



DEAR SHAREHOLDERS, LADIES AND GENTLEMEN!

At the beginning of the new year, I took over the very responsible task of managing the Vienna Insurance Group (VIG). The Group has been active in the insurance business for more than 190 years and its business focuses, first and foremost, on people. Twenty-five years ago, the Group began its unprecedented expansion into Central and Eastern Europe (CEE). A quarter of a century later, Vienna Insurance Group is the CEE insurer.

It is to be emphasised that we will continue to abide by the cornerstones of our proven strategy. We will be maintaining our multi-brand strategy in combination with local entrepreneurship and the business radius around Austria and Central and East-

ern Europe. We will also be continuing with our conservative investment and reinsurance policy and diversifying broadly across distribution channels. However, we will now be focusing more on profitability and growth potential of individual markets and strengthening VIG's profile so that VIG will continue to live up to its position as the leading player in the industry.

Our regional focus has also proven to be correct over the past financial year. Some of our CEE markets began showing positive signs of renewed economic growth. However, we are confronted with the continuing phase of low interest rates, which is increasingly challenging for the entire insurance industry. This primarily affects life insurance and, in particular, single premium businesses. For this reason, we are pursuing a very restrictive underwriting policy in this area, which has led to an intentional decrease in premiums in the life insurance segment during 2015. In the other lines of business, however, we achieved gains. Under the present conditions, we are able to report a very solid performance, with a total premium volume of EUR 9.0 billion.

The low interest rate environment is also largely responsible for the decline in our ordinary financial result. In addition, we performed an impairment of IT systems in the amount of EUR 195.0 million, which represents the result of an analysis of our systems and their future operational capability in view of the rapidly chang-

ing needs of our customers with regard to their insurance. The result for this year was, however, negatively affected by further extraordinary effects such as the impairment of goodwill and insurance portfolio, which ultimately resulted in a profit before taxes of EUR 172.1 million.

“The Vienna Insurance Group has an appetite for more!”

The 2015 financial year was also marked by regulatory-related expenses and preparations, especially for the European insurance supervisory system Solvency II, which came into force on 1 January 2016. VIG is the only Austrian insurance group which has regulatory approval for the use of a partial internal model for the calculation of its own funds. With a solvency ratio of around 200% at the level of the listed Group, VIG is among the leading internationally active insurance groups.

A look at 2016 shows that the on-going low level of interest rates continues to burden the financial result. It is therefore important to implement further measures to improve the underwriting result. Nevertheless, I am looking into the future with confidence. VIG aims to continue its successful progress and, in the coming months, we will examine the markets from the Baltic to the Black Sea for further growth potential. In the markets of Croatia, Serbia, Hungary, and Poland, we are aiming in the medium term to increase market share to at least 10% in each market. In the future, we will place a stronger focus on health insurance. In many of our markets, major changes are to be

Highlights 2015

expected in public health care systems and their funding in favour of care models. But customer behaviour is also changing as a result of extremely rapid technological changes. That is why we are also focusing on coming up with creative technical solutions in the area of digitalisation.

On behalf of the entire Managing Board, I would like to thank you, our shareholders, customers, and business partners, for the faith you have shown in us. I would especially like to thank our employees who make VIG a very special company as a result of their commitment and motivation. One thing we all have in common is our appetite for more: we strive together to achieve the goals we have set and strengthen our position as the leading insurance group in Austria and the CEE region.

Yours sincerely



Elisabeth Stadler
VIG General Manager

Group premiums EUR 9.0 billion

Solid premium growth despite cuts as a result of the persistently low interest rates and the resulting earnings-oriented underwriting policy. Adjusted for single premiums, the Group recorded a solid 2.2% increase in premiums.

Page 34

Profit before taxes EUR 172.1 million

Results were affected by the continuing low level of interest rates, as well as other extraordinary effects, such as the impairment of IT systems, as well as impairments on goodwill and insurance portfolios.

Page 35

97.3% net combined ratio

Solid underwriting result has led to a combined ratio significantly below the 100% mark in 2015.

Page 37

A+ with a stable outlook

from Standard & Poor's as clear proof of the excellent capitalisation of the Group.

Planned dividend per share of EUR 0.60

will be proposed to the general meeting on 13 May 2016, meaning that VIG is adhering to its long-term dividend policy of paying out at least 30% of net earnings.

Solvency II – partial internal model approved

VIG is the only Austrian insurance company, for which a "partial internal model" has been approved by the Financial Market Authority for calculating capital under Solvency II.

Page 17

Expansion in the Baltic

VIG increased its activities in the Baltic insurance market in 2015, continuing its successful expansion in the CEE region.

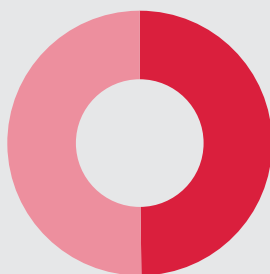
Page 15

New Managing Board team

Effective as of 1 January 2016, Elisabeth Stadler became Chairwoman and Judit Havasi and Roland Gröll were appointed as Board members.

Page 19

CEE SHARE OF PREMIUM VOLUME



■ 49.8% CEE
■ 50.2% Outside CEE

CEE SHARE OF PROFIT BEFORE TAXES



■ 55.1% CEE
■ 44.9% Outside CEE

Key figures ...

		2013	2014	2015
Income statement				
Premiums written	EUR millions	9,218.57	9,145.73	9,019.76
Property and casualty insurance	EUR millions	4,618.38	4,560.39	4,599.04
Life insurance	EUR millions	4,202.37	4,199.04	4,022.75
Health insurance	EUR millions	397.82	386.30	397.97
Premiums written	EUR millions	9,218.57	9,145.73	9,019.76
Austria	EUR millions	4,073.88	4,076.99	4,055.53
Czech Republic	EUR millions	1,762.08	1,683.41	1,554.82
Slovakia	EUR millions	744.67	726.99	716.49
Poland	EUR millions	1,142.30	1,034.05	838.86
Romania	EUR millions	361.80	339.67	428.63
Remaining Markets	EUR millions	1,061.64	1,155.64	1,294.18
Central Functions	EUR millions	1,303.85	1,289.84	1,248.91
Consolidation	EUR millions	-1,231.64	-1,160.86	-1,117.67
Result from investments	EUR millions	1,226.85	1,116.86	1,074.90
Profit before taxes	EUR millions	355.15	518.37	172.10
Property and casualty insurance	EUR millions	53.58	309.64	-41.31
Life insurance	EUR millions	266.00	161.57	162.92
Health insurance	EUR millions	35.57	47.16	50.48
Profit before taxes	EUR millions	355.15	518.37	172.10
Austria	EUR millions	235.09	169.73	212.97
Czech Republic	EUR millions	197.82	177.87	162.99
Slovakia	EUR millions	55.26	59.46	51.87
Poland	EUR millions	50.22	55.16	43.40
Romania	EUR millions	-98.70	6.08	5.65
Remaining Markets	EUR millions	49.00	51.66	42.79
Central Functions	EUR millions	-133.31	-2.24	-347.24
Consolidation	EUR millions	-0.23	0.67	-0.32
Profit for the period after taxes and non-controlling interests	EUR millions	234.33	366.80	98.22
Balance sheet				
Investments*	EUR millions	35,800.89	38,101.72	38,853.36
Shareholders' equity	EUR millions	4,966.55	5,283.43	5,057.80
Underwriting provisions	EUR millions	32,469.83	35,282.37	35,921.73
Total assets	EUR millions	41,938.62	44,425.09	45,147.98
Share				
Number of shares	Units	128,000,000	128,000,000	128,000,000
Market capitalisation	EUR millions	4,636.80	4,746.24	3,237.12
Average number of shares traded per day	Units	~ 64,000	~ 65,000	~ 147,000
Year-end price	EUR	36.225	37.080	25.290
High	EUR	42.810	40.070	42.620
Low	EUR	34.260	33.800	24.910
Share performance for the year (excluding dividends)	%	-10.28	2.36	-31.80
Dividend per share	EUR	1.30	1.40	0.60**
Dividend yield	%	3.59	3.78	2.37
Earnings per share	EUR	1.57	2.75	0.66
Price-earnings ratio as of 31 December		23.08	13.48	38.32
Number of employees (average for the year)				
thereof Austria		5,235	5,202	5,133
thereof outside Austria		17,584	17,725	17,425
thereof Central Functions		543	433	437

* Incl. unit-linked and index-linked life insurance investments and excl. cash and cash equivalents ** Planned dividend; rounding differences may occur when rounded amounts or percentages are added

... at a glance

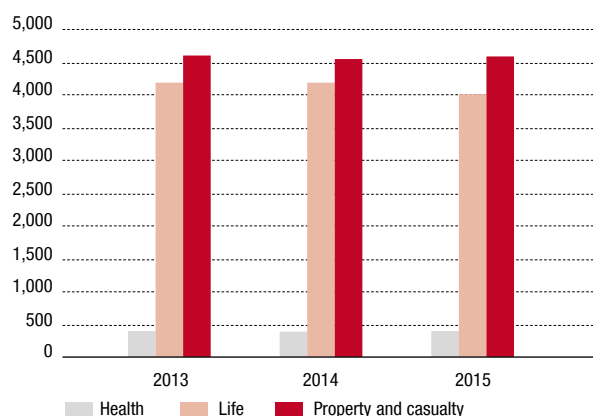
VIG BY REGION

Country	Premium volume total	Premium volume life	Premium volume property and casualty and health	Employees
	(EUR '000)	(EUR '000)	(EUR '000)	
Austria	4,055,532	1,843,910	2,211,622	5,133
Czech Republic	1,554,823	716,673	838,150	4,758
Slovakia	716,495	379,541	336,954	1,580
Poland	838,864	364,370	474,494	1,723
Romania	428,635	82,199	346,436	2,106
Remaining Markets	1,294,177	626,954	667,223	7,258
Albania	37,183	–	37,183	411
Baltic States	59,305	59,305	–	372
Bosnia-Herzegovina	12,454	1,186	11,267	264
Bulgaria	131,046	34,066	96,980	799
Germany	175,586	74,964	100,621	113
Georgia	39,369	–	39,369	603
Croatia	90,773	57,399	33,374	715
Liechtenstein	234,452	234,452	–	10
Macedonia	24,124	–	24,124	354
Moldova	7,687	–	7,687	427
Serbia	81,776	31,675	50,101	1,060
Turkey	142,970	–	142,970	234
Ukraine	53,190	3,053	50,137	1,432
Hungary	204,262	130,854	73,408	464

The Montenegro and Belarus markets were not included in the Vienna Insurance Group consolidated financial statements in 2015. There are also branch offices in Italy and Slovenia.

