,031	-150,940	140,091
SUBTOTAL	2,717,242	-566,534	2,150,708
Change in mathematical reserve	-3	0	-3
Change in other underwriting provisions	3,807	-1,688	2,119
Expenses for the refund of premiums not dependent on profit	24,167	-1,255	22,912
TOTAL EXPENSES	2,745,213	-569,477	2,175,736
Life insurance			
Expenses for insurance benefits			
Claims and benefits	2,036,582	-24,328	2,012,254
Changes in provisions for outstanding claims	12,635	-709	11,926
SUBTOTAL	2,049,217	-25,037	2,024,180
Change in mathematical reserve	1,017,239	-10,839	1,006,400
Change in other underwriting provisions	1,305	-23	1,282
Expenses for the refund of premiums dependent to and not dependent on profit	140,084	-25	140,059
TOTAL EXPENSES	3,207,845	-35,924	3,171,921
Health insurance			
Expenses for insurance claims			
Claims and benefits	211,591	-692	210,899
Changes in provisions for outstanding claims	856	33	889
SUBTOTAL	212,447	-659	211,788
Change in mathematical reserve	35,721	-168	35,553
Expenses for the refund of premiums not dependent on profit	12,359	0	12,359
TOTAL EXPENSES	260,527	-827	259,700
TOTAL	6,213,585	-606,228	5,607,357

Detail	Gross 2007	Ceded to reinsurers 2007	Retained 2007
in EUR '000			
Property/casualty insurance			
Expenses for insurance claims			
Claims and benefits	1,917,993	-386,330	1,531,663
Changes in provisions for outstanding claims	265,038	-53,785	211,253
SUBTOTAL	2,183,031	-440,115	1,742,916
Change in mathematical reserve	1	3	4
Change in other underwriting provisions	1,071	-64	1,007
Expenses for the refund of premiums not dependent on profit	21,432	-998	20,434
TOTAL PAYMENTS	2,205,535	-441,174	1,764,361
Life insurance			
Expenses for insurance benefits			
Claims and benefits	1,449,787	-25,255	1,424,532
Changes in provisions for outstanding claims	14,845	-998	13,847
SUBTOTAL	1,464,632	-26,253	1,438,379
Change in mathematical reserve	1,299,023	-23,569	1,275,454
Change in other underwriting provisions	267	0	267
Expenses for the refund of premiums dependent to and not dependent on profit	286,140	-14	286,126
TOTAL PAYMENTS	3,050,062	-49,836	3,000,226
Health insurance			
Expenses for insurance claims			
Claims and benefits	207,303	-899	206,404
Changes in provisions for outstanding claims	869	-42	827
SUBTOTAL	208,172	-941	207,231
Change in mathematical reserve	49,021	-81	48,940
Expenses for the refund of premiums not dependent on profit	10,749	0	10,749
TOTAL PAYMENTS	267,942	-1,022	266,920
TOTAL	5,523,539	-492,032	5,031,507

32. OPERATING EXPENSES

Detail	Property/Casualty 2008	Life 2008	Health 2008	Total 2008
in EUR '000				
Commissions and other acquisition expenses				
Commission expenses	604,493	284,648	6,853	895,994
Pro rata personnel expenses	165,468	67,533	10,387	243,388
Pro rata material costs	125,971	100,438	10,172	236,581
SUBTOTAL	895,932	452,619	27,412	1,375,963
Administrative expenses				
Pro rata personnel expenses	115,989	53,282	6,696	175,967
Pro rata material costs	122,606	66,935	7,618	197,159
SUBTOTAL	238,595	120,217	14,314	373,126
Reinsurance commissions received	-176,188	-10,665	-116	-186,969
Total	958,339	562,171	41,610	1,562,120

Detail	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
Commissions and other acquisition expenses				
Commission expenses	487,347	286,327	5,588	779,262
Pro rata personnel expenses	139,473	60,254	10,301	210,028
Pro rata material costs	106,582	89,474	8,726	204,782
SUBTOTAL	733,402	436,055	24,615	1,194,072
Administrative expenses				
Pro rata personnel expenses	103,449	43,713	5,727	152,889
Pro rata material costs	108,389	64,479	8,466	181,334
SUBTOTAL	211,838	108,192	14,193	334,223
Reinsurance commissions received	-170,242	-12,827	-116	-183,185
Total	774,998	531,420	38,692	1,345,110

33. OTHER EXPENSES

Detail	Property/Casualty 2008	Life 2008	Health 2008	Total 2008
in EUR '000				
Other underwriting expenses	170,393	69,729	560	240,682
Other non-underwriting expenses	41,592	14,648	2	56,242
Total	211,985	84,377	562	296,924

Other expenses are primarily comprised of EUR 60,324,000 in losses from exchange rate changes, EUR 55,319,000 in allowances (not including investments), EUR 47,049,000 in other contributions and fees and EUR 2,759,000 in current business expenses.

Detail	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
Other underwriting expenses	106,826	42,893	995	150,714
Other non-underwriting expenses	19,219	12,408	43	31,670
Total	126,045	55,301	1,038	182,384

34. TAX EXPENSES

Detail – tax expense	2008	2007
in EUR '000		
Actual taxes	101,081	73,337
Actual taxes related to other periods	16,058	7,497
TOTAL ACTUAL TAXES	117,139	80,834
Deferred taxes	-18,685	7,591
Total	98,454	88,425

Tax reconciliation	2008	2007
in EUR '000		
Expected tax rate in %	25%	25%
Profit before taxes	540,797	437,296
EXPECTED TAX EXPENSE	135,199	109,324
Adjusted for tax effects due to:		
Tax-exempt income from ownership interests	-35,680	-21,200
Non-deductible expenses	22,541	19,418
Income not subject to tax	-26,069	-14,142
Taxes from previous years	16,058	7,497
Change in tax rates	-11,778	-5,763
Adjustment for accumulated losses carried forward and other tax effects	-1,817	-6,709
EFFECTIVE INCOME TAX EXPENSE	98,454	88,425
Effective tax rate in %	18.2%	20.2%

The (Austrian) income tax rate of parent company Wiener Städtische Versicherung AG Vienna Insurance Group is used as the Group tax rate. EUR 178,146,000 in loss carryforwards was recognised, with an effect of EUR -43,939,000 on deferred tax assets (2007: EUR -1,699,000). EUR 94,604,000 in loss carryforwards was not recognised (2007: EUR 0). Deferred tax assets of EUR -18,361,000 (2007: deferred tax liabilities of EUR 26,454,000) were applied against the revaluation reserve with no effect on profit or loss. This amount represents the deferred taxes on the variance in available-for-sale financial instruments.

35. OTHER INFORMATION

Employee statistics	31.12.2008	31.12.2007
Austria	6,341	6,138
Field sales representatives	2,961	2,845
Office employees	3,380	3,293
Outside Austria	17,052	14,169
Field sales representatives	8,821	7,614
Office employees	8,231	6,555
Total	23,393	20,307

Personnel expenses	2008	2007
<i>in EUR '000</i>		
Wages and salaries	384,118	377,676
Expenses for post-employment benefits and payments to company pension plans	9,138	8,520
Expenses for retirement provisions	1,250	4,739
Mandatory social security contributions and expenses	124,396	116,614
Other social security expenses	7,232	4,328
Total	526,134	511,877
<i>of which field sales employees</i>	<i>233,214</i>	<i>244,526</i>
<i>of which office employees</i>	<i>292,920</i>	<i>267,351</i>
Expenses for severances and pensions for:		
Managing Board members and senior management	586	4,218
remaining employees	9,802	9,041

Managing Board and Supervisory Board compensation (gross)	2008	2007
<i>in EUR '000</i>		
Supervisory Board compensation	353	226
Pension payments to former members of the Managing Board or their survivors	1,074	1,042
Provision for future pension claims of Managing Board members	372	1,641
Compensation paid to active Managing Board members	5,610 *	4,971

* In the first half of 2008, Managing Board members also received special remuneration of EUR 1,690,000 relating to the highly successful implementation of the capital increase.

Starting in autumn, financial year 2008 was dominated by dramatic events on financial markets. In spite of the well-known difficulty presented by this environment, the Group earned its best profit ever.

In view of the current economic environment, which continues to pose great challenges for many customers of the Group, the Managing Board has decided to waive the 2008 performance-linked income component it is contractually guaranteed upon achievement of its targets, which means that this income component will not be paid out.

Since the 2008 Annual Report presents compensation received in 2008, this effects of this waiver are not yet apparent in the 2008 Annual Report, and will not be seen until the 2009 Annual Report.

The average number of employees in the **fully consolidated companies** (including cleaning personnel) was 22,269 (19,271). Of these, 11,238 (9,942) were active in sales, resulting in personnel expenses of EUR 229,508,000 (EUR 242,378,000), and 11,031 (9,329) were in operations, resulting in personnel expenses of EUR 286,828,000 (EUR 263,625,000).

The average number of employees in **proportionally consolidated companies** (including cleaning personnel) was 1,124 (1,036). Of these, 544 (517) were active in sales, resulting in personnel expenses of EUR 3,706,000 (EUR 2,148,000), and 580 (519) were in operations, resulting in personnel expenses of EUR 6,092,000 (EUR 3,726,000).

36. RELATED PARTIES

Associated companies and Persons

Associated companies represent on the one hand the affiliated companies, joint ventures listed in point 4 and associated companies. In addition, the executive committees and supervisory boards of Wiener Städtische Versicherung AG Vienna Insurance Group and those closely linked to them are to be classified as associates. Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung holds the majority of the voting rights in Wiener Städtische Versicherung AG Vienna Insurance Group. This controlling stake means that it is also an associated company.

In the reporting periods no loans or guarantees were granted to the members of the Managing Board and the Supervisory Board.

Likewise, no loans or guarantees existed as of 31 December 2008 and 31 December 2007.

Transactions with Associated companies

The Group provides Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung with office premises for a fee. Other services (e.g. bookkeeping operations) are furnished by the Group.

Internal reinsurance relations, to a subordinated extent, as well as financial dealings in the real estate area and accounting operations (bookkeeping, personnel recruiting, data processing etc.) exist with consolidated affiliated companies.

It is mainly financial and accounting operations that exist with non-consolidated affiliated and associated companies.

Open entries at the end of the period under review	31.12.2008	31.12.2007
in EUR '000		
Receivables		
Receivables from insurance business	1,565	0
Other receivables	10,458	29,984
SUBTOTAL	12,023	29,984
Liabilities		
Liabilities from insurance business	-72	-2,338
Other liabilities	-5,172	-11,922
SUBTOTAL	-5,244	-14,260
Total	6,779	15,724
Loans to non-consolidated affiliated companies	246,272	240,016
Loans to other equity interests	29,456	79,921

37. LEASING BUSINESS

Central Point Insurance IT-Solutions GmbH is a company whose purpose is to work together with SAP Österreich GmbH and other outside partners to custom-tailor a complete EDP solution for financial service companies and a policy management programme for insurance companies that meets the needs of individual users, to link this software to these companies' EDP systems, and to grant appropriate licences of the software. The users in question are mainly companies affiliated with Wiener Städtische.

Schedule of payments due

in EUR '000	
up to one year	23,382
from one to five years	132,095

SIGNIFICANT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Joint development of new legal protection markets with the ARAG Group

In January 2009, the Vienna Insurance Group and ARAG Allgemeine Rechtsschutz-Versicherungs-AG (ARAG) signed a letter of intent relating to cooperation in the legal protection business. The goal is to develop a joint business model for the Austrian market and for those countries in the CEE region where the Vienna Insurance Group is represented.

Entry into the private health insurance market in the CEE region

The Vienna Insurance Group is planning its entry into the private health insurance segment in the CEE region. Initial steps are planned for the Czech Republic, Slovakia, Poland, Romania and Hungary.

VIG RE enters market successfully

Our reinsurance company VIG RE very nearly reached its premium targets for 2011 as early as 2009. Agreements worth around EUR 280 million were signed and the internationally recognised rating agency Standard & Poor's (S&P) awarded VIG RE an outstanding rating of A+ with an outlook of Stable.

Sale of majority in Ringturm KAG

The Vienna Insurance Group sold the Erste Group a 95% interest in its investment fund company Ringturm KAG at the beginning of 2009.

Sale of private hospital interests

The Vienna Insurance Group will sell its 25% ownership interest in a number of domestic private hospitals in order to concentrate more strongly on its core business in the future.

In the 2008 business year, the Supervisory Board was made up of the following persons:

Chairman:

Präsident Komm.-Rat Dkfm. Klaus **Stadler**

Deputy Chairman:

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

Members:

Generalabt Propst Bernhard **Backovsky**

Mag. Alois **Hochegger**

Dipl.-Ing. Guido **Klestil**

Senator Prof. Komm.-Rat Walter **Nettig**

Hofrat Dkfm. Heinz **Öhler**

Mag. Reinhard **Ortner**

Dr. Johann **Sereinig**

Mag. Dr. Friedrich **Stara**

Employee representatives:

Peter **Grimm**

Brigitta **Kinast-Pötsch** (beginning 1 September 2008)

Heinz **Neuhauser** (until 31 August 2008)

Franz **Urban**

Gerd **Wiehart**

Peter **Winkler**

Members of the Managing Board and Supervisory Board received no advances or loans in financial year 2008. There were no loans outstanding to members of the Managing Board or Supervisory Board as of 31 December 2008. No guarantees existed for members of the Managing Board or Supervisory Board as of 31 December 2008.