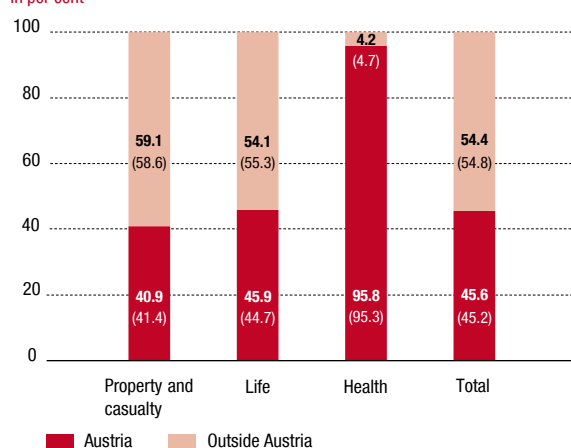
PREMIUM DEVELOPMENT BY LINES OF BUSINESS

in EUR million



PERCENTAGE OF PREMIUMS BY LINES OF BUSINESS AND REGION 2015 (VALUES FOR 2014 IN PARENTHESES)

in per cent



Vienna Insurance Group company profile

We have operated in Central and Eastern Europe for more than 25 years and are one of the leading publicly traded insurance groups in the region. We generated more than EUR 9.0 billion in premiums in 2015, making us once again number 1 in our core markets. With close to 23,000 employees and approximately 50 Group companies in a total of 25 countries, we offer an extensive customer-oriented portfolio of products and services across all lines of business (property and casualty, life and health insurance).

Expansion into Central and Eastern Europe

VIG's roots in Austria go back to 1824. Since that time, the Company has developed from a locally based insurance company to a leading international insurance group. Wiener Städtische made the decision to expand internationally. In 1990, it became one of the first Western European insurance companies to recognise the growth potential of Central and Eastern Europe and took a chance on entering the market in former Czechoslovakia. The past 25 years saw a series of further expansions, including Hungary (1996), Poland (1998), Croatia (1999) and Romania (2001). After entering the market in Moldova in 2014, VIG now operates in a total of 25 countries.

The leading insurance specialist in the CEE region.

Number 1 in its core markets

VIG's core markets are Austria, Czech Republic, Slovakia, Poland, Romania, Bulgaria, Croatia, Serbia, Hungary and Ukraine. A market share of more than 18% definitely makes VIG the number 1 insurer in this group of countries.

The strategic decision taken in 1990 to expand into Central and Eastern Europe (CEE) is proving to be very successful. In 2015, around half of VIG's total premium volume of EUR 9.0 billion was generated in the CEE markets. VIG is convinced that the economic growth of the region will continue and the demand for insurance there will continue to rise. The CEE region's importance as a growth market for VIG is also shown by the decision to locate the regis-

tered office of its reinsurance company VIG Re (formed in 2008) in Czech Republic.

Customer proximity is VIG's trump card in 25 markets

VIG's success is primarily based on local entrepreneurship and customer proximity. This is reflected in the regional ties, multi-brand strategy and wide variety of distribution channels used. The Group made a conscious decision to rely on regionally established brands united under the Vienna Insurance Group umbrella. VIG's success as a corporate group is also due to the individual strengths of these brands and the local expertise of around 50 Group companies.

Its core business is the key to VIG's success

VIG's activities are clearly focused on its core business, the insurance business. It pursues a progressive and highly risk-conscious insurance strategy. Reliability, trustworthiness and solidity are qualities that benefit the Group not only in its relationships with customers, but also with business partners, employees and shareholders. Credibility and integrity, entrepreneurship, customer satisfaction and quality of service, and appreciation and respect are the values on which VIG's corporate decisions are based.

The effects of this fundamental approach are shown in its strategy of continuous sustainable growth, as well as its excellent creditworthiness. VIG's development is confirmed by the international rating agency Standard & Poor's, which has for some years awarded the Group a rating of A+ with a stable outlook. As a result, VIG has the best rating of all companies in the ATX, the leading index of the Vienna Stock Exchange.

Erste Group and VIG: a strong team

Erste Group has strong ties to Austria and is one of the leading banking groups in Central and Eastern Europe. VIG and Erste Group have been strategic partners since 2008. Both have benefited equally from the partnership in the region. While VIG insurance products are distributed via Erste Group branches, VIG Group companies offer banking products from Erste Group in return.

Stable dividend policy of the Group

VIG has been listed since October 1994. VIG is one of the top companies in the “Prime Market” segment of the Vienna Stock Exchange. The Company has an attractive dividend policy that offers shareholders a dividend of at least 30% of the Group profit (after minority interests).

Its listing on the Prague Stock Exchange in February 2008 also emphasises the great importance of the Central and Eastern European economic area for VIG. Just like in Vienna, VIG is also one of the top stocks on the Prague stock market.

70% of VIG's shares are held by its principal shareholder, Wiener Städtische Versicherungsverein. The remaining 30% of the shares are in free float.

An attractive employer in Central and Eastern Europe

VIG aims to be number 1 not only in insurance products, but also as an employer. Its goal is to attract the best talent and brightest minds. Identifying and developing

individual employee skills is a central priority in the Company's modern human resources management. Diversity is seen as an opportunity and is part of day-to-day life at VIG. The Group also places great importance on creating an environment that promotes development of its employees. Vienna Insurance Group is aware that its success is based on the commitment of its almost 23,000 employees.

OUR VALUES – roots that bind

- **Credibility and integrity**
- **Entrepreneurship**
- **Customer satisfaction and quality of service**
- **Appreciation and respect**

Austria and Central and Eastern Europe – this is our home

With around 50 companies in 25 countries in Austria and CEE, we serve a region of 180 million potential customers. Vienna Insurance Group has operated in the CEE region for 25 years. We have become an established institution in the region and, as a market leader, we feel at home there.

VIG's overall market share of 18% makes it No. 1 in its core markets

AUSTRIA



Premium volume: EUR 4,055.5 million
Employees: 5,133

BULGARIA



Premium volume: EUR 131.0 million
Employees: 799

CZECH REPUBLIC



Premium volume: EUR 1,554.8 million
Employees: 4,758

CROATIA



Premium volume: EUR 90.8 million
Employees: 715

SLOVAKIA



Premium volume: EUR 716.5 million
Employees: 1,580

SERBIA



Premium volume: EUR 81.8 million
Employees: 1,060

POLAND



Premium volume: EUR 838.9 million
Employees: 1,723

UKRAINE



Premium volume: EUR 53.2 million
Employees: 1,432

ROMANIA



Premium volume: EUR 428.6 million
Employees: 2,106

HUNGARY



Premium volume: EUR 204.3 million
Employees: 464

Market share

1st–4th quarters 2014: Slovakia
1st–3rd quarters 2015: Bulgaria, Poland, Serbia, Ukraine and total core markets
1st–4th quarters 2015: Austria, Croatia, Czech Republic, Romania, Hungary

- VIG core markets
- VIG markets (excl. core markets)
- Market position, total

VIG

VIENNA INSURANCE GROUP

AUSTRIA  WIENER STÄDTISCHE VIENNA INSURANCE GROUP  onau VIENNA INSURANCE GROUP  S-VERSICHERUNG VIENNA INSURANCE GROUP	SLOVAKIA  Kooperativa VIENNA INSURANCE GROUP  KOMUNÁLNA POISTOVŇA VIENNA INSURANCE GROUP  POISTOVŇA SLOVENSKEJ ŠPORTELNE VIENNA INSURANCE GROUP	BULGARIA  BULSTRAD VIENNA INSURANCE GROUP  Life BULSTRAD VIENNA INSURANCE GROUP	ESTONIA  COMPENSA VIENNA INSURANCE GROUP	TURKEY  RAY SIGORTA VIENNA INSURANCE GROUP
ITALY BRANCH  WIENER STÄDTISCHE VIENNA INSURANCE GROUP  onau VIENNA INSURANCE GROUP	POLAND  COMPENSA VIENNA INSURANCE GROUP  InterRisk VIENNA INSURANCE GROUP  POLISA-ŻYCIE VIENNA INSURANCE GROUP  skandia VIENNA INSURANCE GROUP	CROATIA  WIENER OSIGURANJE VIENNA INSURANCE GROUP  ERSTE OSIGURANJE VIENNA INSURANCE GROUP	LATVIA  COMPENSA VIENNA INSURANCE GROUP  Baltikums VIENNA INSURANCE GROUP	ALBANIA  SIGMA INTERBANIAN VIENNA INSURANCE GROUP  INTERSIG VIENNA INSURANCE GROUP
SLOVENIA BRANCH  WIENER STÄDTISCHE VIENNA INSURANCE GROUP	HUNGARY  UNION BIZTOSÍTÓ VIENNA INSURANCE GROUP  ERSTE BIZTOSÍTÓ VIENNA INSURANCE GROUP  viennalife VIENNA INSURANCE GROUP	LITHUANIA  COMPENSA VIENNA INSURANCE GROUP	MOLDOVA  DONARIS VIENNA INSURANCE GROUP	MACEDONIA  ОСИГУРУВАЊЕ МАКЕДОНИЈА VIENNA INSURANCE GROUP  WINNER VIENNA INSURANCE GROUP  Life WINNER VIENNA INSURANCE GROUP
CZECH REPUBLIC  Kooperativa VIENNA INSURANCE GROUP  ČPP VIENNA INSURANCE GROUP  POJIŠŤOVNA ČESKÉ ŠPORTELNY VIENNA INSURANCE GROUP  VIG Re	ROMANIA  OMNIASIG VIENNA INSURANCE GROUP  ASIROM VIENNA INSURANCE GROUP  DE VIATA BCR ASIGURARI VIENNA INSURANCE GROUP	SERBIA  WIENER STÄDTISCHE VIENNA INSURANCE GROUP	BELARUS  КУПАЛА VIENNA INSURANCE GROUP	MONTENEGRO  Život WIENER STÄDTISCHE VIENNA INSURANCE GROUP
UKRAINE  КНЯЖА VIENNA INSURANCE GROUP  ГЛОБУС VIENNA INSURANCE GROUP  ЮПІТЕР VIENNA INSURANCE GROUP  УКРАЇНСЬКА СТРАХОВА ГРУПА VIENNA INSURANCE GROUP	GEORGIA  GPIA VIENNA INSURANCE GROUP  IRAO VIENNA INSURANCE GROUP	BOSNIA HERZEGOVINA  WIENER OSIGURANJE VIENNA INSURANCE GROUP	GERMANY  InterRisk VIENNA INSURANCE GROUP	LIECHTENSTEIN  VIENNA-LIFE VIENNA INSURANCE GROUP

As of March 2016
www.vig.com

Strategy

Since our early expansion into Central and Eastern Europe (CEE), we have set a course towards sustainable growth. Using an incisive corporate strategy, a clear vision, and the highest possible level of customer focus, we aim to tap into the growth potential both in Austria and the CEE region as far as possible.

OBJECTIVES

Thanks to its expansion into the CEE region, which began in 1990, Vienna Insurance Group is now market leader in both Austria and Central and Eastern Europe. In order to continue on this successful path, the Group follows a strategy focusing on the particular characteristics of the individual markets. In addition, however, VIG also makes a great effort to achieve the higher-level Group targets. Its business strategy gives top priority to

- consolidating its market leadership in Austria
- taking advantage of the growth potential in the CEE region.

The decisions that must be taken to implement these objectives are aimed at achieving continuous improvements in profitability.

VIG focuses on its core business of insurance, with a clear regional focus on Austria and Central and Eastern Europe. These two core strategic elements are accompanied by management principles that have proven themselves in the past and will continue to form a foundation for all of Vienna Insurance Group's important business decisions in the future.

KEY STRATEGIC ELEMENTS

Concentrating on the core business

VIG and its around 50 Group companies are familiar in every respect with the wide variety of different needs that people in the individual CEE countries have in terms of security and future provisions. The Group takes care of country-specific needs with the help of tailored insurance solutions and consulting services. This has always been

the core business of VIG, which can look back on more than 190 years of experience in the insurance industry. Professional customer service, a comprehensive range of products and excellent service will continue to form the pillars of success of VIG.

Focus on Austria and the CEE region

Vienna Insurance Group is an insurance company with an international focus. Around 54% of all Group premiums written in financial year 2015 were generated in markets outside of Austria. The level of economic and insurance-specific maturity of these markets varies greatly, ensuring a wide diversification.

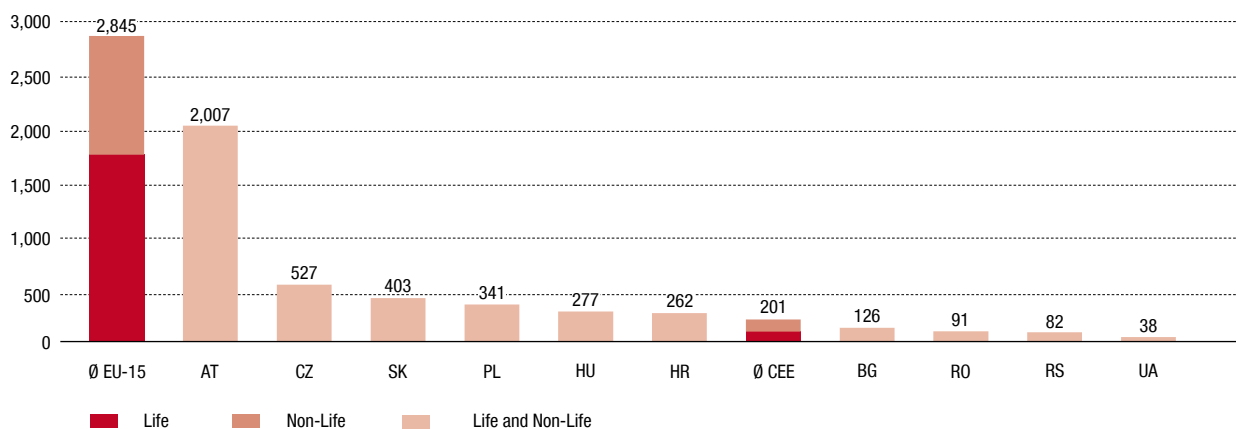
VIG's top priority in Austria is to consolidate its leading market position. In addition to loyalty of existing customers, VIG's main aim is also to exploit growth opportunities in Austria. For example, Austria has a lower life insurance density than many other Western European countries. Austrian VIG Group companies have repeatedly demonstrated in the past that they possess the expertise and experience needed to identify market developments at an early stage and to address them with innovative insurance solutions. They must continue to further exploit these opportunities in the future to ensure that Austria remains a stable foundation for the Group.

The early expansion of Vienna Insurance Group into Central and Eastern Europe, beginning in the former Czechoslovakia in 1990, has given the Company a few crucial advantages. In particular, it was possible to gain valuable expertise relating to the special features of the markets and regional requirements. Although the beginning of the global economic and financial crisis in 2008 meant that the economic recovery process lost its momentum in the CEE markets, VIG remains convinced of the potential of the Central and Eastern European region.

This conviction is underpinned in particular by the levels of insurance in the individual CEE countries. While the CEE core markets of VIG had average insurance levels of EUR 201 in 2014, the comparable figure in the EU-15

INSURANCE DENSITY 2014

Per capita insurance premium in EUR



CEE: weighted average of Bulgaria (BG), Croatia (HR), Czech Republic (CZ), Hungary (HU), Poland (PL), Romania (RO), Serbia (RS), Slovakia (SK), Ukraine (UA)
Source: in-house calculations based on publications by national insurance supervisory authorities and associations, the IMF and Swiss Re (Sigma)

countries was EUR 2,845. In the area of non-life insurance, the figures are EUR 111 versus EUR 1,108. In the life insurance segment, the difference is even more distinct. In the CEE markets, the relevant value is EUR 90 and EUR 1,737 in the EU-15 countries.

VIG Group companies in some countries also provided impressive proof in financial year 2015 that they can take advantage of this potential. For example, the VIG Group companies in Romania reported a significant increase in premiums for 2015 of around 26%. In addition, the Baltic States and Bulgaria reported growth of around 15%, while Serbia saw growth of 14% and Hungary over 13%. The aim is to continue on this successful path in the coming years.

MANAGEMENT PRINCIPLES

Successful multi-brand strategy

VIG's multi-brand strategy is a valuable factor in setting it apart from its competitors. As part of its expansion strategy, the Group decided to retain well-established brands

that already enjoyed good customer recognition. VIG therefore operates with multiple companies and brands in most of its markets. Thanks to different companies with different product portfolios, VIG succeeds in addressing various target groups. The Group companies use their local brand names as their first names, which strengthens their regional identity and creates a connection between local employees and the company. The "Vienna Insurance Group" addition is used as a last name, demonstrating international stature and many years of experience. This makes the customers feel more secure.

Use of this multi-brand strategy does not mean, however, that potential synergies are not exploited. Not only the use of resources is monitored regularly, but also the efficiency of the structures. In many countries, employees are already working successfully in cross-company back offices in order to perform administrative tasks more efficiently. Group companies may, however, be merged when the advantages of a diversified market presence are clearly outweighed by significant potential synergies. An example of this occurred in Poland in 2015.