In the 2008 business year, the Managing Board was made up of the following persons:

Chairman:

Dr. Günter **Geyer**

Members:

Dr. Rudolf **Ertl** (until 31 December 2008)

Dkfm. Karl **Fink**

Dr. Hans-Peter **Hagen**

Mag. Peter **Höfinger** (beginning 1 January 2009)

Mag. Robert **Lasshofer**

Dr. Martin **Simhandl**

During the 2008 business year, the following persons were appointed as trustees pursuant to Sec. 22 (1) VAG:

Trustees:

(life insurance department – Sec 20 (2;1) VAG):

Mag. Oskar **Ulreich**

Deputy:

Mag. Nicole **Plankenbüchler**

Trustees:

(except life insurance department – Sec 20 (2;1) VAG):

Mag. Wolfgang **Pechriggl**

Deputies:

Dr. Michael **Hysek** (beginning 1 February 2008)

Mag. Constantin **Christiani** (1 January 2008 - 31 January 2008)

Compensation Plan for Managing Board Members:

The Managing Board of the Company manages the Vienna Insurance Group. The Managing Board is also responsible for duties relating to the operational management of Wiener Städtische AG in Austria. In some cases, responsibility is also assumed for additional duties in affiliated or related companies.

The compensation of Managing Board members is comprised of a fixed (approximately 60%) and a variable (approximately 40%) component. The performance-linked component is dependent on the profit of the Group, as well as of significant Group companies, and takes into account the sustained performance of the Company and the Group. There is a maximum limit on this performance-linked component. The Managing Board receives no performance-linked compensation if profit falls below certain thresholds.

Starting in the autumn, financial year 2008 was dominated by dramatic events on financial markets. Although the well-known difficulty presented by this environment, the Group still managed to earn its best profit ever. In view of the current economic environment, which also presents great challenges to many of the Group's customers, the Managing Board has decided to waive the 2008 performance-linked income component it is contractually guaranteed upon achievement of its targets, which means that this income component will not be paid out.

Since the 2008 Annual Report presents compensation received in 2008, the effects of this waiver are not yet apparent in the 2008 Annual Report, and will not be seen until the 2009 Annual Report.

The compensation received by Managing Board members in 2008 includes the fixed component for 2008, the performance-linked component resulting from the profit earned in 2007, and special remuneration relating to the highly successful implementation of the capital increase in the first half of 2008.

The standard employment agreement of a Wiener Städtische Versicherung AG Vienna Insurance Group Managing Board member includes a maximum pension plan obligation of 40% of the measurement basis if the member remains on the

Managing Board until the age of 65 (the measurement basis being equal to the fixed salary component). The rules for Managing Board members with many years of prior service differ in that the percentage of the measurement basis is higher for historical reasons (up to 55%) with supplements awarded for remaining on the Managing Board at the Supervisory Board's request after the age limit has been reached. A pension is received only if a Managing Board member's position is not extended through no fault of his or her own, or the Managing Board member retires due to illness or age.

The Managing Board agreements of Wiener Städtische Versicherung AG Vienna Insurance Group provide for a post-employment benefit that is formulated in accordance with the provisions of the Austrian Employee Act (*Angestelltengesetz*), as amended in 2003, in combination with relevant sector-specific rules. Depending on the period of service, these allow Managing Board members to receive a post-employment benefit of two to twelve months' compensation, with a supplement of 50% if the member retires or withdraws after a long-term illness. A member who withdraws from the Managing Board of his or her own volition before being able to retire, or who withdraws due to a fault of his or her own, is not entitled to a post-employment benefit.

The total expenses (cash claims and provisions for future claims) for post-employment benefits and pensions of EUR 10,388,000 in 2008 (2007: 13,259,000) include EUR 586,000 (2007: EUR 4,218,000) in post-employment benefit and pension expenses (cash claims and provisions for future claims) for executive staff (*leitende Angestellte*) as defined in § 80(1) AktG and former members of the Managing Board and their survivors, and provisions for future post-employment benefit and pension claims of members of the Managing Board.

The members of the Managing Board received gross compensation of EUR 5,610,000 for their services in 2008 (2007: EUR 4,971,000). In addition, the members of the Managing Board were also awarded a total of EUR 1,690,000 in special remuneration in 2008 relating to the highly successful implementation of the capital increase in the first half of 2008.

Total compensation of EUR 1,074,000 was paid to former members of the Managing Board (including their survivors) in 2008 (2007: EUR 1,042,000).

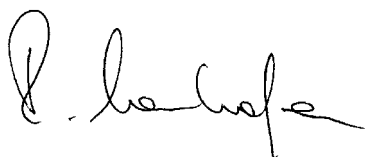
The Managing Board:



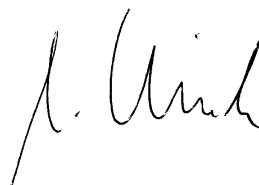
Dr. Günter Geyer



Dr. Peter Hagen



Mag. Robert Lasshofer



Dkfm. Karl Fink



Mag. Peter Höfinger



Dr. Martin Simhandl

AUDITOR'S REPORT

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of

WIENER STÄDTISCHE Versicherung AG
Vienna Insurance Group, Vienna,

for the financial year from 1 January 2008 to 31 December 2008. These consolidated financial statements comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

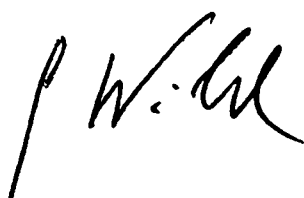
Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2008, and of its financial performance and its cash flows for the financial year from 1 January 2008 to 31 December 2008 in accordance with International Financial Reporting Standards as adopted by the EU.

Report on the Consolidated Management Report

Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the group.

In our opinion, the consolidated management report for the group is consistent with the consolidated financial statements.

PwC INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

A handwritten signature in black ink, appearing to read 'G. Wiltschek', is positioned above the printed name.

Günter Wiltschek
Certified Public Accountant

Vienna, 17 March 2009

KEY FIGURES FOR WIENER STÄDTISCHE AUSTRIA

in million EUR	2004	2005	2006	2007	2008
Gross premiums written	1,939	2,215	2,474	2,579	2,584
Property/Casualty	867	944	1,008	1,126	1,202
Health	280	288	298	307	314
Life	792	983	1,168	1,146	1,068
Financial result	293	420	384	458	441
Profit from ordinary activities	69	120	152	179	215
Total capital assets	7,828	9,923	10,824	11,741	13,648
Capital assets	7,382	9,188	9,784	10,505	12,408
Capital assets of unit- and index-linked life insurance	446	734	1,039	1,236	1,240
Underwriting provisions (excluding unit- and index-linked life insurance)	6,409	6,910	7,554	8,166	8,358
Underwriting provisions of unit- and index-linked life insurance	444	728	979	1,191	1,177
Equity capital	816	1,787	1,857	1,927	3,138
Number of employees	3,670	3,692	3,743	3,762	3,954
Internal	1,723	1,688	1,706	1,740	1,795
External (including trainees)	1,947	2,004	2,037	2,022	2,159

**WIENER STÄDTISCHE AG
MANAGEMENT REPORT TO
THE SEPERATE FINANCIAL
STATEMENTS**

MANAGEMENT REPORT

WIENER STÄDTISCHE AUSTRIA BUSINESS DEVELOPMENT IN 2008

As a single entity within the Group, Wiener Städtische is the largest insurance company in Austria. It operates in the property/casualty, life insurance and health insurance areas. In addition to its operations in the Austrian market, Wiener Städtische also operates through branch offices in Italy and Slovenia. Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung holds the majority of the voting rights in Wiener Städtische Versicherung AG Vienna Insurance Group.

Wiener Städtische Austria key figures

in EUR millions	2006	2007	2008
Gross premiums written	2,474.01	2,578.79	2,583.65
of which property/casualty	1,007.92	1,126.49	1,201.57
of which life	1,168.18	1,145.70	1,067.80
of which health	297.91	306.60	314.28
Gross expenses for insurance claims *	2,114.57	2,186.10	1,906.97
Gross administrative expenses	456.35	466.69	489.76
Result from ordinary activities	151.55	179.01	215.12
of which property/casualty	96.34	120.87	168.72
of which life	49.34	52.30	36.98
of which health	5.87	5.84	9.42
Investments **	10,823.77	11,741.37	13,648.30

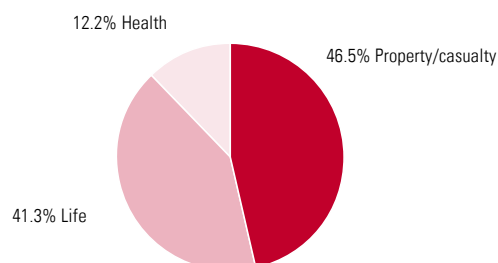
* incl. the change in the actuarial reserve

** incl. investments for unit-linked and index-linked life insurance

Premium growth in property/casualty and health insurance

Wiener Städtische generated a total premium volume of EUR 2,583.65 million in financial year 2008, representing an increase of 0.2% over 2007. EUR 2,402.82 million of these total premiums were generated from direct business and EUR 180.83 million from indirect business. Of the gross premiums written, EUR 2,236.59 million were retained by Wiener Städtische, and EUR 347.06 million ceded to reinsurance companies. EUR 1,201.57 million, or 46.5%, of the total premiums were generated by property and casualty insurance, EUR 1,067.80 million, or 41.3%, were contributed by life insurance, and EUR 314.28 million (12.2%) were generated by health insurance.

PREMIUMS BY SEGMENTS



Expenses for insurance claims

Including the change in actuarial reserve, expenses for insurance claims in 2008 fell by 12.8% compared to the previous year, to EUR 1,906.97 million.

Operating expenses

Administrative expenses rose by 4.9%, from EUR 466.69 million to EUR 489.76 million.

Combined ratio far below 100%

Wiener Städtische's combined ratio of 93.5% net (after reinsurance) is, once again in 2008, significantly below 100%. The combined ratio is a figure showing the ratio of administrative expenses and insurance payments to earned premiums in the property and casualty area.

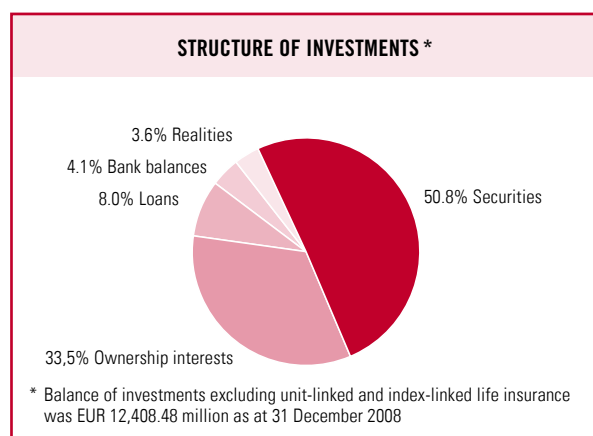
Financial result

The financial result for 2008 decreased by 3.6% compared to the previous year, to EUR 441.45 million. Wiener Städtische Austria's financial result was influenced to a significant degree by Group effects resulting from its "holding function" for the Vienna Insurance Group. For example, Wiener Städtische Austria's financial result included proceeds from sales carried out in 2008 (BA-CA Versicherung, Unita) and dividend payments from Group companies (e.g. Donau, Kooperativa).

Investments

The balance of investments was EUR 13,648.30 million (+16.2%) as of 31 December 2008, including investments of EUR 1,239.82 million (+0.3%) attributable to unit-linked and index-linked life insurance. The balance of investments not attributable to unit-linked and index-linked life insurance rose 18.1%, to EUR 12,408.48 million.

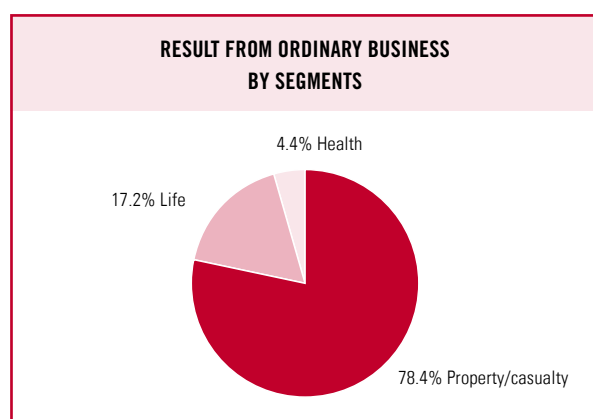
Investments at the end of 2008 (not including investments for unit-linked and index-linked life insurance) consisted of 50.8% securities, 33.5% ownership interests, 8.0% loans, 3.6% real estate and 4.1% bank balances.



Result from ordinary activities

Wiener Städtische earned a result from ordinary activities of EUR 215.12 million in 2008, calculated according to the requirements of the Austrian Commercial Code (UGB). This corresponds to an increase of 20.2% over the value of the previous year (EUR 179.01 million). 78.4% of the result from ordinary activities came from the property and casualty area, 17.2% from life insurance, and 4.4% from health insurance.

Both the result from ordinary activities and the financial result of Wiener Städtische Austria were influenced to a significant degree by Group effects resulting from its "holding function" for the Vienna Insurance Group. For example, Wiener Städtische Austria's financial result included proceeds from sales carried out in 2008 (BA-CA Versicherung, Unita) and dividend payments from Group companies (e.g. Donau, Kooperativa).



Business development in detail

Property and casualty insurance

Wiener Städtische generated EUR 1,201.57 million in premiums (direct and indirect business) in the property and casualty area, an increase of 6.7% over the previous year.

This was primarily due to the non-motor vehicle classes, where Wiener Städtische increased its direct premiums by 5.6% over the previous year, to EUR 711.38 million. The motor vehicle classes generated an increase in direct premiums of 0.2%, to EUR 342.38 million. As a result, Wiener Städtische grew more strongly than the Austrian insurance market in the area of property and casualty insurance.

In the non-motor vehicle classes, particularly satisfying growth rates were recorded in industrial fire insurance (+11.5% to EUR 148.62 million from direct business), general liability insurance (+7.7% to EUR 106.03 million from direct business) and casualty insurance (+5.5% to EUR 81.83 million from direct business).

The increase in fire insurance premiums was due both to increased demand for the Business Class product, as well as increased participation in insurance programs in the international area. Wiener Städtische has also been successful in accompanying corporate clients to other countries, where it assists them with insurance-related problems and questions. The Vienna Insurance Group's presence throughout Central and Eastern Europe ensures that these customers can rely on extensive support.

The small and medium-sized business segment was particularly successful in terms of new business in the general liability insurance area, although the large-customer segment also recorded significant rates of premium growth.