Multi-channel distribution

In order to make the best possible use of its opportunities, VIG relies on a diversified distribution strategy in its markets. The objective is to win new customers through a wide range of channels. In addition to the Group's own field sales staff, this is done through independent brokers and agents, multi-level marketing, direct sales, banks and digital media. The combination of the various distribution channels depends on the local market conditions. The aim is to meet the specific needs of people in the individual countries in the best possible way.

The relevance of a distribution channel for a specific market depends firstly on the legal framework, and secondly on the state of economic development of the insurance business. Distribution through banks has become more important in many markets in recent years. VIG recognised this trend early on and now benefits from a partnership with Erste Group, a leading banking group in Austria and the CEE region. VIG acquired all of Erste Group's insurance activities in 2008 and entered into a long-term cooperation agreement with it. Under this agreement, Erste Group companies distribute VIG insurance products. In return, VIG companies offer their customers selected Erste Group banking products.

Conservative investment

The investment of customer funds entrusted to VIG in the form of premium payments is one of the key responsibilities of the Group. This task is associated with a particularly high level of responsibility. VIG therefore follows an investment strategy that is considered conservative. The content of this strategy is regulated by binding guidelines on investment for each VIG Group company. It is monitored on an ongoing basis firstly by Group Asset Management and secondly by the Internal Audit department. In addition to securing the necessary liquidity to guarantee insurance claims, particular emphasis is placed on diversification of the investment portfolio and achievable yields – taking into account the overall risk position.

At the end of 2015, Vienna Insurance Group was managing investments (including liquid funds) of EUR 31,812.46 million. Around 79.4% of these were fixed-interest securities and loans, 6.3% was allocated to real estate. Only 4.4% of total capital was invested in shares (including shares in the funds). (Details on the structure of investments can be found

on page 36.) Thanks to this risk-conscious investment strategy, the investment structure has remained stable throughout the turbulence caused by the financial and economic crisis. It is nevertheless important to continuously examine and optimise the structure of the investment portfolio. In 2015, VIG retained its risk-conscious investment strategy and hardly made any changes. Therefore, investments in cash and fixed-term deposits, participations and corporate bonds increased slightly.

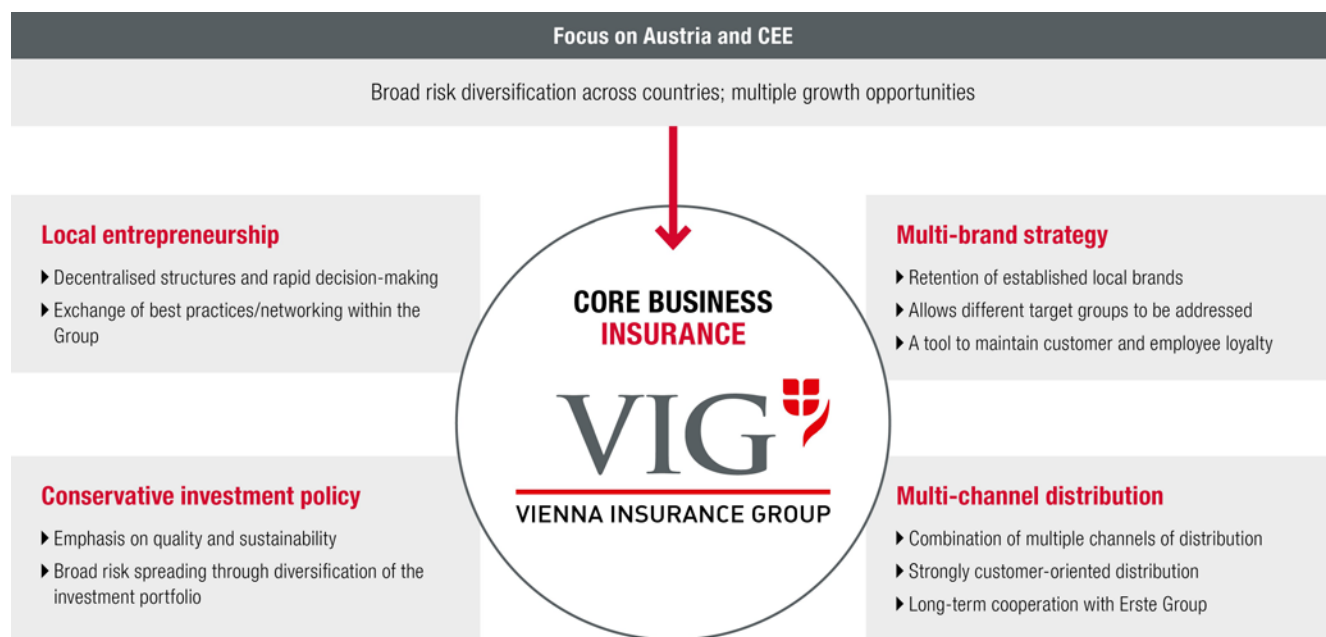
The conservative investment strategy plays a significant role, particularly taking into account the continuing low interest rates and ongoing obligations in the life insurance segment. These obligations will continue to be given the highest priority in the future with regard to investment. The life insurance companies in the Group are required to use appropriate control measures to ensure that this is the case. Internal analyses of maturity matching are performed regularly in the Group using current market parameters (yield curve).

Local entrepreneurship: "Think globally – act locally"

In addition to its multi-brand strategy and the benefits of using a variety of different distribution channels, VIG's decentralised structure and rapid decision-making channels represent another special feature of the Company. The Company intentionally relies on the expertise of its local management and employees, who know the needs of the local population the best.

Instead of viewing the CEE region as homogeneous, VIG takes into account the structural differences and stages of development of the different insurance markets. This means that business models are not transferred from one country to another in an identical way. Products and distribution must instead be appropriate for the situation in each individual market. At the same time, the higher-level values and principles defined at the Group level need to be considered. Group-wide guidelines must in particular be observed in areas such as risk management, actuarial department, reinsurance and investment. In this process, the central holding company's departments provide support to the VIG Group companies. In addition, they also ensure the continual further development and passing on of the higher-level Group guidelines. The exchange of best-practice solutions is made possible by means of regular cross-border meetings between management and employees. These meetings also promote a shared corporate culture.

MAIN PRINCIPLES FOR ACHIEVING VIG'S GOALS



STRATEGIC MILESTONES AND MEASURES 2015

In addition to the above principles determining the strategic course taken by the Group, the strategy of Vienna Insurance Group is given concrete form and implemented by means of a large number of projects and measures. A list of some of the projects and decisions that had a major effect in financial year 2015 is provided below:

Multi-brand strategy – continuation of expansion

VIG is consistently pursuing expansion in Central and Eastern Europe. In 2015, the Group's activities focused on the Baltic States. In addition, the Group expanded its involvement in Bulgaria.

Formation of Compensa Non-Life in Lithuania

At the end of July 2015, VIG received a licence from the local authorities for the formation of Compensa Non-Life in Lithuania. VIG has been successfully distributing products in the non-life insurance through the Polish Group company Compensa Non-Life since 2010. The newly formed

company will now take over the business of the Polish Compensa Non-Life company, thereby significantly strengthening Vienna Insurance Group activities in the Baltic insurance market.

Acquisition of the Latvian non-life insurer Baltikums

Vienna Insurance Group signed an agreement in July 2015 for the purchase of 100% of the shares of the company Baltikums AAS, Riga. In addition to its headquarters in Riga, Baltikums also operates through its branch in Lithuania. Receipt of official approval in October 2015 means that the transaction has now been concluded.

Acquisition of BTA Baltic in Latvia

At the end of 2015, VIG was able to reach an agreement on the acquisition of a majority share in BTA Baltic Insurance Company AAS (BTA Baltic), which, in addition to its headquarters in Latvia, also has branches in Lithuania and Estonia. The acquisition is subject to official approval. The conclusion of the transaction will mean that Vienna Insurance Group becomes a major player in the Baltic region in both life and non-life insurance.

Expansion in Bulgaria

The VIG Group company Bulstrad entered into an agreement for the acquisition of 100% of the shares in the company UBB-AIG. After receiving official approval in January 2016, the name of the company was changed to Insurance company Nova Ins EAD (Nova). With this move, the Company diversified its portfolio in Bulgaria and took advantage of the opportunity to tap into new customer segments. UBB-AIG was formed in 2006 as a bank-assurance company for United Bulgarian Bank (UBB). At the same time as the acquisition, a cooperation agreement was signed with UBB.

Multi-channel distribution – strengthening of the distribution network

Vienna Insurance Group relies on a diversified distribution strategy. In 2015, the Group strengthened its sales potential by expanding its distribution network in the Baltic States and Bulgaria, in order to ensure optimal access to customers.

Acquisition of a Lithuanian life insurance contribution company

VIG Group company Compensa Life has strengthened one of its key distribution channels in Lithuania with the acquisition of Finsaltas, a company that specialises in the distribution of life insurance. During the takeover, the distribution company's name was changed to Compensa Life Distribution. With around 300 insurance brokers, Compensa Life Distribution is Lithuania's largest life insurance distribution company.

VIG increases distribution opportunities in Bulgaria

At the same time as acquiring the Bulgarian insurer Nova, previously known as UBB AIG, the VIG Group company Bulstrad entered into a cooperation agreement with United Bulgarian Bank (UBB). This enabled the Group to strengthen its sales potential by means of its multichannel distribution strategy. UBB is the third largest retail bank in Bulgaria. Its network includes more than 200 branches and sales outlets. Through cooperation initiatives, VIG has ensured access to around one million customers of UBB.

Optimisation measures and initiatives

With regard to local entrepreneurship, each Group company is responsible independently for implementation of its strategy and profitability. In addition, Group-wide measures and initiatives exist.

Merger of the Polish property and casualty insurance companies Compensa and Benefia

Successful completion of the merger of the two property and casualty insurance companies Compensa and Benefia at the end of October 2015 strengthened VIG's market presence in Poland. The merged company operates under the name Compensa TU SA Vienna Insurance Group.

Optimisation of the capital structure

Bond issue and redemption

On 2 March 2015, the Company issued a subordinated bond with a total nominal value of EUR 400.0 million and a term of 31 years. The Company can call the bond in full for the first time on 2 March 2026 and on each following coupon date. The subordinated bond bears interest at a fixed rate of 3.75% p.a. during the first eleven years of its term and variable interest after that. The subordinate bond satisfies the Tier 2 requirements of Solvency II. The bond is listed on the Luxembourg Stock Exchange. In March 2015, EUR 51,983,000 of the nominal value of tranche 1 of the EUR 500 million in hybrid bond issued in 2008 was repurchased by the Company, as well as EUR 35,822,500 of the nominal value of the supplementary capital bond 2005–2022 issued in January 2005.

Strategic forward-looking SME initiative

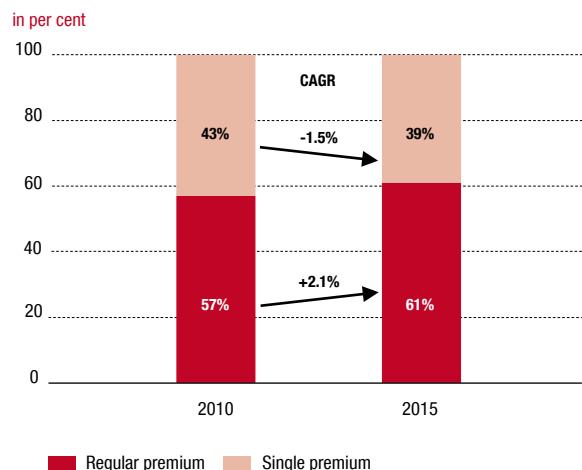
As part of the growth strategy in the small and medium enterprises (SME) segment, it was also possible to implement the planned product and sales optimisation in a sustainable manner in 2015. The main focus here was on sales development, as well as the use of cross-selling potential for existing customers via a wide range of distribution channels. In addition, SME products were developed and modified, and the exchange of best practice activities within the Group was driven forward. This enabled the SME business to increase written premiums by around 6%, thereby achieving a total premium volume of approximately EUR 300 million within VIG during 2015.

Life Insurance – reduction in single premiums

The strategic decline in traditional single premium business in the area of life insurance progressed consistently in financial year 2015. It was possible to reduce the share of life insurance written premiums accounted for by single premiums by around 39% in 2015. The reason for the deliberate reduction is firstly the continuing low interest rate level, and secondly income issues mainly in the core mar-

kets of Poland and Slovakia. The reduction is taking place in these two countries primarily in the short-term single premium sector.

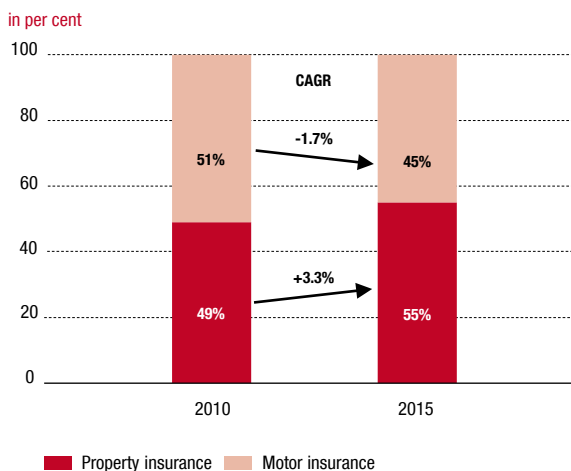
COMPOSITION OF LIFE INSURANCE IN FIVE YEAR COMPARISON



Property and casualty insurance – acceleration of property insurance

Motor insurance is characterised by strong competition and decreasing average premiums in many Central and Eastern European countries. Vienna Insurance Group is pursuing healthy, high-income growth. The aim is therefore to reduce premium volume in the area of motor insurance in countries that are dominated by strong price competition. Instead, advantage is being taken of the potential in the area of property insurance. Customers are being made aware of these insurance products by means of targeted sales campaigns. During 2015, an increase of 0.8% was achieved in the area of property and casualty insurance. As a result the share of motor insurance fell to around 45%.

COMPOSITION OF PROPERTY AND CASUALTY INSURANCE IN FIVE YEAR COMPARISON



Solvency II – approval of the partial internal model

As of 1 January 2016, the new insurance supervision system, Solvency II, came into force at the European level. The requirements for capital resources, risk management, and the associated reporting obligations were increased. The calculation of the equity requirement in accordance with Solvency II can be performed in compliance with a standard model prescribed by supervisory law or based on an individually developed internal model. In order to model the Company's own risk profile in a manner that most closely reflects the actual state of affairs, VIIG developed a partial internal capital model. The financial markets supervisory authority approved it in December 2015. This made VIIG the only Austrian insurance group which will have supervisory authority approval for use of a model right from the start. In accordance with this internal model, the solvability (equity ratio) at the level of the listed Group is in the order of around 200%.

Corporate governance report

Transparency and stakeholder trust are important to us. Observance of and compliance with the provisions of the Austrian Code of Corporate Governance therefore play an important role in Vienna Insurance Group.

The Austrian Code of Corporate Governance (ÖCGK) was introduced in 2002 and is amended periodically to account for changes in the law and current trends. It is the standard for proper corporate governance and control in Austria. Provisions of the Code contribute to strengthening of trust in the Austrian capital market, and the report that companies are required to publish on compliance with these provisions requires a high level of transparency.

Vienna Insurance Group views corporate governance as a continuous process that changes in response to new conditions and current trends and must be continuously improved for the benefit of the Group and all its stakeholders. The goal of all corporate governance measures is to ensure responsible corporate management aimed at long-term growth while simultaneously maintaining effective corporate control.

Vienna Insurance Group Managing Board, Supervisory Board and employees consider observance of and compliance with the rules of the Austrian Code of Corporate Governance to be highly important for the practical implementation of corporate governance. Vienna Insurance Group's declaration of adherence to the Code, discussions regarding the areas of deviation, and detailed information on the composition of, procedures followed by, and the compensation of the Managing Board and Supervisory Board are clearly organised and presented below.

Vienna Insurance Group is committed to application of and compliance with the January 2015 version of the

Austrian Code of Corporate Governance. The rules are divided into the following three categories:

- Rules based on mandatory legal requirements ("Legal Requirement")
- Rules based on standard international requirements. Non-compliance with these rules must be declared and explained in order to comply with the Code ("Comply or Explain")
- Non-compliance with rules of purely recommending nature do not need to be disclosed or explained ("Recommendation")

The Austrian Code of Corporate Governance is available to the public both on the Vienna Insurance Group website at www.vig.com/ir and on the website of the Austrian Working Group for Corporate Governance.

VIG complies with all of the "Legal Requirements" of the Austrian Code of Corporate Governance as set forth by law. Vienna Insurance Group deviates from one "Comply or Explain" rule, as explained below:

Rule 41:

The Supervisory Board shall set up a nomination committee. In cases of Supervisory Boards with no more than six members (including employee representatives), this function may be exercised by all members jointly. The nomination committee submits proposals to the Supervisory Board for filling positions that become available on the Managing Board and handles issues of successor planning.

Explanation: Because of its special importance, the entire issue of successor planning is handled by the Supervisory Board. The Vienna Insurance Group Supervisory Board has therefore not established a nomination committee.

Members of the Managing Board and areas of responsibility as of 1 January 2016

Vienna Insurance Group Managing Board is made up of six people:



Elisabeth Stadler

General Manager

Year of birth: 1961

Date first appointed: 01.01.2016

End of current term of office:

30 June 2018

Elisabeth Stadler studied actuarial theory at the Vienna Technical University and began her career in Austrian insurance industry as a Board member and chairwoman. In May 2014, she was awarded the professional title of professor by Federal Minister Gabriele Heinisch-Hosek for her services in the insurance industry. Since September 2014, (until 31 March 2016) she has served as General Manager of Donau Versicherung and has been in charge of VIG since 2016.

Areas of responsibility: Management of the VIG Group, strategic issues, European issues, corporate communications and marketing, sponsorship, human resources management, business development

Country responsibilities: Austria, Czech Republic

Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group: Österreichische Post AG, Bank Austria Real Invest Immobilien Kapitalanlage GmbH, Die Österreichische Hagelversicherung, Casinos Austria AG



Franz Fuchs

Year of birth: 1953

Date first appointed: 01.10.2009

End of current term of office:

30 June 2018

Franz Fuchs began his career in the insurance industry as an actuary. He held leading management positions in other international companies as a specialist in the life insurance area and pension funds before joining Vienna Insurance Group. Franz Fuchs was Chairman of the Managing Board of Compensa Non-life and Compensa Life from 2003 to the beginning of 2014. He has been Chairman of the Managing Board of VIG Polska since 2003. He was first appointed to the Vienna Insurance Group Managing Board on 1 October 2009.