The increase in casualty insurance premiums was due to a good level of new business for the Top-400 product.

In the motor vehicle classes, in an increasingly competitive and stagnating market environment Wiener Städtische Austria consistently recorded growth rates above the market average over the past two years, continuing in 2008 to grow at a rate in excess of the average for the sector. Successful DM initiatives in the area of motor vehicle own-damage insurance, remediation measures for poorly performing customer relationships, customer loyalty measures in the form of increased service orientation, and new distribution channels (e.g. the carplus distribution organisation that opened up a new area of potential via dealers) formed the basis for this growth. A disciplined discount policy was also a decisive factor in this favourable outcome.

The general liability, household, transport, glass breakage and motor vehicle liability insurance classes posted an increase in their underwriting results relative to the year before. The positive underwriting result from indirect business increased further compared to 2007.

Overall, compensation for damages (after re-insurance and including claims processing expenses) declined to 66.4%. Due to the large number of storms (Emma, Paula, etc.), expenses for insurance claims rose by 21.7% in 2008, to EUR 893.22 million. Gross administrative expenses in 2008 were EUR 284.55 million (+13.0%).

The result from operating activities for the property/casualty area was EUR 168.72 million for the whole of 2008, representing an increase of 39.6% compared to the previous year.

Key figures for property/casualty insurance

in EUR millions	2006	2007	2008
Gross premiums written	1,007.92	1,126.49	1,201.57
Gross expenses for insurance claims	656.76	734.14	893.22
Gross administrative expenses	233.95	251.72	284.55
Result from ordinary activities	96.34	120.87	168.72

Life insurance

Wiener Städtische recorded life insurance premiums of EUR 1,067.80 million, representing a decrease of 6.8% compared to 2007. This was primarily due to increased volatility in the area of single-premium products. This negative growth was to be expected given the current economic situation and the adverse effects of the financial crisis. Of the earned premiums, EUR 670.42 million (+1.7%) was attributable to life insurance with regular premium payments and EUR 364.53 million (–19.4%) to single-premium products.

Key figures for life insurance

in EUR millions	2006	2007	2008
Gross premiums written	1,168.18	1,145.70	1,067.80
Gross expenses for insurance claims *	1,207.94	1,197.58	765.45
Gross administrative expenses	184.28	174.57	159.67
Result from ordinary activities	49.34	52.30	36.98

* incl. the change in the actuarial reserve

Gross expenses for insurance claims were EUR 765.45 million in 2008. Gross administrative expenses decreased by 8.5%, to EUR 159.67 million.

The result from ordinary activities for the life insurance area was EUR 36.98 million for the whole of 2008, representing a decrease of approximately 29.3% compared to 2007.

Health insurance

EUR 314.28 million in premiums were written in the health insurance area during the financial year just ended, corresponding to an increase of 2.5% over 2007.

Expenses for insurance claims were EUR 248.57 million in 2008, equalling a reduction of 3.4% as compared to the previous year. This figure already includes the transfer to the ageing reserve. The ageing reserve ensures funding for future insurance payments, regardless of demographic changes. Administrative expenses rose by 12.7% in 2008, to EUR 45.53 million. The result from operating activities rose to EUR 9.42 million in the health insurance area, representing an increase of 61.3%.

Key figures for health insurance

in EUR millions	2006	2007	2008
Gross premiums written	297.91	306.60	314.28
Gross expenses for insurance claims *	249.87	257.38	248.57
Gross administrative expenses	38.12	40.41	45.53
Result from ordinary activities	5.87	5.84	9.42

* incl. the change in the actuarial reserve

Employees

Calculated for the year as a whole, the number of Wiener Städtische employees rose by 192 compared to 2007. At the end of 2008, Wiener Städtische had a total of 3,954 employees for the year as whole, including 2,159 sales employees and 1,795 administrative employees. 170 Wiener Städtische administrative employees handled Group matters for the Vienna Insurance Group. There were 139 interns as of the end of 2008.

Number of employees

	2006	2007	2008
Office employees	1,706	1,740	1,795
Field sales representatives (incl. interns)	2,037	2,022	2,159
Total	3,743	3,762	3,954

OUTLOOK

Economic development Austria 2009

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

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

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

The inflation rate, on the other hand, will amount to only 1.2%. This 2 percentage point reduction is due to large decreases in commodity prices.

The 2009 insurance market Austria

According to information from the Austrian Association of Insurance Companies (Versicherungsverband Österreich - VVO), the Austrian insurance market grew by 2.5% in 2008. This moderate increase in premiums is based on a 3.5% increase from single-premium products, which most recently were showing a decline. Current premium income in the life insurance area grew by 1.8% in 2008. As a result, the life insurance area recorded total growth of 2.2%. Premiums in the non-life segment also experienced only moderate growth, 2.7%.

Given the expected economic downturn, VVO expects growth of only 1.8% in the property/casualty segment in 2009. Income growth is expected to slow from 3.5% to 3.1% in the health insurance segment. Income from life insurance products with regular premiums is expected to increase slightly, by 2.8%, while the VVO expects a 5.0% decrease in premiums from single-premium products, stemming from the economic turbulence. As a result, growth for the life insurance segment as a whole is expected to be only 0.8%.

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

Wiener Städtische Austria 2009

Based on the difficult financial market situation and its effects on the development of the entire Austrian economy, Wiener Städtische expects moderate growth in premiums in 2009. The Company has as its main objective to further improve the combined ratio in the non-life area.

Wiener Städtische will concentrate on its core business in 2009, i.e., on its business operations in Austria, focusing on insurance products that are tailored to customers' needs and to changed economic circumstances. Increased attention will be placed in the future on the increased need of customers for security with regard to financial investments.

Wiener Städtische aims to continue operating its insurance business in Austria as successfully as in past years. By concentrating on its core business, further strengthening distribution, and implementing a broad range of product innovations, Wiener Städtische will continue to be the leading insurance company in Austria in the future as well.

PROPOSED DISTRIBUTION OF PROFITS

Wiener Städtische Versicherung AG Vienna Insurance Group ended financial year 2008 with net retained profits of EUR 274,252,807.54. The following distribution of profits is proposed for the Annual General Meeting:

The 128 million shares are to receive a dividend of EUR 1.10 per share. 4 May 2009 was set as the payment and ex-dividend date for this dividend.

Furthermore the 128 million shares are to receive a loyalty bonus of EUR 0.90 per share. 27 October 2009 was set as the payment and ex-dividend date for this loyalty bonus.

Hence, this will result in a total distribution of EUR 256,000,000.00

The net retained profits of EUR 18,252,807.54 remaining for financial year 2008 after the distribution are to be carried forward.

Managing Board:



Dr. Günter Geyer



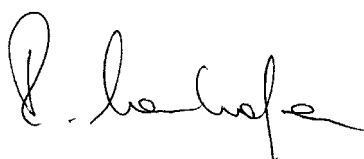
Dkfm. Karl Fink



Dr. Peter Hagen



Mag. Peter Höfinger



Mag. Robert Lasshofer



Dr. Martin Simhandl

Vienna, 16 March 2009

WIENER STÄDTISCHE AG

SEPARATE FINANCIAL STATEMENTS

WIENER STÄDTISCHE AG

Separate financial statements prepared in accordance with the Austrian Corporate Code (UGB) and the Austrian Insurance Supervision Act (VAG)

31 December 2008

Reporting Period	1.1.2008 – 31.12.2008
Balance sheet comparison date	31.12.2007
Income statement comparison date	1.1.2007 – 31.12.2007
Currency	EUR

BALANCE SHEET FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

ASSETS		Property/Casualty
in EUR		
A. Intangible Assets		
I. Expenses for acquisition of an insurance portfolio		4,900,000.00
II. Other intangible assets		16,982,078.73
TOTAL INTANGIBLE ASSETS		21,882,078.73
B. Investments		
I. Land and buildings		76,786,161.37
II. Investments in affiliated companies and ownership interests		
1. Shares in affiliated companies	3,106,850,355.99	
<i>of which reorganisation surplus</i>	<i>0.00</i>	
2. Bonds and other securities of affiliated companies and loans to affiliated companies	94,026,100.83	
3. Ownership interests	201,398,011.08	
<i>of which reorganisation surplus</i>	<i>0.00</i>	
4. Bonds and other securities of and loans to companies in which an ownership interest is held	2,807,940.98	3,405,082,408.88
III. Other investments		
1. Shares and other non-fixed-interest securities	38,135,249.95	
2. Bonds and other fixed-interest securities	152,619,655.02	
3. Shares in joint investments	0.00	
4. Mortgage receivables	31,668,061.82	
5. Policy prepayments	0.00	
6. Other lendings	39,751,646.43	
7. Bank balances	4,070,109.55	266,244,722.77
IV. Deposits on assumed reinsurance business		1,095,867.05
TOTAL INVESTMENTS		3,749,209,160.07
C. Investments for unit-linked and index-linked life insurance		0.00
Amount carried forward		3,771,091,238.80

Health		Life		Total business in 2008		2007
						in EUR '000
	0.00		0.00		4,900,000.00	6,300
	0.00		97,759.88		17,079,838.61	17,410
	0.00		97,759.88		21,979,838.61	23,710
	60,256,023.39		307,486,468.26		444,528,653.02	429,245
70,367,181.01		618,213,034.23		3,795,430,571.23		2,058,948
0.00		8,883,755.76		8,883,755.76		8,884
44,855,033.17		262,586,246.93		401,467,380.93		426,729
22,109,222.26		130,997,868.86		354,505,102.20		202,415
0.00		8,957,022.00		8,957,022.00		8,957
2,102,371.31	139,433,807.75	26,246,915.88	1,038,044,065.90	31,157,228.17	4,582,560,282.53	91,856
342,520,033.00		2,226,060,730.27		2,606,716,013.22		2,918,312
160,878,334.72		3,237,404,691.03		3,550,902,680.77		3,444,668
0.00		53,939,828.19		53,939,828.19		55,267
42,788,101.95		163,265,894.96		237,722,058.73		240,556
0.00		19,846,165.64		19,846,165.64		19,425
64,433,672.24		272,870,124.52		377,055,443.19		426,037
58,919,495.14	669,539,637.05	321,983,015.88	6,295,370,450.49	384,972,620.57	7,231,154,810.31	40,916
	1,221,918.97		147,913,673.89		150,231,459.91	150,910
	870,451,387.16		7,788,814,658.54		12,408,475,205.77	10,505,284
	0.00		1,239,818,850.21		1,239,818,850.21	1,236,083
	870,451,387.16		9,028,731,268.63		13,670,273,894.59	11,765,077

BALANCE SHEET FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

ASSETS		Property/Casualty
in EUR		
Amount brought forward		3,771,091,238.80
D. Receivables		
I. Receivables from direct insurance business		
1. from policyholders	93,770,630.11	
2. from insurance intermediaries	79,826,451.83	
3. from insurance companies	25,058,463.79	198,655,545.73
II. Receivables from reinsurance business		97,140,872.59
III. Other receivables		133,333,082.15
TOTAL RECEIVABLES		429,129,500.47
E. Prorated interest		7,722,825.67
F. Other assets		
I. Property, plant and equipment (not incl. land and buildings) and inventories		14,805,641.08
II. Bank current account balances and cash on hand		28,489,533.20
III. Further other assets		86,171,871.53
TOTAL OTHER ASSETS		129,467,045.81
G. Prepaid expenses		
I. Deferred tax assets		58,126,028.90
II. Other prepaid expenses		22,720,358.58
TOTAL PREPAID EXPENSES		80,846,387.48
H. Offsetting items between departments		216,061,979.25
Total assets		4,634,318,977.48

Health		Life		Total business in 2008		2007
						in EUR '000
870,451,387.16		9,028,731,268.63		13,670,273,894.59		11,765,077
3,570,268.32		35,255,534.67		132,596,433.10		108,940
0.00		188,464.70		80,014,916.53		46,419
605,753.97	4,176,022.29	632,485.05	36,076,484.42	26,296,702.81	238,908,052.44	7,704
	0.00		8,388,323.67		105,529,196.26	63,215
	3,247,423.57		21,151,164.66		157,731,670.38	171,581
7,423,445.86		65,615,972.75		502,168,919.08		397,859
4,094,423.71		91,251,344.72		103,068,594.10		102,013
	0.00		218,814.39		15,024,455.47	16,494
	2,161,188.55		91,284,039.85		121,934,761.60	58,948
	4,688,800.00		17,880,745.96		108,741,417.49	79,308
6,849,988.55		109,383,600.20		245,700,634.56		154,750
	1,252,591.83		6,531,824.75		65,910,445.48	59,880
	19.89		16,161,664.35		38,882,042.82	27,170
1,252,611.72		22,693,489.10		104,792,488.30		87,050
223,963,249.00		-440,025,228.25		0.00		0
1,114,035,106.00		8,877,650,447.15		14,626,004,530.63		12,506,749

BALANCE SHEET FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

EQUITY AND LIABILITIES		Property/Casualty
in EUR		
A. Shareholders' equity		
I. Share capital		
1. Par value		82,253,688.41
II. Capital reserves		
1. Committed reserves		1,859,512,981.64
III. Revenue reserves		
1. Free reserves		141,089,325.42
IV. Risk reserve as per § 73a VAG, taxed portion		15,301,745.25
V. Net retained profits		200,603,765.31
<i>of which brought forward</i>		<i>44,208,506.32</i>
TOTAL SHAREHOLDERS' EQUITY		2,298,761,506.03
B. Untaxed reserves		
I. Risk reserve as per § 73a VAG		19,406,564.75
II. Valuation reserve for impairment losses		11,070,098.38
TOTAL RESERVES		30,476,663.13
C. Subordinated liabilities		
I. Hybrid bond		0.00
II. Supplementary capital bond		150,000,000.00
TOTAL SUBORDINATED LIABILITIES		150,000,000.00
D. Underwriting provisions, retention		
I. Unearned premiums		
1. Overall account	120,254,050.09	
2. Reinsurer portion	-22,103,907.06	98,150,143.03
II. Actuarial provision		
1. Overall account	0.00	
2. Reinsurer portion	0.00	0.00
III. Provision for outstanding insurance claims		
1. Overall account	1,196,062,161.15	
2. Reinsurer portion	-411,444,938.63	784,617,222.52
IV. Provision for profit-independent premium refunds		
1. Overall account	16,121,545.50	
2. Reinsurer portion	-1,492,905.27	14,628,640.23
V. Reserve for profit-dependent premium refunds and policyholder profit participation		
1. Overall account	196,912.47	
2. Reinsurer portion	0.00	196,912.47
VI. Equalisation provision		180,161,910.00
VII. Other underwriting provisions		
1. Overall account	9,477,220.99	
2. Reinsurer portion	-1,133,225.63	8,343,995.36
TOTAL TECHNICAL PROVISIONS		1,086,098,823.61
Amount carried forward		3,565,336,992.77