Areas of responsibility: Performance management personal and motor insurance, asset risk management

Country responsibilities: Baltic States, Moldova, Poland, Ukraine

Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group: C-QUADRAT Investment AG



Roland Gröll

Year of birth 1965

Date first appointed: 01.01.2016

End of the current term of office:

30 June 2018

Roland Gröll studied at the Vienna University of Economics and Business and joined Wiener Städtische in 1994 in the Finance and Accounting department. He became Deputy Head of the Finance and Accounting department in 2003, and was head of this department from 2008 until the end of 2015. Roland Gröll was also a member of the Managing Board of Donau Versicherung for two years. He has been a member of the Vienna Insurance Group Managing Board since January 2016.

Areas of responsibility: Group IT/SAP, international processes and methods

Country responsibilities: Bosnia and Herzegovina, Croatia, Macedonia, Romania



Judit Havasi

Year of birth: 1975

Date first appointed: 01.01.2016

End of the current term of office:

30 June 2018

Judit Havasi has worked for the Group since 2000. She began as an internal audit employee in UNION Biztosító, and became the head of this company in 2003. Judit Havasi was a member of the Wiener Städtische Austria Committee of the Vienna Insurance Group Managing Board and a member of the Managing Board of UNION Biztosító in Hungary before her appointment to the Managing Board of Wiener Städtische in 2009. From July 2013 to the end of 2015, Judit Havasi was Deputy Chair of Wiener Städtische Versicherung. In addition, from 2011 she was also deputy for the Managing Board of Vienna Insurance Group. She has been a member of the Vienna Insurance Group Managing Board since January 2016.

Areas of responsibility: Solvency II, planning and controlling, law

Country responsibilities: Slovakia

Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group: Erste&Steiermärkische Bank d.d., Die Zweite Wiener Vereins-Sparcasse



Peter Höfinger

Year of birth: 1971

Date first appointed: 01.01.2009

End of current term of office:

30 June 2018

Peter Höfinger has been a member of the Managing Board of Vienna Insurance Group since 1 January 2009. Prior to that, he was director of the Managing Board of Donau Versicherung. He joined this company in 2003. Previously, he held management positions outside the Group in Hungary, the Czech Republic and Poland.

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

Country responsibilities: Albania (incl. Kosovo), Bulgaria, Montenegro, Serbia, Hungary, Belarus



Martin Simhandl, CFO

Year of birth: 1961

Date first appointed: 01.11.2004

End of current term of office:

30 June 2018

Martin Simhandl began his career with the Group in 1985 in the legal department of Wiener Städtische. In 1995, he became head of the affiliated companies department, and in 2003, he took over coordination of the Group's investment activities. In 2002 and 2003, Martin Simhandl was also a member of the Managing Boards of InterRisk Non-life and InterRisk Life in Germany, with responsibility for the areas of property insurance, reinsurance and planning/controlling. On 1 November 2004, Martin Simhandl was appointed to the Managing Board of the Company.

Areas of responsibility: Asset management, affiliated companies department, finance and accounting, treasury/capital markets

Country responsibilities: Germany, Georgia, Liechtenstein, Turkey

Positions held on the Supervisory Boards of other Austrian and foreign companies outside of the Group: CEESEG Aktiengesellschaft, Ringturm Kapitalanlagen GmbH, Wiener Hafen Management GmbH, Wiener Börse AG

The Managing Board as a whole is responsible for enterprise risk management (Solvency II), general secretariat, the actuarial department, Group compliance, internal audit and investor relations.

The following two substitute members were also appointed to the Managing Board, and will become members of the Managing Board if a member of the Managing Board becomes permanently incapable of performing his or her duties:

Martin Diviš (year of birth: 1973)

Gábor Lehel (year of birth: 1977)

Members of the Supervisory Board as of 31 December 2015:

Günter Geyer **Chairman**

Year of birth: 1943
Date first appointed: 2014
End of current term of office: 2019

Karl Skyba **Deputy Chairman**

Year of birth: 1939
Date first appointed: 1992
End of current term of office: 2019

Bernhard Backovsky

Year of birth: 1943
Date first appointed: 2002
End of current term of office: 2019

Martina Dobringer

Year of birth: 1947
Date first appointed: 2011
End of current term of office: 2019

Rudolf Ertl

Year of birth: 1946
Date first appointed: 2014
End of current term of office: 2019

Maria Kubitschek

Year of birth: 1962
Date first appointed: 2014
End of current term of office: 2019

Heinz Öhler

Year of birth: 1945
Date first appointed: 2002
End of current term of office: 2019

Reinhard Ortner

Year of birth: 1949
Date first appointed: 2007
End of current term of office: 2019

Georg Riedl

Year of birth: 1959
Date first appointed: 2014
End of current term of office: 2019

Gertrude Tumpel-Gugerell

Year of birth: 1952
Date first appointed: 2012
End of current term of office: 2019

Supervisory Board independence

In accordance with Rule 53 of the Austrian Code of Corporate Governance, the Supervisory Board of VIG has established the following criteria for independence:

- The Supervisory Board member has not been a member of the Managing Board or a senior manager of the Company or subsidiary of the Company in the last five years.
- The Supervisory Board member does not have a business relationship with the Company or a subsidiary of the Company that is of such significant scope for the Supervisory Board member that it affects his or her activities on the Supervisory Board to the detriment of the Company. This also applies to business relationships with companies, in which the Supervisory Board member has a significant economic interest. The approval of individual transactions by the Supervisory Board in accordance with § 95(5)(12) of the Austrian Stock Corporation Act (AktG) or § 15(2)(l) of the Articles of Association does not automatically lead to a classification of non-independence. For the purpose of clarification, it is expressly noted that the purchase or existence of insurance policies with the Company has no adverse effect on independence.
- The Supervisory Board member has not been an auditor of the Company's financial statements, or held an ownership interest in or been an employee of the auditing company executing such auditing in the last three years.
- The Supervisory Board member is not a member of the Managing Board of another company that has a member of the Company's Managing Board on its Supervisory Board.
- The Supervisory Board member is not a close family member (direct descendant, spouse, partner, parent, uncle, aunt, brother, sister, niece, nephew) of a member of the Managing Board or individuals holding one of the positions described above.
- The Supervisory Board as a whole is to be considered independent if at least 50% of the members elected by the general meeting satisfy the criteria above for independence of a Supervisory Board member.

All members of the Supervisory Board have declared whether they can be considered independent based on the criteria specified by the Supervisory Board. The following members are independent in terms of the points mentioned above: Karl Skyba, Bernhard Backovsky, Martina Dobringer, Maria Kubitschek, Heinz Öhler, Reinhard Ortner, Georg Riedl, Gertrude Tumpel-Gugerell.

No member of the Supervisory Board is a shareholder with more than 10% of the shares of the Company.

The following members of the Supervisory Board held Supervisory Board positions or comparable positions in Austrian or foreign companies as of 31 December 2015:

Martina Dobringer

Praktiker AG

Georg Riedl

AT&S Austria Technologie und Systemtechnik AG
Bwin.Party Digital Entertainment Plc (until 31 January 2016)

Gertrude Tumpel-Gugerell

Commerzbank AG
OMV AG

Supervisory Board Committees

The following qualified Supervisory Board committees were established to increase the efficiency of the Supervisory Board and address complex issues:

COMMITTEE FOR URGENT MATTERS (WORKING COMMITTEE)

The Committee for Urgent Matters (Working Committee) decides on matters that require an approval of the Supervisory Board, but cannot be deferred to the next ordinary Supervisory Board meeting because of particular urgency.

Günter Geyer (Chairman)

1st Substitute member: Gertrude Tumpel-Gugerell
2nd Substitute member: Reinhard Ortner

Karl Skyba (Deputy Chairman)

1st Substitute member: Georg Riedl
2nd Substitute member: Reinhard Ortner

Rudolf Ertl

1st Substitute member: Martina Dobringer
2nd Substitute member: Reinhard Ortner

AUDIT COMMITTEE (ACCOUNTS COMMITTEE)

The Audit Committee (Accounts Committee) is responsible for the obligations assigned by § 92(4a) of the Austrian Stock Corporation Act, namely:

1. Monitoring the accounting process;
2. Monitoring effectiveness of the Company's internal control system, internal auditing system, and risk management system;
3. Monitoring audits of financial statements and consolidated financial statements;
4. Examination and monitoring of independence of the financial statements auditor (consolidated financial statements auditor), in particular with respect to additional services provided for the audited company;
5. Auditing of the annual financial statements and preparations for their approval, examination of the proposal for appropriation of profits, management report and corporate governance report, and presentation of a report on the audit findings to the Supervisory Board;
6. Auditing of the consolidated financial statements and Group management report, and presentation of a report on the audit findings to the Supervisory Board of the parent company;
7. Preparation of the Supervisory Board proposal for choosing the financial statements auditor (consolidated financial statements auditor).

Furthermore, in a meeting (another meeting, in addition to the meeting required by law), the Audit Committee (Accounts Committee) specifies how the two-way communication between the (Group) financial statements auditor and the Audit Committee has to take place, while making provision for exchanges to take place between the Audit Committee (Accounts Committee) and the (Group) financial statements auditor in the absence of the Managing Board.

All of the members of the Audit Committee are experienced financial experts with knowledge and practical experience in finance, accounting and reporting that satisfy the requirements of the Company.

Gertrude Tumpel-Gugerell (Chairwoman)

1st Substitute member: Georg Riedl

2nd Substitute member: Heinz Öhler

Reinhard Ortner

1st Substitute member: Martina Dobringer

2nd Substitute member: Heinz Öhler

Günter Geyer

1st Substitute member: Maria Kubitschek

2nd Substitute member: Heinz Öhler

Rudolf Ertl

1st Substitute member: Karl Skyba

2nd Substitute member: Heinz Öhler

**COMMITTEE FOR MANAGING BOARD MATTERS
(COMPENSATION COMMITTEE)**

The Committee for Managing Board Matters (Compensation Committee) deals with personnel matters of the Managing Board. The Committee for Managing Board Matters therefore decides on terms of employment contracts with members of the Managing Board and their compensation, and examines remuneration policies at regular intervals.

Günter Geyer (Chairman)

Karl Skyba (Deputy Chairman)

Substitute member: Rudolf Ertl

STRATEGY COMMITTEE

The Strategy Committee cooperates with the Managing Board and, when appropriate, with experts that it consults, to prepare fundamental decisions that must then be decided on by the Supervisory Board as a whole.

Günter Geyer (Chairman)

1st Substitute member: Gertrude Tumpel-Gugerell

2nd Substitute member: Reinhard Ortner

Karl Skyba (Deputy Chairman)

1st Substitute member: Georg Riedl

2nd Substitute member: Reinhard Ortner

Rudolf Ertl

1st Substitute member: Martina Dobringer

2nd Substitute member: Reinhard Ortner

In 2014, the Supervisory Board gave its consent to VIG Holding and other companies in the VIG Group that allowed them to use legal services of Georg Riedl, Member of the Supervisory Board, and engage him or his law firm to act as a representative and provide advisory services on a project-related basis on normal market terms. Georg Riedl is an attorney who has performed consultancy services for the VIG Group, for which he received fees (net) totalling EUR 40,425.00 plus cash expenses and 20% value added tax (of which EUR 7,845.82 plus cash expenses and 20% VAT were for VIG Holding) in financial year 2015. The Company did not enter into any other contracts with members of the Supervisory Board in 2015 that would have required an approval of the Supervisory Board.

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

Managing Board

The Managing Board manages the business of the Company under the leadership of its Chairperson and within the constraints of the law, articles of association, rules of procedure for the Managing Board and rules of procedure for the Supervisory Board.

The Managing Board usually meets (if necessary) once a week to discuss current business developments, and makes necessary decisions and resolutions during the course of these meetings. The members of the Managing Board continuously exchange information with each other and the heads of various departments.

Supervisory Board

The Supervisory Board performs all activities defined under the law, articles of association and rules of procedure of the Supervisory Board. In order to ensure effectiveness and efficiency of its activities and procedures, the Supervisory Board examines its procedures regularly in the form of a self-evaluation at least once a year. The results of the 2015 self-evaluation once again demonstrate that the practices used to meet the requirements of the Austrian Stock Corporation Act and the Austrian Code of Corporate Governance and that the organisation and procedures of the Supervisory Board are appropriate and satisfactorily efficient for the business activities and business volume of the Company and Group as a whole. Requests and comments made by members of the Supervisory Board during this self-evaluation are taken into account.

The Supervisory Board and its committees, Chairman and Deputy Chairman continuously monitor and periodically examine management activities of the Company. Detailed presentations and discussions during Supervisory Board and Supervisory Board Committee meetings serve this purpose, as do recurring discussions between the executive committee of the Supervisory Board and members of the Managing Board, who provide comprehensive explanations and supporting documentation relating to the management and financial position of the Company and the Group. The Company's strategy, business development, risk management, internal control system, activities of the internal audit department, preparations for Solvency II, Managing Board issues, and IT strategy are also discussed at Supervisory Board meetings and at meetings with the Managing Board. The Supervisory Board holds closed Supervisory Board meetings with the Managing Board to discuss policy issues and determine the long-term growth strategy.

Supervisory Board and Audit Committee also hold direct discussions with the financial statements auditor and the consolidated financial statements auditor in order to familiarise themselves with the accounting process and audit progress, and to inquire whether the audit has produced any important findings. Provision was made for exchanges between the members of the Audit Committee and the (Group) financial statements auditor in such meetings without the presence of the Managing Board, but no member of the Audit Committee took advantage of this opportunity during the financial year. Audit reports are discussed and debated in detail with audit managers dur-

ing Audit Committee and Supervisory Board meetings regarding the annual financial statements and consolidated financial statements.

The Supervisory Board also receives quarterly reports from the internal audit department and asks the head of internal audit to provide detailed explanations of individual issues and audit focal points if necessary. The annual audit plan is submitted to the Supervisory Board. The Managing Board explains the organisation and operation of the risk management system and internal control system to the Supervisory Board at least once per year, and provides the Supervisory Board with a written report on this subject so that it can confirm the efficiency of the systems. The Audit Committee also examines the report and assessment of the functioning of the risk management system prepared by the (consolidated) financial statements auditor and reports its findings to the Supervisory Board.

At least once per year, the Managing Board presents to the Supervisory Board the precautions taken in the Group to prevent corruption, and the Supervisory Board discusses these measures.

When preparing general meeting proposals concerning the election of new Supervisory Board members, the Supervisory Board takes into account the requirements of the law and the Austrian Code of Corporate Governance that members of the Supervisory Board must satisfy and observe. Particular attention is paid to ensuring appropriate diversity in the sex, age and international distribution of the members.

The Audit Committee and Supervisory Board also strictly ensure that all of the requirements and conditions provided for under the law and Austrian Code of Corporate Governance are fully satisfied when preparing the general meeting proposal on selection of the (consolidated) financial statements auditor. In addition, after the audit of the consolidated financial statements has been completed, the Supervisory Board is provided with a list showing the total audit expenses for all Group companies. This list provides a separate breakdown according to expenses for the consolidated financial statements auditor, the members of the network, to which the consolidated financial statements auditor belongs, and other financial statement auditors working for the Group.

The Supervisory Board has formed four committees from its members, a Committee for Urgent Matters (Working Committee), an Audit Committee (Accounts Committee), a Committee for Managing Board Matters (Compensation Committee) and a Strategy Committee. Detailed information on these is provided in the “Supervisory Board Committees” section.

Number of meetings of the Supervisory Board and its committees in financial year 2015

One ordinary general meeting and four Supervisory Board meetings distributed across the financial year were held in 2015. Four meetings of the Audit Committee were also held. The financial statement and consolidated financial statement auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG), attended all Audit Committee meetings and the Supervisory Board meeting in 2015, including the meeting that focused on the auditing of the annual financial statements of 2014 and consolidated financial statements of 2014, as well as a formal approval of the annual financial statements of 2014, and also attended the general meeting. The Committee for Urgent Matters was contacted in writing on two occasions. Six meetings of the Committee for Managing Board Matters were held in 2015. The Strategy Committee did not hold any meetings in 2015; strategic matters were handled by the entire Supervisory Board.

No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings.

Disclosure of information on Managing Board and Supervisory Board compensation

Compensation plan for members of the Managing Board

Managing Board compensation takes into account the importance of the Group and the responsibility that goes with it, the economic situation of the Company, and the market environment.

The variable portion of the compensation emphasises the need for sustainability in a number of ways. Its achievement depends to a large extent on satisfying the performance criteria that extend beyond a single financial year.

The performance-related compensation is limited. The maximum performance-related compensation that the Managing Board can receive by overachieving the tradi-

tional targets in financial year 2015 is approximately 86% of its fixed salary. The awarding of such compensation requires that consideration be given to the sustainable development of the Company and the Group; non-financial factors, in particular those resulting from the Company's commitment to social responsibility, are also taken into account when target achievement is assessed. These bonuses can be earned when the corresponding objectives are achieved. Overall, this means that variable remuneration components are possible up to a level of approximately 125% of the fixed remuneration. The Managing Board is not entitled to the performance-related component of compensation if performance fails to meet certain thresholds. Even if the performance target is met in a financial year, because of the focus on sustainability, the full variable compensation is only awarded if satisfactory performance is also reported in the following year.

In 2015, the key performance criteria for variable compensation are the combined ratio, premium development, profit before taxes for the years 2015 and 2016, and for the special payments for country-specific goals on the one hand, and IT-related goals on the other hand – in each case relating to the 2015–2016 period.

Managing Board compensation does not include stock options or similar instruments.

When setting the gross compensation for the Managing Board members, a certain amount of attention was also paid to equalising net effects, so that if compensation was paid for operational positions in affiliated companies outside of Austria, where the tax regime was more favourable than that in Austria, a lower gross compensation was set to take this fact into account. This and the different responsibilities of the members of the Managing Board explain the differences in their gross compensation.

In 2015, more active members of the Managing Board received the following amounts from the Company for their services during the reporting period:

- Peter Hagen EUR 1,143,000 (EUR 884,000), including EUR 409,000 (EUR 89,000) variable,
- Franz Fuchs EUR 737,000 (EUR 431,000), including EUR 231,000 (EUR 11,000) variable,
- Martin Simhandl EUR 790,000 (EUR 559,000), including EUR 284,000 (EUR 62,000) variable,

- Peter Höfinger EUR 790,000 (EUR 559,000), including EUR 284,000 (EUR 62,000) variable.

The members of the Managing Board received the following compensation from affiliated companies for their services provided to the Company, or as a manager or an employee of an affiliated company:

- Franz Fuchs EUR 42,000 (EUR 75,000), including EUR 42,000 (EUR 11,000) variable,

The standard employment contract for a member of the Managing Board of the Company includes a pension equal to a maximum of 40% of the measurement basis if the member remains on the Managing Board until the age of 65 (the measurement basis is equal to the standard fixed salary).