Health				Life		Total business 2008		2007
								in EUR '000

BALANCE SHEET FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

EQUITY AND LIABILITIES		Property/Casualty
in EUR		
Amount brought forward		3,565,336,992.77
E. Underwriting provisions for unit-linked and index-linked life insurance		0.00
F. Non-underwriting provisions		
I. Provisions for post-employment benefits		0.00
II. Provisions for pensions		0.00
III. Provisions for taxes		70,158,573.84
IV. Other provisions		74,690,649.81
TOTAL OTHER PROVISIONS		144,849,223.65
G. Deposits on ceded reinsurance business		9,330.13
H. Other liabilities		
I. Liabilities from direct insurance business		
1. to policyholders	80,879,098.03	
2. to insurance intermediaries	19,588,184.24	
3. to insurance companies	9,005,112.52	109,472,394.79
II. Liabilities from reinsurance business		87,193,155.68
III. Liabilities to banks		7,010,377.18
IV. Other liabilities		532,085,553.36
TOTAL LIABILITIES		735,761,481.01
I. Deferred income		188,361,949.92
Total equity and liabilities		4,634,318,977.48

Health		Life		Total business 2008		2007
						in EUR '000
1,023,662,154.53		7,456,846,034.29		12,045,845,181.59		10,392,301
0.00		1,176,948,533.17		1,176,948,533.17		1,191,203
0.00		58,154,794.23		58,154,794.23		79,976
0.00		99,373,937.00		99,373,937.00		147,945
6,011,924.04		5,694,190.71		81,864,688.59		48,799
11,674,303.10		8,497,729.71		94,862,682.62		98,649
17,686,227.14		171,720,651.65		334,256,102.44		375,369
1,221,918.97		15,007,591.49		16,238,840.59		19,758
3,363,763.97		23,937,003.29		108,179,865.29		61,305
0.00		1,778,206.33		21,366,390.57		22,404
263,621.28		2,429.88		9,271,163.68		23,617
3,627,385.25		25,717,639.50		138,817,419.54		27,375
0.00		2,229,512.37		89,422,668.05		216,394
58,999,125.69		12,420,137.54		78,429,640.41		161,249
8,795,383.36		14,976,627.41		555,857,564.13		
71,421,894.30		55,343,916.82		862,527,292.13		512,344
42,911.06		1,783,719.73		190,188,580.71		15,774
1,114,035,106.00		8,877,650,447.15		14,626,004,530.63		12,506,749

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2008

PROPERTY/CASUALTY INSURANCE		2008	2007
		in EUR	in EUR '000
Underwriting account			
1. Earned premiums			
Premiums written			
Overall account	1,201,570,731.26		1,126,490
Ceded reinsurance premiums	-341,602,277.92	859,968,453.34	-327,070
Change due to deferred premiums			
Overall account	10,009,755.99		-10,861
Reinsurer portion	433,868.78	10,443,624.77	6,062
TOTAL PREMIUMS		870,412,078.11	794,621
2. Investment income from technical business		63,621.00	57
3. Other underwriting income		5,021,744.40	4,914
4. Expenses for insurance claims			
Payments for insurance claims			
Overall account	742,136,672.11		645,652
Reinsurer portion	-185,439,005.73	556,697,666.38	-167,031
Change in the provision for outstanding insurance claims			
Overall account	151,085,101.64		88,492
Reinsurer portion	-136,181,162.44	14,903,939.20	-47,552
TOTAL INSURANCE CLAIMS		-571,601,605.58	-519,561
5. Increase in underwriting provisions			
Other underwriting provisions			
Overall account	918,100.00	918,100.00	410
TOTAL INCREASE IN UNDERWRITING PROVISIONS		-918,100.00	-410
6. Expenses for profit-independent premium refunds			
Overall account	6,214,263.96		9,531
Reinsurer portion	-1,615,962.07	4,598,301.89	-998
TOTAL EXPENSES FOR PROFIT-INDEPENDENT PREMIUM REFUNDS		-4,598,301.89	-8,533
7. Administrative expenses			
Commissions and other acquisition costs		230,978,587.43	203,824
Other administrative expenses		53,574,513.57	47,894
Reinsurance commissions and profit commissions from reinsurance cessions		-49,029,937.41	-46,513
TOTAL OPERATING EXPENSES		-235,523,163.59	-205,205
8. Other underwriting expenses		-6,123,672.38	-9,297
9. Change in the equalisation provision		-36,759,182.00	-12,338
UNDERWRITING RESULT (AMOUNT CARRIED FORWARD)		19,973,418.07	44,248

PROPERTY/CASUALTY INSURANCE	2008	2007
	in EUR	in EUR '000
Underwriting result (amount brought forward)	19,973,418.07	44,248
Non-underwriting account		
1. Investment and interest income		
Income from ownership interests	34,727,137.75	22,603
Income from land and buildings	4,848,798.70	7,823
Income from other investments	36,412,518.56	39,026
Gains from divestiture of investments	141,813,245.04	27,611
Other investment and interest income	16,186,031.90	14,419
TOTAL INVESTMENT INCOME	233,987,731.95	111,482
2. Investment and interest expenses		
Expenditure for asset management	3,947,799.65	3,463
Write-downs of investments	9,473,458.30	11,891
Interest expenses	24,079,285.04	15,857
Losses on divestiture of investments	285,051.80	46
Other investment expenses	48,374,378.24	3,637
TOTAL INVESTMENT EXPENSES	-86,159,973.03	-34,894
3. Investment income transferred to the underwriting account	-63,621.00	-57
4. Other non-underwriting income	2,006,437.18	297
5. Other non-underwriting expenses	-1,023,930.00	-201
Result from ordinary activities, property/casualty insurance	168,720,063.17	120,875

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2008

HEALTH INSURANCE	2008		2007
	in EUR		in EUR '000
Underwriting account			
1. Earned premiums			
Premiums written			
Overall account	314,279,535.22		306,597
Ceded reinsurance premiums	-920,445.00	313,359,090.22	-982
Change due to deferred premiums			
Overall account	-23,235.87	-23,235.87	-117
TOTAL PREMIUMS		313,335,854.35	305,498
2. Investment income from technical business		2,126,613.85	8,693
3. Other underwriting income		37,956.49	33
4. Expenses for insurance claims			
Payments for insurance claims			
Overall account	211,995,033.73		207,485
Reinsurer portion	-692,313.49	211,302,720.24	-899
Change in provision for outstanding insurance claims			
Overall account	856,484.00		869
Reinsurer portion	33,266.00	889,750.00	-42
TOTAL INSURANCE CLAIMS		-212,192,470.24	-207,413
5. Increase in underwriting provisions			
Actuarial provision			
Overall account	35,720,728.48		49,022
Reinsurer portion	-168,041.00	35,552,687.48	-81
TOTAL INCREASE IN UNDERWRITING PROVISIONS		-35,552,687.48	-48,941
6. Expenditure for profit-independent premium refunds		-12,359,121.00	-10,748
7. Administrative expenses			
Commissions and other acquisition costs		29,312,198.14	25,469
Other administrative expenses		16,220,603.12	14,939
Reinsurance commissions and profit commissions from reinsurance cessions		-116,049.45	-116
TOTAL OPERATING EXPENSES		-45,416,751.81	-40,292
8. Other underwriting expenses		-560,531.79	-995
UNDERWRITING RESULT (AMOUNT CARRIED FORWARD)		9,418,862.37	5,835

HEALTH INSURANCE	2008	2007
	in EUR	in EUR '000
Underwriting result (amount brought forward)	9,418,862.37	5,835
Non-underwriting account		
1. Investment and interest income		
Income from ownership interests	4,549,049.07	9,558
Income from land and buildings	4,045,392.44	5,723
Income from other investments	24,309,984.95	24,267
Gains from divestiture of investments	5,037,751.40	2,367
Other investment and interest income	5,848,323.70	2,591
TOTAL INVESTMENT INCOME	43,790,501.56	44,506
2. Investment and interest expenses		
Expenses for asset management	2,511,713.61	2,226
Write-downs of investments	27,661,499.50	27,420
Interest expenses	8,868,386.76	6,002
Losses on divestiture of investments	598,509.65	3
Other investment expenses	2,023,778.19	162
TOTAL INVESTMENT EXPENSES	-41,663,887.71	-35,813
3. Investment income transferred to the underwriting account	-2,126,613.85	-8,693
4. Other non-underwriting income	537.84	0
5. Other non-underwriting expenses	-34.41	0
Result from ordinary activities, health insurance	9,419,365.80	5,835

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2008

LIFE INSURANCE	2008		2007
	in EUR		in EUR '000
Underwriting account			
1. Earned premiums			
Premiums written			
Overall account	1,067,795,439.54		1,145,705
Ceded reinsurance premiums	-4,535,718.96	1,063,259,720.58	-4,898
Change due to deferred premiums			
Overall account	4,561,784.56		4,131
Reinsurer portion	-42,943.79	4,518,840.77	-212
TOTAL PREMIUMS	1,067,778,561.35		1,144,726
2. Investment income from technical business	291,487,577.70		372,449
3. Unrealised gains on investments shown under balance sheet asset item C	31,569,288.25		14,786
4. Other underwriting income	218,201.18		97
5. Expenses for insurance claims			
Payments for insurance claims			
Overall account	721,058,977.50		538,407
Reinsurer portion	-1,637,997.63	719,420,979.87	-2,256
Change in the provision for outstanding insurance claims			
Overall account	-6,607,192.19		8,433
Reinsurer portion	-111,000.00	-6,718,192.19	267
TOTAL INSURANCE CLAIMS	-712,702,787.68		-544,851
6. Increase in underwriting provisions			
Actuarial provision			
Overall account	50,993,699.26		647,745
Reinsurer portion	-645,082.75	50,348,616.51	-690
TOTAL INCREASE IN UNDERWRITING PROVISIONS	-50,348,616.51		-647,055
7. Expenses for profit-dependent premium refunds and policyholder profit participation			
Overall account	65,025,000.00		72,014
Reinsurer portion	-25,000.00	65,000,000.00	-14
TOTAL PROFIT PARTICIPATION	-65,000,000.00		-72,000
8. Administrative expenses			
Commissions and other acquisition costs		118,307,697.27	136,663
Other administrative expenses		41,365,990.64	37,903
Reinsurance commissions and profit commissions from reinsurance cessions		-707,286.05	-849
TOTAL OPERATING EXPENSES	-158,966,401.86		-173,717
9. Unrealised losses on investments shown under balance sheet asset item C	-363,921,619.70		-37,180
10. Other underwriting expenses	-2,245,860.76		-4,828
UNDERWRITING RESULT (AMOUNT CARRIED FORWARD)	37,868,341.97		52,427

LIFE INSURANCE	2008	2007
	in EUR	in EUR '000
Underwriting result (amount brought forward)	37,868,341.97	52,427
Non-underwriting account		
1. Investment and interest income		
Income from ownership interests	20,112,729.45	55,706
Income from land and buildings	17,722,638.88	13,360
Income from other investments	308,643,032.89	414,557
Income from write-ups	11,583,403.99	0
Gains from divestiture of investments	204,696,796.16	53,657
Other investment and interest income	18,119,754.02	16,459
TOTAL INVESTMENT INCOME	580,878,355.39	553,739
2. Investment and interest expenses		
Expenditure for asset management	7,128,240.42	6,454
Write-downs of investments	240,151,480.43	142,006
Interest expenses	28,113,269.25	24,805
Losses on divestiture of investments	8,108,507.28	962
Other investment expenses	5,889,280.31	7,063
TOTAL INVESTMENT EXPENSES	-289,390,777.69	-181,290
3. Investment income transferred to the underwriting account	-291,487,577.70	-372,449
4. Other non-underwriting income	76,298.83	54
5. Other non-underwriting expenses	-965,920.88	-182
Result from ordinary activities, life insurance	36,978,719.92	52,299

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2008

PROPERTY/CASUALTY + HEALTH + LIFE = TOTAL BUSINESS	2008	2007
	in EUR	in EUR '000
Underwriting result, property/casualty	19,973,418.07	44,248
Underwriting result, health	9,418,862.37	5,835
Underwriting result, life	37,868,341.97	52,427
Total underwriting result	67,260,622.41	102,510
Non-underwriting account		
1. Investment and interest income		
Income from ownership interests	59,388,916.27	87,867
Income from land and buildings	26,616,830.02	26,906
Income from other investments	369,365,536.40	477,850
Income from write-ups	11,583,403.99	0
Gains from divestiture of investments	351,547,792.60	83,635
Other investment and interest income	40,154,109.62	33,469
TOTAL INVESTMENT INCOME	858,656,588.90	709,727
2. Investment and interest expenses		
Expenses for asset management	13,587,753.68	12,143
Write-downs of investments	277,286,438.23	181,317
Interest expenses	61,060,941.05	46,664
Losses on divestiture of investments	8,992,068.73	1,011
Other investment expenses	56,287,436.74	10,862
TOTAL INVESTMENT EXPENDITURE	-417,214,638.43	-251,997
3. Investment income transferred to the underwriting account	-293,677,812.55	-381,199
4. Other non-underwriting income	2,083,273.85	351
5. Other non-underwriting expenses	-1,989,885.29	-383
6. Result from ordinary activities	215,118,148.89	179,009
7. Taxes on income	-25,791,582.82	-22,943
8. Net income	189,326,566.07	156,066
9. Release of reserves		
Release of valuation reserve for impairment losses	6,605,564.12	6,852
TOTAL RELEASE OF RESERVES	6,605,564.12	6,852
10. Transfer to reserves		
Transfer to risk reserve as per § 73a VAG	2,434,274.00	8,452
Transfer to free reserves	157.81	30,000
TOTAL TRANSFER TO RESERVES	-2,434,431.81	-38,452
11. Profit for the year	193,497,698.38	124,466
12. Retained profits brought forward	80,755,109.16	71,789
Net retained profits	274,252,807.54	196,255

I. GENERAL INFORMATION ON ACCOUNTING POLICIES

The annual financial statements were prepared **in accordance with Austrian generally accepted accounting principles** and the general standard of presenting a fair and true view of the net assets, financial position and results of operations.

The **precautionary principle** was satisfied in that only profits that had been realised as at the balance sheet date were reported and all identifiable risks and impending losses are recorded in the balance sheet, with the exception of the less strict measurement of bonds and other fixed interest securities as provided for in § 81h(1) VAG and use of the measurement options provided in § 81h(2a) VAG for units of special funds. As a rule, figures are shown in thousands of Euros (EUR '000). Figures from the previous year are indicated as such or shown in parentheses.

II. ACCOUNTING PRINCIPLES

Land is valued at cost, **buildings** at cost less depreciation and any write-downs. As a rule, repair costs for residential buildings not rented to Company employees are spread over ten years.

Investments for unit-linked and index-linked life insurance are valued in accordance with the current cost principle. Unit-linked life insurance investments are made in the following funds: Acatis Aktien Global Fonds (T); Activest Total Return D; All America Miteigentumsfonds (T); All Asia Miteigentumsanteile gem. § 20 InvG (T); All Europe Thesaurierungs-Anteile; Allianz dit Bondspezial FCP (A); ALL JAPAN (T) Miteigentumsanteile; All Pharma Miteigentumsfonds gemäß § 20 InvG (T); All Technology (T); All Trends (T); ALL WORLD (T) MITEIGENTUMSANTEILE; AXA World Funds II Continental European Opportunities Equiti; Baring German Growth Trust (T); Baring Global Umbrella Fund Eastern Europ Class; BAWAG PSK GLOBAL BOND FOND; Berenberg-Balkan-Baltikum-Universal Fonds (A); BlackRock Global Funds-Emerging Markets Fund A2; BlackRock Global Funds-Euro Bond Fund (A2); BlackRock Global Funds-European Opportunity Fund A2; BlackRock Global Funds-Global Allocation Hedge A2; BlackRock Global Funds-Japan Opportunity Fund A2; BlackRock Global Funds Latin American Fund (T); BlackRock Global Funds New Energy Fund (T); BlackRock Global Funds US Flexible Equity Fund (A); BlackRock Global Funds World Energy Fund (T); BlackRock Global Funds - World Gold Fund; BlackRock Global Funds World Gold Fund Hedged; BlackRock Global Funds-World Mining Fund-A2- EUR; BW Renta International Universal Fonds; Cominvest Fondis; CONSTANTIA EURO BOND EUR FONDS; Constantia European Property (T); C-QUADRAT Active World Balanced FONDS; C-QUADRAT Active World Dynamic (T) ANTEILE; C-QUADRAT Active World Equity; C-Quadrat ARTS Best Momentum (T); C-Quadrat ARTS Total Return Global – AMI; C-Quadrat ARTS Total Return Special (T); C-Quadrat Triathlon Miteigentumsfonds gem. Para 20

a InvFG; CRYSTAL ROOF RUBIN FUND (T); CRYSTAL ROOF SAFIR (T); CRYSTAL ROOF SMARAGD FUND (T); CS BOND FUND (LUX) EURO (T); CS BOND FUND (LUX) USD (T); CS EF(LUX)SMALL CAP USD FUND (T); CS MONEY MARKET CHF FUND (LUX) (T); DEKAR-ENT INTERN. FONDS; Dexia Bond Euro Inflation Linked C; Dexia Sustainable European Balanced Medium (T); dit-Gl. Mkt. Bond – Units; DkLT Em Bd Units CF Distribution; DWS Flex Pens 2014 Fonds (new); DWS Flexpension 2015; DWS Flexpension 2016; DWS Flexpension 2017; DWS Flexpension 2018; DWS Flexpension 2021; DWS Flexpension 2022; DWS Flexpension 2023; DWS Flexpension Sicav 2019; DWS Flexpension Sicav 2020; DWS Invest European Equities (T); DWS Invest Global Agribusiness (T); DWS Invest Top 50 Asia (T); DWS Osteuropa FCP Units Capitalisation (T); DWS Select Invest Anteile (A); DWS Top 50 Euro Anteile; DWS &Top Dividende Anteile; DWS VERMOEGENSBILDUNGS-FOND I (A); Ecofin Index Aktien --- Thesaurierungs-Anteile; E+S Erfolgs-Invest Miteigentumsfonds gem. Para 20 InvFG; ESPA Bond Emerging Markets; Espa Cash Euro Midterm (A); ESPA CASH EURO-PLUS (T) (SPARFONDS); ESPA PORTFOLIO BOND (T); ESPA SELECT STOCK (T); ESPA Stock Europe Emerging (T); ESPA STOCK VIENNA FONDS; Ethna Aktiv E Units; FAIR INVEST BALANCED Miteigentumsanteile in Wertpapieren (T); FI Alpha Renten Global; FIDELITY EURO BOND FUND; FIDELITY EUROPEAN GROWTH FUND (A); Fidelity Funds European Fund; Fidelity Funds Global Property Fund; FIDELITY FUNDS INTERNATIONAL USD-FUND; Fidelity Funds SICAV - Latin America Fund; Fidelity Funds SICAV - Pacific Fund; Fidelity Funds World Fund; FIDELITY GLOBAL FPS USD FUND; FIDELITY GROWTH FPS EUR FUND; FIDELITY JAPAN JPY FUND; FIDELITY JAPAN SMALL.COMP.JPY FUND; FIDELITY MODERATE FPS EUR FUND; First Private Europa Aktien ULM (T); Franklin Templeton Investment Funds- Templeton Bric Fund T; Gartmore Continental European Shs A1; Global Advantage Emerging Markets High Value (T); GOLDEN ROOF BRANCHEN (T); GOLDEN ROOF WELT (T); Gutmann Vorsorge Fonds; Henderson Horizon Continental European Equity F; HSBC Global Indian Equity; Invesco Funds - Invesco Pan European Equitiy (A); Invesco Funds Pan European Small Cap Equity (A); Invesco Funds Ser. 4 Invesco Japanese Small/Mid Cap Equity 4; Invesco Funds Series 1 Japanese Equity (A); Invesco Funds Series 2 - Invesco Emerging Markets Bond (A); Invesco Funds Series 5 PRC Equity Fund; IP Inter Portfolio Fonds M2009 (30.10.09) (T); iShares DJ Euro Stoxx SD 30; iShares eb.rexx Jumbo Pfandbriefe; JPMORGAN AMERICA EQUITY A Dis-USD FONDS; JPMorgan-Emerging Markets Debt A INC EUR; JP MORGAN FLEMING EUROPE SMALL CAP FUND; JPMorgan Global Total Return Fund; JPMorgan JF India Fund (A); JP MORGAN US Small Growth Cap A Dist USD; Julius Baer Multistock Black Sea Fund (A); Kapital u Wert Premium Ausgewogen (T) Anteile; Kapital u Wert Premium Dynamisch (T) Anteile; Lyxor ETF DJ Buywrite - Parts de Capitalisation/Distribution; MERRILL LYNCH INT.US Flex. Equity A2 Fund(NULL); M & G 1 Global Basic Accum.Shs.Class A; MLIIF World Mining Shs A2 Capitalisation; MMT Global Selection; MORGAN STANLEY EMERGING MKTS USD FUND(T); MORGAN STANLEY EM.MKTS.DEBT USD FUND (T); Morgan Stanley Investment Funds SICAV; MORGAN STANLEY JAPANESE VALUE EQUITY FUND (T); Nord Concept

Anteile; OP Food Anteile (A); PIA AMERICA STOCK FONDS (T); PIA DOLLAR BOND FONDS (T); PIA DOLLAR CASH FONDS; PIA EURO BOND FONDS; PIA EURO CASH FONDS (T); PIA EURO CORPORATE BOND FONDS (T); PIA MASTER FONDS DYNAMISCH (T); PIA MASTER FONDS PROGRESSIV (T); PIA MASTER FONDS TRADITIONELL (T); PIA SELECT EUROPE STOCK (T); PIA TRADER-ENT (T); PICTET FUNDS FCP-BIOTECH ANT. –P; Pictet Funds (LUX) SiCAV Security; Pictet Funds (LUX) Sicav Water; Pioneer Euro Aggregate Bond; Pioneer Global Ecology; Raiffeisen Euro Rent (T); Real Invest Austria (T); RT Absolute Return Bond Fund (T); RT ACTIVE GLOBAL TREND (T) (v.RT BlueChipsfonds); RT Euro Cash Plus (T) Fonds; RT Osteuropa Absolute Return Miteigentumsfonds (T); RT Osteuropa Aktienfonds Miteigentumsanteile (T); RT PIF DYNAMISCH FONDS(T); RT PIF TRADITIONELL FONDS(T); RT VIF VERSICHERUNG INT. FONDS THESAURIEREND; RT VORSORGE RENTENFONDS Miteigentumsanteile; RT VORSORGE-RENTENFONDS (T); RT Zukunftsvorsorge-Aktienfonds (T); Schoellerbank Aktienfonds (Ausschütter); SCHOELLERBANK Aktienfonds WÄHR. (T); Schoellerbank Aktienfonds währungsgesichert; Schoellerbank Anleihenfond; Schoellerbank Euro Alternativ; Schoellerbank Global Dynamic (T); Schoellerbank Kurzinvest (Ausschütter); Schoellerbank Liquid (A); Schoellerbank Realzins Plus (A); Schoellerbank USD Kurzinvest Anteile (A); Schoellerbank USD Kurzinvest (T); Schoellerbank USD Rentenfonds (A); Schoellerbank USD Rentenfonds (Ausschütter, EUR Notierung); Schoellerbank Vorsorgefonds; Schoellerbank Vorsorgefonds (T) Miteigentumsanteile; Schoellerbank Zinsstruktur Plus Miteigentumsf.gem. Para 20; Schoellerb.Global Pension Fonds; Schöllerbank Global Pension; Schöllerb.Zinsstruk.Plus; SKWB (Lemberger) USD Rentenfonds (T); SKWB SCHOELLERBANK AKTIENFONDS (T); SKWB SCHOELLERBANK ANLEIHEFONDS (T); SKWB SCHOELLERBANK EURO ALTERNATIV (T); SKWB SCHOELLERBANK KURZINVEST (T); SKWB SCHOELLERBANK REALZINS PLUS T; SKWB SCHOELLERBANK USD RENTENFONDS (T); SPAR TRUST CORPORATE (T); Spezial Plus Miteigentumsfonds in Wertpapieren (T); StarCapital Universal Bondvalue UI; StarCap Priamos Units A EUR Distr.(A); SUCCESS ABSOLUTE (T); SUCCESS RELATIVE FONDS (T); Superior 3 Ethik Miteigentumsfonds gem. § 20 InvFG; Templeton Emerging Markets FD-A YDIS; Templeton Growth Fund EURO; Threadneedle European Select Fund; Top Vario Mix (T); TRADECOM FONDSTRADER; UBS LUX BOND FUND-US (T); UBS (Lux) Strategy Fund FCP Balanced (T); VONTOBEL FUND EMERGING MARKETS EQUITY B-USD CAP; VONTOBEL FUND US DOLLAR BOND B-USD-CAP; Vontobel Global Trend New Power (A); VPI Word Invest Miteigentumsanteile § 20 InvFG; VPI World Select TM Miteigentumsfonds gem.Par.20 InvFG; WSTV ESPA DYNAMISCH; WSTV ESPA Garantie Miteigentumsfonds gemäß § 20a InvFG; WSTV ESPA PROGRESSIV; WSTV ESPA TRADITIONELL.

Shares and other non-fixed-interest securities (with the exception of units of special funds that exclusively or predominantly hold bonds or other fixed interest securities), and shares in affiliated companies are measured according to the strict lower-of-cost-or-market principle (*strenges Niederstwertprinzip*). Starting in 2008, bonds and other fixed-interest securities have been measured using the less strict lower-of-cost-or-market principle (*gemildertes Niederstwertprinzip*) provided for in § 81h(1) VAG. Measurement using the less strict lower-of-cost-or-market principle resulted in write-downs of EUR 153,015,000 not being performed.

The measurement options provided in § 81h(2a) VAG were used to measure **units in special funds** that exclusively or predominantly hold bonds or other fixed interest securities. EUR 103,900,000 in write-downs were not performed for units of special funds due to use of this less strict measurement principle. Measurement of two selected ownership interests was performed by calculating net asset value taking into account stock exchange price discounts.

The **Company's investment** in fixed-interest securities, real estate, ownership interests, shares and structured investment products takes into account the overall risk position of the Company and the investment strategy provided for this purpose. The risk inherent in the specified categories and market risks are taken into account when determining volumes and limits for open transactions.

The **investment strategy** is laid down in the form of investment guidelines that are continuously monitored for compliance by the central risk controlling and internal audit departments. The central 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 largely low-risk. The strategic investment committee decides on potentially riskier 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 evaluated 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 guarantee that the return on investment remains continuously above the minimum rate of return for the life insurance class and that adequate amounts of liquid, value-protected financial investments are maintained for all classes. Liquidity planning therefore takes into account the trend in insurance payments and the vast majority of investment income is generally reinvested.