A pension is normally received only if a Managing Board member's position is not extended and the member is not at fault for the lack of extension, or if the Managing Board member retires due to illness or age.

For cases when the provisions of the Austrian Employee and Self-Employment Provisions Act (Mitarbeiter- und Selbstständigen-Vorsorgegesetz) are not legally applicable, the Company's Managing Board contracts provide for a severance payment entitlement structured in accordance with the provisions of the Austrian Employee Act (Angestelltengesetz), as amended in 2003, in combination with applicable sector-specific provisions. This allows Managing Board members to receive a severance payment equal to two to twelve months' compensation, depending on the period of service, with a supplement of 50% if the member retires or leaves after a long-term illness. A Managing Board member who leaves of his or her own volition before retirement is possible, or leaves due to a fault of his or her own, is not entitled to a severance payment.

Members of the Managing Board are provided a company car for both business and personal use.

Compensation plan for the members of the Supervisory Board

In accordance with the resolutions adopted by the 21st regular general meeting on 4 May 2012, the members of the Supervisory Board elected by the general meeting are entitled to receive compensation in the form of a payment

remitted monthly in advance. Members of the Supervisory Board who withdraw from their positions before the end of a month still receive full compensation for the month in question. In addition to this compensation, Supervisory Board members are entitled to receive an attendance allowance for participating in Supervisory Board meetings and Supervisory Board committee meetings (remitted after participation in the meeting). The total compensation paid to members of the Supervisory Board in 2015 amounted to EUR 414,350.

The members of the Supervisory Board received the following amounts:

- Günter Geyer EUR 76,610
- Karl Skyba EUR 49,580
- Bernhard Backovsky EUR 33,770
- Martina Dobringer EUR 33,770
- Rudolf Ertl EUR 39,770
- Maria Kubitschek EUR 33,770
- Heinz Öhler EUR 33,770
- Reinhard Ortner EUR 39,770
- Georg Riedl EUR 33,770
- Gertrude Tumpel-Gugerell EUR 39,770

Supervisory Board compensation does not include stock options or similar instruments.

Measures put in place to promote women to the Managing Board, Supervisory Board and management positions

Female Supervisory Board members

Women hold around 14% of the positions in Vienna Insurance Group Supervisory Boards across Europe, 19% in the Austrian insurance companies and 30% in VIG Holding (as of 31.12.2015).

Female Managing Board members

Women hold around 22% of the positions on the Managing Boards of Vienna Insurance Group companies and around 12% of the Managing Board chairs are women. Elisabeth Stadler has been the first female Chairwoman of an ATX company in Austria since January 2016.

For comparison, women held 9.1% of the Managing Board positions in the 59 largest German insurance companies in 2015, and 1.7% of the Managing Board chair positions in these companies.

Women in management positions

Including distribution, women hold around 40% of the management positions at the level directly below the Managing Board in VIG insurance companies across Europe (not including distribution: around 45%).

Removing barriers to women's careers is one of the key elements of the personnel strategy at Vienna Insurance Group. In addition to implementing this principle to, for example, the management development process, efforts are being made to give visibility to ambitious women at all levels, for example, by assigning more women to attend external conferences, platforms, etc. as representatives of the Company.

Vienna Insurance Group is specifically involved in events such as the "Business Riot" - the Festival for Women, Work & Entrepreneurship, in particular making contributions on the subject of "actively structuring female careers".

External evaluation

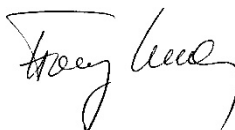
Vienna Insurance Group had a voluntary external evaluation performed in compliance with the Code for 2015 in accordance with the C-rule 62 ÖCGK. All evaluations came to the conclusion that VIG has complied with all the requirements of the Code. The summarised information on these evaluations is available on the website of Vienna Insurance Group.

Vienna, 23 March 2016

The Managing Board:



Elisabeth Stadler
General Manager,
Chairwoman of the Managing Board



Franz Fuchs
Member of the Managing Board



Roland Gröll
Member of the Managing Board



Judit Havasi
Member of the Managing Board



Peter Höfinger
Member of the Managing Board



Martin Simhandl
CFO, Member of the Managing Board

Supervisory Board report

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



general meeting. The Committee for Urgent Matters was contacted in writing on two occasions. Six meetings of the Committee for Managing Board Matters were held in 2015. The Strategy Committee did not hold any meetings in 2015; strategic matters were handled by the entire Supervisory Board.

All members of the Supervisory Board were present at all Supervisor Board meetings. In order to ensure effectiveness and efficiency of its activities and procedures, the Supervisory Board performed a self-evaluation of its procedures. The Supervisory Board's evaluation of its activities found that the practices followed satisfied the requirements of the Austrian Stock Corporation Act and the Code of Corporate Governance, and that its organisational structure and procedures were satisfactory in terms of efficiency. During the meeting of the Audit Committee, the members of the committee consulted with the (consolidated) financial statements auditor concerning the specification of two-way communications.

In accordance with the Solvency II rules, from 2016, non-financial aspects will be part of the performance expectations for variable remuneration of members of the Managing Board. Vienna Insurance Group is committed to social responsibility and importance of having employees drive forward performance, innovation and expertise, and in 2015, it began including non-financial criteria, as well as financial criteria, in the evaluation of the fulfilment of goals for Managing Board members.

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

One regular general meeting and four Supervisory Board meetings distributed across the financial year were held in 2015. Four meetings of the Audit Committee were also held. The financial statement and consolidated financial statement auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG), attended all Audit Committee meetings and the Supervisory Board meeting in 2015, including the meeting that focused on the auditing of the annual financial statements of 2014 and consolidated financial statements of 2014 and formal approval of the annual financial statements of 2014, and also attended the

Acting upon the proposal and motion of the Supervisory Board, the general meeting selected KPMG to be the financial statements auditor and consolidated financial statements auditor for financial year 2015, and KPMG consequently performed these duties in financial year 2015. KPMG was also commissioned to perform the voluntary external evaluation of the corporate governance report of 2015. The rules 77-83 were examined by Wolf Theiss Rechtsanwälte GmbH & Co KG. The evaluations all came to the conclusion that VIG has complied with all the requirements of the Code.

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

The Audit Committee also reviewed effectiveness of the internal control system, the internal auditing system and the risk management system by obtaining verbal and written descriptions of the processes and organisation of these systems from the Managing Board, the (consolidated) financial statements auditor and the individuals directly responsible for these areas. The Audit Committee reported on these monitoring activities to the Supervisory Board and stated that no deficiencies had been identified. The Supervisory Board was also given the opportunity during Supervisory Board meetings to verify the functional adequacy of the existing control and auditing systems. In addition, the audit plan and the quarterly reports prepared by the internal audit department were debated by the Audit Committee and Supervisory Board and discussed with the head of the internal audit department and the Group audit department. The Supervisory Board found no reasons for objection.

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

In addition, the Supervisory Board Audit Committee received the 2015 annual financial statements, management report and corporate governance report from the Managing Board, and reviewed and carefully examined them. The Supervisory Board Audit Committee also carefully examined the 2015 consolidated financial statements and Group management report, as well as the solvability and financial position report. The Managing Board's proposal for appropriation of profits was also debated and discussed during the course of this examination. As a result of this examination and discussion, a unanimous resolu-

tion was adopted to recommend to the Supervisory Board that they be accepted without qualification.

The committee chairperson informed the Supervisory Board of the resolutions adopted by the committee. The 2015 annual financial statements together with the management report and corporate governance report, the 2015 consolidated financial statements together with the Group management report, and the Managing Board's proposal for appropriation of profits were subsequently taken up, thoroughly discussed, and examined by the entire Supervisory Board.

In addition, the auditor's reports prepared by the (consolidated) financial statements auditor KPMG for the 2015 annual financial statements and management report and the 2015 consolidated financial statements and Group management report were reviewed by the Audit Committee and by the entire Supervisory Board, and debated and discussed with KPMG. KPMG's audit of the 2015 annual financial statements and management report and the 2015 consolidated financial statements and Group management report did not lead to any reservations. KPMG determined that the annual financial statements comply with statutory requirements and give a true and fair view of the net assets and financial position of the Company as of 31 December 2015, and of the results of operations of the Company for financial year 2015 in accordance with Austrian generally accepted accounting principles. The management report is consistent with the annual financial statements. The disclosures pursuant to § 243a UGB are appropriate. KPMG further determined that the consolidated financial statements also comply with statutory requirements and give a true and fair view of the net assets and financial position of the Group as of 31 December 2015, and of the results of operations and cash flows of the Group for financial year 2015 in accordance with the IFRSs as adopted by the EU and the provisions applying to the 2015 financial year of § 80b of the Austrian Insurance Supervision Act (VAG) in combination with § 245a of the Austrian Commercial Code (UGB). The Group management report is consistent with the consolidated financial statements.

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

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

The 2015 annual financial statements have therefore been approved in accordance with § 96(4) of the Austrian Stock Corporation Act (AktG).

The Supervisory Board proposes to the general meeting that it approves the Managing Board's proposal for appropriation of profits and formally approves the actions of the Managing Board and Supervisory Board.

Vienna, April 2016

The Supervisory Board:



Günter Geyer (Chairman)