Under the balance sheet asset item “shares and other non-fixed interest securities”, the Company reported assets with non-guaranteed interest payments and the partial or total repayment of whose principal might be defaulted on with a book value of EUR 7,210,000 (EUR 56,056,000) and a fair value of EUR 7,948,000 (EUR 56,813,000) as at 31 December 2008. 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).

Another interest rate swap running until 15 December 2010 with a notional amount of EUR 25,565,000 also exists for variable-interest securities held in the portfolio.

As a rule, **mortgage receivables and other lendings**, including those to affiliated companies and companies in which an ownership interest 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 on the liabilities side of the balance sheet.

Valuation allowances of adequate size are formed for doubtful **receivables** and deducted from their nominal values. Property, plant and equipment (not including land and buildings) are valued at cost less depreciation. Low-cost assets are written off in full in the year of acquisition. Previous write-downs of land and buildings were reversed based on the findings of the tax audit. No other write-ups were performed.

Unearned premiums for property/casualty insurance are essentially calculated by prorating over time after applying a cost deduction of EUR 18,557,000 (EUR 20,300,000). Unearned premiums for life insurance are formed according to the amounts prescribed in the business plan. No cost deduction is applied. Unearned premiums for health insurance are calculated by prorating over time without applying a cost deduction.

The **actuarial reserve** is calculated using the formulas and calculation bases contained in business plans approved by or submitted to the supervisory authorities.

For losses reported by the balance sheet reporting date, the **provision for outstanding insurance claims** in the property and casualty direct business, as well as for life insurance, is calculated by individual evaluation of as yet unsettled loss events, supplemented by lump-sum safety amounts for non-ascertainable losses of larger amount. For losses incurred but not reported, lump-sum provisions are formed measured by past experience.

In health insurance, provisions for outstanding insurance claims are calculated with lump-sum percentages of payments for insurance claims made during the fiscal year. The percentage rates were unchanged compared to the previous year.

In the indirect business, the provisions for outstanding insurance claims are primarily based on reports by ceding companies as of the balance sheet reporting date, 31 December 2008 or 31 December 2007. The reported amounts were supplemented by additional amounts if considered necessary in light of past experience.

The **equalisation reserve** is calculated in accordance with the directive of the Federal Finance Minister, Federal Gazette (BGBl.) no. 545/1991, in the version appearing in Federal Gazette II no. 66/1997.

The **provision for profit-dependent premium refunds and policyholder profit participation** contains the amounts earmarked for policyholders based on business plans and the standing rules for premium reimbursements and over which no disposition had been made as of the balance sheet reporting date.

The **provisions for post-employment benefits, pensions, and retirement bonuses** are determined under actuarial principles as of the balance sheet reporting date in keeping with the partial value method, using the Austrian Accounting Association's accounting principles for pension insurance [AVÖ 1999-P] (Employees) and applying a discount rate of 4.5%. Interest expenses for personnel provisions of EUR 7,343,000 (EUR 9,486,000) are disclosed in the item investment and interest expense. A portion of the direct payment commitments, amounting to EUR 254,140,000 (EUR 207,230,000), is being carried as group insurance after an insurance policy was concluded in accordance with the provisions of Sec. 18 (f to j) of the Austrian Insurance Supervision Act (VAG). In accordance with an Austrian Federal Ministry of Finance decree of 3 August 2001, EUR 24,999,000 was outsourced to a post-employment benefit insurance company. A post-employment benefits provision of EUR 81,938,000 would be required under Austrian commercial law for 2008. EUR 22,648,000 was consigned to the outside insurance company to satisfy the post-employment benefit outsourcing requirement. The difference of EUR 59,290,000 between the size of the post-employment benefit provision to be formed under Austrian commercial law and the amount deposited with the outside insurance company is reported in the “other provisions” item in the balance sheet.

Amounts denominated in a **foreign currency** are converted into Euros at the relevant average exchange rate.

In life insurance and in property/casualty insurance, the **technical items of the accepted reinsurance business** and the associated retrocessions are in part shown on the annual financial statements with a one-year delay.

The following explanations are provided regarding **off-balance sheet liabilities**: There are Comfort Letters in a total amount of EUR 38,659,000 (EUR 8,209,000) in connection with a real estate purchase and the raising of a loan. Statements of liability in a total amount of EUR 98,000 (EUR 191,000) were given in connection with repayments of a loan.

Liabilities to affiliated companies amount overall to EUR 799,000 (EUR 881,000).

III. NOTES TO BALANCE SHEET ITEMS

Basic values for improved and unimproved properties as of 31 December 2008 amounted to EUR 110,248,000 (EUR 89,144,000).

The book value of real estate used by the Company is EUR 72,779,000 (EUR 69,819,000).

Other loans not secured by insurance policies are subdivided as follows: Loans to the Republic of Austria, in the amount of EUR 90,787,000 (EUR 138,908,000), loan receivables from other public-sector corporate bodies in the amount of EUR 41,049,000 (EUR 50,543,000) and loan receivables from other borrowers in the amount of EUR 245,219,000 (EUR 236,586,000).

The fair values of investments are:

Items under Sec. 81c (2) VAG in EUR '000	Market value on 31.12.2008	Market value on 31.12.2007
Land and buildings	696,833	647,452
Shares of affiliated companies	5,492,606	3,105,943
Bonds and other securities of and loans to affiliated companies	401,872	427,233
Ownership interests	431,100	338,301
Bonds and other securities of and loans to other companies in which an ownership interest exists	31,157	91,856
Shares and other non-fixed-interest securities	2,527,258	3,278,221
Bonds and other fixed-interest bonds	3,515,688	3,495,178
Shares in joint investments	53,940	55,682
Mortgage receivables	237,722	240,556
Policy pre-payments	19,846	19,425
Other loans	377,055	426,037
Bank balances	384,973	40,916
Deposits on assumed reinsurance business	150,231	150,910
	14,320,281	12,317,710

Hidden assets increased in the reporting year by EUR 99,380,000, to a total of EUR 1,911,806,000 (EUR 1,812,426,000). The fair value of shares in affiliated companies and/or shares in companies in which an ownership interest existed is equal to the stock market value or other available market value (valuation calculations updated during the financial year). If no stock market or other available market value exists, the purchase price is used as the fair value, if need be reduced by any write-downs or a proportionate share of the separately disclosed shareholders' equity, whichever is greater. For shares and other securities, stock market values or book values (purchase prices, if need be reduced by any write-downs) are used as the fair value. The remaining investments were valued at their nominal values, if need be reduced by any write-downs.

The fair values of land and buildings were determined according to the recommendation of the Austrian Association of Insurance Companies. The valuation was based predominantly on appraisals from 2008 and 2004.

The fair values for the 2008 appraisals amount to EUR 394,943,000; 2007: EUR 140,547,000; 2006: EUR 15,490,000; 2005: EUR 51,030,000, 2004: EUR 94,823,000.

In the **health insurance** segment, **actuarial reserves** are calculated under Sec. 18c VAG in all portfolio groups in accordance with actuarial principles.

In the individual insurance area, actuarial reserves are calculated only for each individual policy. This also applies to new business in the group insurance area affected by the 1994 changes to the Insurance Policy Act (VVG). For the remaining group policies, a flat rate actuarial reserve is formed. The calculation of the actuarial reserve takes into account the fact that, in the event of early policy termination of contract or the death of the insured, the actuarial reserve for the respective policy is forfeited in favour of the community of the insured.

As actuarial bases for calculating actuarial reserves, loss frequencies chiefly derive from analyses of the company's own loss portfolio. Mortalities were mainly taken from the Austrian 2000/2002 general mortality tables. In line with the premium calculation, the actuarial reserve is largely calculated with a discount rate of 3% per annum.

In **life insurance**, actuarial reserves are calculated using the principles and calculation bases contained in business plans approved by or submitted to the supervisory authorities.

Actuarial reserves are calculated for each individual case, with the prospective method being used almost exclusively here.

The main probability tables used are as following:

For endowment insurance policies:	DM 24/26 ÖVM 80/82 ÖVM /ÖVF 90/92 ÖVM/ÖVF 00/02
For annuity insurance policies	EROM/EROF AVÖ 1996 R AVÖ 2005 R

For a large portion of the portfolio, the actuarial reserve is calculated with a discount rate of 3.00% p.a. As of 1995, a discount rate of 4.00% p.a. was used for specific tariff rates, and between 1 July 2000 and 31 December 2003, a discount rate of 3.25% p.a. was used. For policies with an inception date after 1 January 2004, the discount rate is 2.75% p.a., for policies beginning after 23 September 2005, the rate is 2.25% on employer group policies. For insurance policies entered into after 1 January 2006, the discount rate is 2.25%.

The amount shown in the "miscellaneous liabilities" item includes EUR 26,847,000 in tax liabilities (EUR 22,706,000) and EUR 3,580,000 in social security liabilities (EUR 4,436,000).

The following balance sheet items are accounted for by affiliated companies and companies in which an ownership interest is held:

in EUR '000	Affiliated companies		Companies in which an ownership interest is held	
	2008	2007	2008	2007
Mortgage receivables	61,122	66,831	4,569	4,755
Deposits on assumed reinsurance business	26,688	122,433	7,932	8,273
Receivables from direct insurance business	6,343	3,724	1,378	1,635
Receivables from reinsurance business	12,427	13,161	135	720
Deposits on ceded reinsurance business	88,315	114,599	3,421	776
Liabilities from direct insurance business	1,010	4,782	576	854
Liabilities from reinsurance business	14,038	8,802	340	0
Other liabilities	466,394	75,386	69	2,347

Liabilities from the use of tangible assets not shown on the balance sheet for the following fiscal year amount to EUR 13,616,000 (EUR 9,594,000) and EUR 90,184,000 (EUR 75,862,000) for the subsequent five years.

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

in EUR '000	Intangible assets	Land and buildings	Shares of affiliated companies	Bonds and other securities of, and loans to, affiliated companies	Ownership interests	Bonds and other securities of, and loans to companies in which an ownership interest is held
As at 31 December 2007	23,710	429,245	2,058,948	426,730	202,415	91,856
Additions	2,584	29,962	1,867,804	125,272	197,936	3,876
Divestitures	0	12,406	131,322	129,994	23,872	65,375
Transfer entries	0	0	0	-20,541	0	800
Write-downs	4,314	13,855	0	0	24,298	0
Write-ups	0	11,583	0	0	0	0
Change due to value adjustments	0	0	0	0	2,324	0
As at 31 December 2008	21,980	444,529	3,795,430	401,467	354,505	31,157

IV. NOTES TO INCOME STATEMENT ITEMS

The written premiums, earned premiums, expenses for insurance claims, operating expenses and reinsurance balance in property and casualty insurance in 2008 are broken down as follows:

Overall account	Written Premiums	Earned premiums	Expenses for insurance claims	Operating expenses	Reinsurance balance
in EUR '000					
Direct business					
Fire and fire consequential loss insurance	220,853	229,265	249,403	51,104	54,840
Liability insurance	106,032	106,824	55,636	23,761	-8,133
Householders' comprehensive insurance	73,434	73,416	32,189	20,722	-1,183
Motor vehicle liability insurance	212,157	213,480	136,837	41,978	-3,353
Legal protection insurance	25,466	25,531	10,447	6,527	40
Marine, aviation and transport insurance	30,001	30,105	12,566	7,326	-7,175
Other insurance	26,963	26,974	24,010	5,068	-274
Other motor vehicle insurance	124,988	125,045	90,422	28,004	-998
Other property insurance	143,731	143,999	126,728	42,597	12,956
Accident insurance	90,138	90,037	50,561	22,754	-1,869
	1,053,763	1,064,676	788,799	249,843	44,853
(Prior year's values)	(1,015,579)	(1,005,428)	(651,118)	(223,063)	(-57,112)
Indirect business					
Marine, aviation and transit insurance	1,036	1,031	72	286	41
Other insurance policies	146,772	145,873	104,351	34,424	-15,412
	147,808	146,904	104,423	34,710	-15,371
(Prior year's values)	(110,911)	(110,201)	(83,026)	(28,655)	(-2,801)
Total direct and indirect business	1,201,571	1,211,580	893,222	284,553	29,482
(Prior year's values)	(1,126,490)	(1,115,629)	(734,144)	(251,718)	(-59,913)

Written premiums for health insurance in 2007 are broken down as follows:

in EUR '000	2008	2007
Direct business		
Individual policies	220,305	214,736
Group policies	93,806	91,639
Indirect business		
Individual policies	0	0
Group policies	169	222
	314,280	306,597

Written premiums for life insurance in 2008 are broken down as follows:

in EUR '000	2008	2007
Direct business	1,034,951	1,111,624
Indirect business	32,844	34,081
	1,067,795	1,145,705

For life insurance, premiums in the direct business are made up as follows:

in EUR '000	2008	2007
Individual policies	906,813	929,471
Group policies	128,138	182,153
	1,034,951	1,111,624
Single premium policies	364,529	452,362
Policies with regular premium payments	670,422	659,262
	1,034,951	1,111,624
Policies with profit participation	514,818	689,382
Policies without profit participation	3,939	4,210
Unit-linked life insurance policies	405,431	372,500
Index-linked life insurance policies	110,763	45,532
	1,034,951	1,111,624

Of the premiums written, EUR 116,472,000 (EUR 135,835,000) is accounted for by a trade in services with the Federal Republic of Germany. The exception contained in Sec. 81o (6) VAG was applied.

The **reinsurance balance for life insurance** in 2008 was EUR 2,177,000 (EUR 2,537,000) negative. The **reinsurance balance for health insurance** in 2008 was EUR 22,000 (EUR 113,000 positive) negative. Earned premiums for the property and casualty **indirect business**, in the amount of EUR 146,904,000 (EUR 110,201,000), were in part shown on the income statement with a one-year delay. Of the earned premiums in the life insurance **indirect business** amounting to EUR 33,560,000 (EUR 34,392,000), EUR 46,000 (EUR 105,000) was shown on the income statement with a one-year delay.

Of the income from ownership interests and income from other investments shown on the income statement, affiliated companies account for the following amounts:

in EUR '000	2008	2007
Income from ownership interests		
Property and casualty insurance	31,279	19,613
Health insurance	0	6,689
Life insurance	18,350	54,034
Total	49,629	80,336
Income from other investments		
Property and casualty insurance	4,232	2,078
Health insurance	2,542	2,275
Life insurance	26,344	14,879
Total	33,118	19,232

The **total investment earnings** in life insurance and health insurance were transferred to the technical account because investment income in these two areas constitutes a component of the underwriting calculations. In property and casualty insurance, only interest earned on deposits for the indirect business was transferred to the technical account.

The items **Expenses for insurance claims, Operating expenses, Other underwriting expenses and Investment expense** contain:

in EUR '000	2008	2007
Wages and salaries	139,917	129,211
Expenses for post-employment benefits and payments to company employee pension plans	7,341	4,994
Expenditures for retirement plans	16,818	17,772
Expenditures for statutory social contributions and income-related contribution and mandatory contributions	40,391	47,686
Other social contributions	1,315	2,050

In the 2008 business year, in the direct insurance business **commissions** were paid amounting to EUR 171,695,000 (EUR 181,525,000).

Losses from divestiture of investments during the 2008 business year amounted to EUR 8,992,000 (EUR 1,011,000).

The valuation reserve shown on the balance sheet as at 31 December 2008 and releases over the fiscal year are broken down by asset item as follows:

in EUR '000	Status on 31.12.2007	Release 2008	Status on 31.12.2008
Land and buildings	117,612	3,037	114,575
Shares in affiliated companies	9,979	3,016	6,963
Ownership interests	610	0	610
Shares and other non-fixed-income securities	26,072	0	26,072
Intangible assets	1,381	552	829

Due to the forming and releasing of untaxed reserves, income tax expenses during the fiscal year increased by EUR 1,651,000 (EUR 1,713,000).

V. PROFIT PARTICIPATION

The overview regarding the calculation of the profit participation is provided in the Notes on page 53.

VI. SIGNIFICANT PARTICIPATIONS

The subsidiaries of the Wiener Städtische Versicherung AG Vienna Insurance Group are assigned as follows to "Wiener Städtische Versicherung AG", on the one hand, and the "Vienna Insurance Group", on the other: Financial interests that support its Austrian business, and ownership interests that are complementary to and support its Austrian business areas, are listed under the affiliated companies and ownership interests of Wiener Städtische Versicherung AG. Insurance company interests and strategic Group companies are assigned to the Vienna Insurance Group.

WIENER STÄDTISCHE Versicherung AG

Name, place	31.12.2008 Share of capital in %	Equity capital in EUR '000	Net income for the year in EUR '000	Last Annual Financial Statements
Direct interests in affiliated companies				
Anděl Investment Praha s.r.o., Prague	100.00	1,826	30,174	2008
CENTER Hotelbetriebs GmbH, Vienna	55.00	-561	-749	2008
DBR-Liegenschaften GmbH & Co KG, Stuttgart	100.00	583	16,069	2008
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	100.00	0	23	2008
DIRECT-LINE Direktvertriebs-GmbH, Vienna	100.00	1	95	2007
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	25.00	344	762	2007
„Grüner Baum“ Errichtungs- und Verwaltungsges.m.b.H., Innsbruck	33.40	-6	-12	2008
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	76.00	78	234	2007
HUMANOCARE gemeinnützige Betriebsgesellschaft für Betreuungseinrichtungen GmbH, Vienna	100.00	235	526	2007
HUMANOCARE Management-Consult GmbH, Vienna	75.00	123	196	2007
LVP Holding GmbH, Vienna	100.00	3,401	55,175	2008
PFG Holding GmbH, Vienna	60.05	988	136,146	2008
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	49.47	-1	41	2007
Projektbau Holding GmbH, Vienna	60.00	372	41,692	2008
Realitätenverwaltungs- und Restaurantbetriebs-Gesellschaft m.b.H., Vienna	98.00	19	424	2007
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	66.70	-549	10,423	2008
Wiener Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Vienna	100.00	103	1,634	2008
More than 20% ownership, where a direct ownership interest exists				
FUTURELAB Holding GmbH, Vienna	41.67			
Humanomed Krankenhaus Management Gesellschaft m.b.H., Vienna	25.00			
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	30.46			
PKB Privatkliniken Beteiligungs-GmbH, Vienna	25.00			
Ruster Hotel Bau- und Betriebsgesellschaft m.b.H., Vienna	49.90			

VIENNA INSURANCE GROUP

Name, place	31.12.2008 Share of capital in %	Equity capital in EUR '000	Net income for the year in EUR '000	Last Annual Financial Statements
Direct interests in affiliated companies				
ARITHMETICA Versicherungs- und Finanzmathe- matische Beratungs-Gesellschaft m.b.H., Vienna	75.00	8	368	2008
ASIGURAREA ROMANEASCA - ASIROM S.A., Vienna Insurance Group, Bucharest	85.91	11,779	72,301	2008
SC BCR Asigurari de Viata Vienna Insurance Group S.A. ¹ , Bucharest	88.47			acquired in 2008
SC BCR Asigurari Vienna Insurance Group S.A. ¹ , Bucharest	88.56			acquired in 2008
BENEFIA Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw	100.00	707	19,111	2008
BENEFIA Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	100.00	1,065	17,772	2008
Blizzard Real Sp. z o.o., Warsaw	100.00			acquired in 2008
BML Versicherungsmakler GmbH, Vienna	100.00	15,002	237,787	2008
BULGARSKI IMOTI LIFE Insurance Company, Sofia	99.97	-192	3,930	2008
Bulgarski Imoti Non-Life Insurance Company, Sofia	99.88	-2,522	3,104	2008
Business Insurance Application Consulting GmbH, Vienna	100.00	105	2,053	2008
COMPENSA Holding GmbH, Wiesbaden	100.00	-49	19,657	2008
Compensa Towarzystwo Ubezpieczeń Na Życie Spółka Akcyjna Vienna Insurance Group, Warsaw	68.13	5,407	32,868	2008
Compensa Towarzystwo Ubezpieczeń Spółka Akcyjna Vienna Insurance Group, Warsaw	61.60	1,178	45,466	2008
Cosmopolitan Life Vienna Insurance Group - dioničko društvo za osiguranje, Zagreb	100.00	-491	3,239	2008
DONAU Versicherung AG Vienna Insurance Group, Vienna	38.47	27,937	118,526	2008
Erste Vienna Insurance Group Biztosító Zrt. ¹ , Budapest	90.00	-219	5,366	2008
Erste osiguranje Vienna Insurance Group d.d. ¹ , Zagreb	90.00	28	3,379	2008
Geschlossene Aktiengesellschaft „Ukrainische Versicherungsgesellschaft „KNIAZHA“, Kiev	99.99	1,382	5,025	2008
GESCHLOSSENE AKTIENGESELLSCHAFT JUPITER LEBENSVERSICHERUNG VIENNA INSURANCE GROUP, Kiev	73.00	-1,224	1,758	2008
Helios Vienna Insurance Group d.d., Zagreb	100.00	-4,727	6,937	2008
Insurance Company with Added Liability „Globus“, Kiev	74.00	-1,664	2,650	2008
InterRisk Towarzystwo Ubezpieczeń Spółka Akcyjna, Warsaw	99.97	10,559	47,298	2008
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	100.00	9,030	30,100	2008
Joint Belarus-Austrian Insurance Company Kupala, Minsk	67.52	52	801	2007
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	100.00	-59	1,804	2008
KONTINUITA poisťovňa, a.s. Vienna Insurance Group, Bratislava	33.00	-2,305	20,520	2008
KOOPERATIVA poisťovňa a.s. Vienna Insurance Group, Bratislava	94.23	8,171	199,905	2008
Kooperativa, pojišťovna, a.s., Vienna Insurance Group, Prag	89.65	47,285	377,732	2008
Kvarner Vienna Insurance Group dioničko društvo za osiguranje, Rijeka	98.75	-4,492	15,065	2008
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	98.96	38,554	123,401	2008
Passat Real Sp. z o.o., Warsaw	100.00			acquired in 2008
Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group ¹ , Bratislava	90.00	960	16,230	2008
Pojišťovna České spořitelny, a.s., Vienna Insurance Group ¹ , Prague	92.73	2,415	61,003	2008

Name, place	31.12.2008 Share of capital in %	Equity capital in EUR '000	Net income for the year in EUR '000	Last Annual Financial Statements
Polski Związek Motorowy Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	95.83	-1,072	9,903	2007
Ringturm Kapitalanlagegesellschaft m.b.H., Vienna	100.00	335	3,016	2007
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	41.00	217	361	2007
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	100.00	-291	20,832	2008
Seesam Life Insurance SE, Tallinn	100.00	-1,181	5,950	2007
Sparkassen Versicherung AG Vienna Insurance Group ¹ , Vienna	87.50	10,989	222,231	2008
TBI BULGARIA AD, Sofia	49.00	1,008	36,872	2007
TBIH Financial Services Group N.V., Amsterdam	60.00	72,214	126,832	2007
UNION Vienna Insurance Group Biztosító Zrt., Budapest	100.00	2,643	34,224	2008
Vienna Insurance Group Polska Spółka z ograniczoną odpo- wiedzialnością, Warsaw	64.30	-306	4,202	2007
Vienna International Underwriters GmbH, Vienna	100.00	-4	46	2007
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern	100.00	-1,417	9,597	2008
VIG RE zajišťovna, a.s., Prag	70.00	1,147	94,409	2008
VLTAVA majetkovosprávní a podílová spol.s.r.o., Prag	100.00	-1	2,862	2008
„WIENER STÄDTISCHE OSIGURANJE“ akcionarsko društvo za osiguranje, Belgrade	100.00	-398	7,590	2008
ZASO Victoria Non-Life, Minsk	34.66	77	243	2007
More than 20% ownership, where a direct ownership interest exists				
Central Point IT-Solutions GmbH, Wien	38.00			
Geschlossene Aktiengesellschaft „Strachowaja kompanija „MSK Life“, Moscow	25.01			
Wüstenrot Versicherungs-Aktiengesellschaft, Salzburg	31.60			

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

The exception contained in Sec. 241 (2) and (3) UGB was applied.

VII. OTHER INFORMATION

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

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

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

The General Annual Meeting of 16 April 2008 authorised the Managing Board to issue, subject to the approval of the Supervisory Board, one or more tranches of bearer convertible bonds with a total nominal value of up to EUR 2,000,000,000.00 on or before 15 April 2013, including the authorisation to exclude shareholders' subscription rights, and to grant the holders of convertible bonds conversion rights to up to 30,000,000 non-par value ordinary bearer shares with voting rights in conformity with the convertible bond terms established by the Managing Board. The share capital has therefore been raised in accordance with § 159 (2)(1) of the Austrian Stock Corporation Act by a contingent capital increase of up to EUR 31,145,500.36 through the issuance of up to 30,000,000 no-par value ordinary bearer shares. The contingent capital increase will only be implemented to the extent that holders of convertible bonds issued on the basis of the General Annual Meeting resolution of 16 April 2008 exercise the subscription or exchange rights they were granted. The Managing Board has not adopted any resolutions to date concerning the issuance of convertible bonds based on the authorisation granted on 16 April 2008.

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

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

On 12 January 2005, the Company issued supplementary capital bond 2005-2022, with a total nominal value of EUR 180 million, pursuant to § 73c(2) of the Austrian Insurance Supervision Act. The interest rate during the first 12 years of the bond's term is 4.625% of its nominal value (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 million, pursuant to § 73c(2) of the Austrian Insurance Supervision Act. This bond does not have a fixed term. The interest rate during the first year of the bond's term is 4.25% of its nominal value, after which the bond pays variable interest.

The auditor has verified that the requirements under § 73b(2)(4) of the Austrian Insurance Supervision Act have been satisfied.

In the business year 2008 the Supervisory Board was made up of the following persons:

Chairman:

Präsident Komm.-Rat Dkfm. Klaus **Stadler**

Deputy Chairman:

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

Members:

Generalabt Propst Bernhard **Backovsky**

Mag. Alois **Hochegger**

Dipl.-Ing. Guido **Klestil**

Senator Prof. Komm.-Rat Walter **Nettig**

Hofrat Dkfm. Heinz **Öhler**

Mag. Reinhard **Ortner**

Dr. Johann **Sereinig**

Mag. Dr. Friedrich **Stara**

Employee representatives:

Peter **Grimm**

Brigitta **Kinast-Pötsch** (beginning 1 September 2008)

Heinz **Neuhauser** (until 31 August 2008)

Franz **Urban**

Gerd **Wiehart**

Peter **Winkler**

In the business year 2008 the Managing Board was made up of the following persons:

Chairman:

Dr. Günter **Geyer**

Members:

Dr. Rudolf **Ertl** (until 31 December 2008)

Dkfm. Karl **Fink**

Dr. Hans-Peter **Hagen**

Mag. Peter **Höfinger** (beginning 1 January 2009)

Mag. Robert **Lasshofer**

Dr. Martin **Simhandl**

During the business year 2008, the following persons were appointed to be trustees pursuant to Sec. 22 (1) VAG:

Trustees:

(life insurance department – Sec 20 (2;1) VAG)

Mag. Oskar **Ulreich**

Deputy:

Mag. Nicole **Plankenbüchler**

Trustees:

(except life insurance department – Sec 20 (2;1) VAG)

Mag. Wolfgang **Pechriggl**

Deputies:

Dr. Michael **Hysek** (beginning 1 February 2008)

Mag. Constantin **Christiani** (1 January 2008 - 31 January 2008)

Krankenversicherung erzielte Prämienplus von 2,5%

Auch in der Krankenversicherung, die derzeit in einem relevanten Umfang nur von der Wiener Städtischen in Österreich als einem der führenden Krankenversicherer betrieben wird, verzeichnete die Vienna Insurance Group mit verrechneten Prämien von EUR 314,28 Mio. ein Plus von 2,5%.

Gewinn vor Steuern

Zur hervorragenden Konzerngewinnentwicklung haben alle Versicherungssparten, in denen die Vienna Insurance Group tätig ist, kräftig beigetragen. Der Gewinn vor Steuern erreichte 2008 EUR 540,80 Mio., dies entspricht einer Steigerung von 23,7% im Vergleich zum Vorjahr.

Gewinn vor Steuern nach Sparten

in Mio. EUR	2006	2007	2008
Schaden/Unfall	175,69	265,07	414,23
Leben	132,47	157,20	102,40
Kranken	12,81	15,03	24,17
Gesamt	320,97	437,30	540,80

Gewinn vor Steuern nach geografischen Segmenten

in Mio. EUR	2006	2007	2008
Österreich	209,06	286,80	344,33
Tschechische Republik	59,12	73,81	107,45
Slowakei	27,66	30,30	4,99
Polen	7,73	18,78	26,11
Rumänien	2,75	4,56	57,46
Übrige CEE-Märkte*	2,83	10,25	-14,41
Sonstige Märkte**	11,82	12,80	14,87
Gesamt	320,97	437,30	540,80

* Übrige CEE-Märkte: Bulgarien, Kroatien, Serbien, Türkei, Ukraine und Ungarn

** Sonstige Märkte: Deutschland, Liechtenstein

Schaden- und Unfallversicherung ist Wachstumstreiber in 2008

Mit einem Ergebnisbeitrag von EUR 414,23 Mio. lieferte der Bereich der Schaden- und Unfallversicherung einen um EUR 149,16 Mio. bzw. 56,3% höheren Anteil am Gewinn vor Steuern der Vienna Insurance Group als im Jahr 2007.

Lebensversicherung erreicht EUR 102,40 Mio.

Auch die Lebensversicherung trug zum gesamten Konzerngewinn der Vienna Insurance Group mit einem Gesamtbeitrag von EUR 102,40 Mio. bei. Hier wurde im Vergleich zum Vorjahr aufgrund der negativen Einflüsse auf das Finanzergebnis ein Rückgang von 34,9% verzeichnet.

Gewinnwachstum in der Krankenversicherung von 60,9%

Die Krankenversicherung trug mit EUR 24,17 Mio., das ist ein Plus von 60,9% gegenüber dem Vorjahr, zum Gesamtergebnis der Vienna Insurance Group bei.

Mitarbeiter

Insgesamt 23.393 Mitarbeiter waren im Jahr 2008 bei der Vienna Insurance Group beschäftigt, das sind um 15,2% mehr als im Vorjahr. Für die hervorragende Geschäftsentwicklung des Konzerns waren im Außendienst 11.782 Mitarbeiter und im Innendienst 11.611 Mitarbeiter verantwortlich.

Mitarbeiter nach Regionen

	2006	2007	2008
Österreich	5.747	6.138	6.341
Tschechische Republik	4.565	4.638	4.883
Slowakei	1.586	1.697	1.793
Polen	1.385	1.359	1.522
Rumänien	2.657	2.767	4.239
Übrige CEE-Märkte*	2.536	3.596	4.500
Sonstige Märkte**	111	112	115
Gesamt	18.587	20.307	23.393

* Übrige CEE-Märkte: Bulgarien, Kroatien, Serbien, Türkei, Ukraine und Ungarn

** Sonstige Märkte: Deutschland, Liechtenstein

Investitionen

Folgende Gesellschaften wurden im Jahr 2008 neue Mitglieder der Vienna Insurance Group:

- Österreich: Sparkassen Versicherung AG Vienna Insurance Group¹
- Tschechische Republik: Pojišťovna České spořitelny, a.s., Vienna Insurance Group
- Slowakei: Poistovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group¹
- Rumänien: SC BCR Asigurari de Viata Vienna Insurance Group S.A.¹ und SC BCR Asigurari Vienna Insurance Group S.A.¹
- Kroatien: Erste osiguranje Vienna Insurance Group d.d.¹
- Ungarn: Erste Vienna Insurance Group Biztosító Zrt.¹

¹ Neuer Firmenwortlaut vorbehaltlich der Beschlussfassung durch die zuständigen Gesellschaftsgremien sowie der Eintragung der Satzungsänderungen durch die lokalen Behörden.

Darüber hinaus wurden die Anteile der TBIH-Beteiligungen an den mit der TBIH zusammen gehaltenen Konzernversicherungsgesellschaften in Albanien und Mazedonien (Sigma), Bulgarien (Bulstrad) und Kroatien (Kvarner, Helios) übernommen.

Verkauft wurden im Jahr 2008 die Anteile an der österreichischen BA-CA Versicherung sowie die Anteile an der rumänischen Unita (inkl. Agras).

Risikomanagement

Der detaillierte Risikobericht der Vienna Insurance Group befindet sich im Konzernanhang (Seite 94-107).

Angaben nach §267 Abs 3a in Verbindung mit §243a UGB

Hinsichtlich dieser Angaben wird auf Punkt 13 und Punkt 36 im Konzernanhang verwiesen.

PROFIT PARTICIPATION

Profit sharing is calculated in accordance with the following principles:

Health insurance

As at 31 December 2008, all insurance policies entered into at rates that include an adjustment clause received a special profit share, insofar as their premium was not increased in the 2008 premium adjustment to the extent required by underwriting.

The profit-sharing amount corresponds to the single premium respectively necessary for this measure, which serves to provide relief to older insureds under health-insurance policies.

The Financial Markets Authority (FMA) regulation on participation in profits in the health insurance sector (GBVKVU) of 12 June 2007, § 7, provides that the regulation must be applied to policies the actuarial basis of which was submitted after 30 June 2007 and which provide for contingent profit participation. This does apply to new participating rate tariffs at Wiener Städtische Versicherung AG Vienna Insurance Group from the fiscal year 2009 on.

Life insurance

Under the regulation on participation in profits in the health insurance sector of 20 October 2006 (GBVVU), expenditures for profit-dependent premium refunds and policyholder profit participation plus any direct credits must amount to at least 85% of the assessment base.

The assessment base pursuant to Sec. 3 (1) GBVVU for life insurance policies eligible for profit participation is calculated as follows:

Amounts in EUR '000	
Earned premiums	518,876.7
Expenses for insurance claims. including changes to underwriting reserves	-610,556.5
Operating expenses	-80,209.8
Other underwriting and non-underwriting income/expenses	-2,204.2
Investment and interest income and expenses	218,595.3
Assessment base as at 31/12/2008	44,501.5

In principle, the income and expenses listed were determined directly. Insofar as this was not possible, under the provisions of Sec. 3 (2) GBVVU they were allocated as far as possible to the sources generating them.

In 2008, expenses for profit-dependent premium reimbursement and policyholder profit participation, plus direct credits, amounted to EUR 69,750,600, i.e., 156.7% of the assessment base.

The following applies to all profit groups:

Due to the current financial market situation and the high volatility appearing in capital markets, we are changing the procedure associated with profit resolutions. As a result, when the 2008 financial statements were prepared, the Managing Board had not yet adopted a resolution on the size of the profit participation to be allocated at the time of the next profit distribution on 31 December 2009.

Expenses for profit participation will be transferred to provisions for policyholder profit participation. However, one of the advantages of traditional life insurance versus other forms of investment becomes apparent, particularly in difficult macroeconomic times, namely continuous profit allocation.

It is anticipated that the Managing Board will adopt a resolution toward the end of 2009 on the amount of profit to be distributed on 31 December 2009.

Deferral of the resolution makes it possible to take 2009 investment performance into account, react quickly to changing capital market conditions and make better forecasts of future developments, thereby allowing the size of the traditional profit participation to correspond to what it would be if it were smoothed to the greatest extent possible over the years.

After the resolution has been adopted, policyholders will be informed of the rates used to allocate profit shares to their policies on 31 December 2009.

AUDITOR'S REPORT

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

Wiener Städtische Versicherung AG
Vienna Insurance Group, Vienna,

for the fiscal year from January 1 to December 31, 2008. The Company's management is responsible for the accounting, the preparation and content of these financial statements and of the management report in accordance with Austrian regulations. Our responsibility is to express an opinion on these financial statements based on our audit and to state whether the management report corresponds with the financial statements.

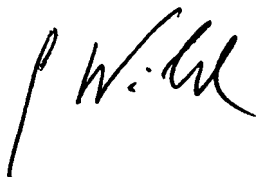
We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement and whether we can state

that the management report corresponds with the financial statements. In determining the audit procedures we considered our knowledge of the business, the economic and legal environment as well as the expected occurrence of errors. An audit involves procedures to obtain evidence about amounts and other disclosures in the financial statements predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 are in accordance with legal requirements and present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and the results of its operations for the fiscal year from January 1 to December 31, 2008 in accordance with Austrian Generally Accepted Accounting Principles. The management report corresponds with the financial statements.

Vienna, 16 March 2009

signed:



Mag. Günter Wiltschek
Austrian Certified Public Accountant

PwC INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

SUPERVISORY BOARD REPORT

The Supervisory Board reports that it has taken the opportunity to comprehensively review the management of the Company, both acting as a whole and also regularly through its Chairman and Deputy Chairman. Detailed presentations and discussions during meetings of the Supervisory Board and its committees were used for this purpose, as were recurring meetings with the members of the Managing Board, who provided detailed explanations and supporting documentation relating to the management and financial position of the Company and the Group. The strategy, business performance and risk management of the Company were also discussed in these meetings.

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

One ordinary Annual General Meeting and four Supervisory Board meetings were held in 2008. Two meetings of the Audit Committee were also held. The Committee for Urgent Matters held four meetings and was also contacted in writing with regard to ten matters. The Supervisory Board was informed of all resolutions passed by these committees at its next meeting following. The auditor of the financial statements and consolidated financial statements, PwC INTER-TREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungs-gesellschaft, attended Audit Committee meetings and Supervisory Board meetings dealing with the approval and preparation of the annual financial statements and the auditing of the annual financial statements and consolidated financial statements, as it did the Annual General Meeting. The Committee for Managing Board Matters also held four meetings in 2008.

No agenda items were discussed in the Supervisory Board and committee meetings without participation by members of the Managing Board. No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings.

By inspection of appropriate documents, meetings held with the Managing Board and discussions with the auditor, the Supervisory Board Audit Committee was able to form a satisfactory view of the accounting process and found no reasons for objection. The Audit Committee also reviewed the effectiveness of the internal control system, the internal auditing system and the risk management system, by requesting descriptions of the processes and organisation of these systems from the Managing Board, the auditor and the individuals directly responsible for these areas. The Audit Committee reported on its monitoring activities to the Supervisory Board as a whole and stated that no deficiencies had been identified.

In order to prepare the Supervisory Board's proposal for selection of the auditor of the financial statements and consolidated financial statements, the Audit Committee requested that PwC INTER-TREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (PwC) submit documents relating to its license to audit. Based on a written report, it was determined that no reasons for exclusion or circumstances that could give rise to cause for concern regarding partiality exist. In addition, a list, grouped by category of services, of the total revenues received from the Company by PwC in the previous financial year was requested and reviewed, and it was verified that PwC was included in a statutory quality assurance system. The Audit Committee reported to the Supervisory Board on the knowledge gained from these investigations and the Supervisory Board subsequently made a proposal to the Annual General Meeting that PwC INTER-TREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft be appointed auditor of the financial statements and consolidated financial statements.

In addition, the Supervisory Board Audit Committee received from the Managing Board, reviewed and carefully examined the 2008 annual financial statements, management report and corporate governance report. The Supervisory Board Audit Committee also subjected the 2008 consolidated financial statements and Group management report to a careful review. The Managing Board's proposal for appropriation of profits was also debated and discussed in the course of this review. As a result of this review and discussion, a unanimous resolution was adopted to recommend to the Supervisory Board the unqualified acceptance thereof. The committee chairman informed the Supervisory Board of the resolutions adopted by the committee.

The 2008 annual financial statements together with the management report and corporate governance report, the 2008 consolidated financial statements together with the Group management report, and the Managing Board's proposal for appropriation of profits were subsequently addressed, thoroughly discussed, and reviewed by the Supervisory Board. In addition, the auditor's reports prepared by PwC INTER-TREUHAND GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft for the 2008 annual financial statements and management report and the 2008 consolidated financial statements and Group management report were reviewed by the Audit Committee and by the Supervisory Board as a whole, and debated and discussed in detail with PwC INTER-TREUHAND GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The ultimate findings of the review identified no reasons for objections. The Supervisory Board declared that it had nothing to add to the auditor's reports for the financial statements and consolidated financial statements.

The Supervisory Board therefore adopted a unanimous resolution to approve the annual financial statements and consolidated financial statements prepared by the Managing Board, and to indicate its agreement to the Managing Board's proposal for appropriation of profits.

The 2008 annual financial statements have therefore been approved in accordance with § 125 (2) of the Austrian Stock Corporation Act.

The Supervisory Board therefore proposes to the Annual General Meeting

that it decide on the appropriation of profits in accordance with the proposal made by the Managing Board and formally approve the actions of the Managing Board and of the Supervisory Board.

Vienna, March 2009

The Supervisory Board:



KR Dkfm. Klaus STADLER
(Chairman)

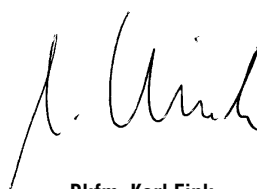
DECLARATION BY THE MANAGING BOARD

We declare to the best of our knowledge that the annual financial statements prepared in accordance with applicable accounting standards give a true and fair view of the Company's net assets, financial position and results of operations, the management report presents the business development, performance and position of the Company so as to give a true and fair view of its net assets, financial position and results of operations, and the management report provides a description of the principal risks and uncertainties to which the Company is exposed.

The Managing Board:



Dr. Günter Geyer



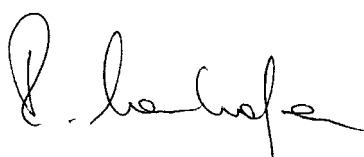
Dkfm. Karl Fink



Dr. Peter Hagen



Mag. Peter Höfinger



Mag. Robert Lasshofer



Dr. Martin Simhandl

Vienna, 17 March 2009