

VIENNA INSURANCE GROUP IN 2013

Premiums reach EUR 9.2 billion

Premiums adjusted for special effects increase by 2.8 percent

Profit (before taxes) EUR 355.1 million

Result adjusted for special effects around EUR 570 million

“Remaining markets” pass EUR 1 billion mark in premiums for the first time

Strong capitalization: solvency ratio significantly higher than 200 percent

Managing Board proposes increase in dividend to EUR 1.30 per share

Solid operating performance in a challenging financial year

Vienna Insurance Group earned EUR 9.2 billion in Group premiums in financial year 2013. The intentional reduction of short-term single-premium business in Poland, the decrease in motor business in Italy and currency effects (in particular devaluation of the Czech crown) led to a 4.4 percent reduction in premiums. Excluding these effects, Vienna Insurance Group achieved solid operating premium growth of 2.8 percent.

“Group premiums are a reflection of the challenges of the financial year 2013. Based on earnings considerations, we steadily reduced business volume in low margin lines of business, for example in Romania and Poland. In contrast to this, the Remaining markets of Vienna Insurance Group passed the EUR 1 billion mark in premiums. Strategic acquisitions in our core markets Poland and Hungary further consolidated Vienna Insurance Group’s position and strengthened distribution,” said **Peter Hagen, CEO of Vienna Insurance Group**, as he commented on the Group’s performance.

Property and casualty premiums fell by 1.2 percent. Excluding special effects mentioned above there was an increase of 1.6 percent.

Vienna Insurance Group achieved satisfying performance of around 5 percent in non-motor. The high level of demand in this area shows the long-term potential for modern insurance products in the CEE markets. Vienna Insurance Group companies took advantage of this by increasing distribution to further encourage portfolio diversification and risk spreading.

Adjusted for the reduction in short-term single-premium business in Poland and exchange rate effects, Vienna Insurance Group achieved an operational increase of 4.3 percent in life. The 8.3 percent decrease in premiums that was reported is a result of the effects mentioned above. The successful cooperation with Erste Group continues to have a very positive effect on the life insurance. The Group will use its recent acquisitions in Hungary and Poland to take advantage of these future opportunities in life insurance.

Health premiums grew by 1.6 percent to around EUR 400 million.

Challenging conditions, particularly in the Romanian market, and developments in Italy led Group management to impair goodwill and to take additional precautionary measures that had a dramatic negative effect on the operating profit for the reporting period. The resulting Group profit (before taxes) was EUR 355.1 million (-37.0 percent). The Group result, adjusted for these special effects, was approx. EUR 570 million.

These extraordinary measures also raised the combined ratio to 100.6 percent.

The financial result of the Group remained stable at around EUR 1.2 billion. Vienna Insurance Group investments (including cash and cash equivalents) were close to EUR 30 billion (as of 31 December 2013).

Due to the Group's excellent capitalization, solvency ratio of sustainably more than 200 percent and solid operating result, a proposal will be made to raise the dividend to EUR 1.30 per share (+ EUR 0.10) at the Vienna Insurance Group Annual General Meeting.

Vienna Insurance Group market highlights

Austria – undisputed number 1 in the Austrian market

The Vienna Insurance Group companies in Austria, Wiener Städtische Versicherung, Donau Versicherung and s Versicherung, earned EUR 4.1 billion in premiums and continue to be the clear number 1 in the market.

Wiener Städtische Versicherung achieved very satisfying performance in property and casualty insurance. The company recorded an increase of more than 6 percent in motor casco. Overall, Vienna Insurance Group showed a small 1.3 percent decrease in premiums, which was due solely to the reduction in Donau's motor business in Italy. Without this effect, property and casualty insurance achieved an increase of around 3 percent in Austria.

In life, s Versicherung moved against the market trend to achieve a 1.7 percent increase. In overall terms, however, premiums declined by 1.8 percent in this line of business.

In health insurance, the Austrian Group companies recorded a satisfying increase of 2.8 percent.

In spite of the substantial burden caused by severe weather related claims, Wiener Städtische Versicherung reached an excellent combined ratio of around 94 percent. Overall, Vienna Insurance Group generated a profit (before taxes) of EUR 232.7 million, with a combined ratio of 101.4 percent. This is primarily a result of the development of Donau Versicherung's Italian business and the precautionary measures for it.

Czech Republic – earnings increase despite severe weather related claims

The Czech Vienna Insurance Group companies further improved their number 1 position – in a competitive environment – by increasing their market share almost another percentage point to 33.1 percent.

The three Group companies in the Czech Republic earned EUR 1.8 billion in premiums in 2013 (-1.9 percent). When adjusted for exchange rate effects, this was an increase of 1.4 percent. The growth of nearly 4 percent achieved in the life segment from successful distribution of new products is particularly gratifying.

Despite of severe weather related claims, the combined ratio stood at excellent 91.5 percent. Regardless of the devaluation of the Czech crown, profit (before taxes) rose a further 1.5 percent to a record value of EUR 197.8 million.

Slovakia – strong growth in life insurance

The Vienna Insurance Group companies in Slovakia consolidated their sustainable market leader position and extended their lead over the competition by around one percentage point to reach a market share of 34.5 percent.

Vienna Insurance Group was successful in implementing its strategy of outperforming the market: premiums rose by 5.8 percent to EUR 744.7 million, while the insurance market as a whole only grew by 2.7 percent. Life insurance showed particularly strong premium growth of 10.2 percent. Bank sales through local Erste Group subsidiary were especially successful, recording an impressive increase of 30.7 percent.

The Slovakian VIG companies earned profits (before taxes) of EUR 55.3 million and the combined ratio was once again an excellent 93.6 percent.

Poland – paradigm for earnings-oriented strategy

The Vienna Insurance Group companies earned total premiums of EUR 1.1 billion and are a strong number 3 in the competitive Polish insurance market. In non-motor, the Vienna Insurance Group companies achieved impressive premium growth of around 13 percent.

“Our activities in Poland are a paradigm for Vienna Insurance Group’s earnings-oriented strategy in the CEE region. Our Group companies follow a course of growth adjusted to the different phases of the market that appropriately takes into account the growth spurts and quiet phases of the market. This allows our Group to optimally exploit existing potential,” explained Peter Hagen, CEO of VIG.

Profit (before taxes) rose an impressive 20.8 percent to EUR 50.2 million and the combined ratio decreased again by 1.4 percentage points to a good level of 96.2 percent. This strengthens the profitability of the Vienna Insurance Group commitment to this market.

Romania – precautionary measures and restructuring

Financial year 2013 was not a pleasant year for Vienna Insurance Group in the Romanian market. The ongoing irrational price competition in the motor business, which was extensively cut back by the Group companies, led to a decrease in premiums to EUR 361.8 million (-11.5 percent).

Due to the difficult situation in the Romanian insurance market, far reaching restructuring measures were implemented and precautions were booked. These steps were taken in order to create a good foundation for the future development of the Group companies. At the same time, they led to a negative result (before taxes) of EUR 98.7 million, which had a substantial effect on the combined ratio, moving it far above the 100 percent mark.

Remaining markets – increase in premiums and profits

Vienna Insurance Group recorded strong growth of 8.8 percent in this segment in the financial year 2013, moving it above the EUR 1 billion mark in premiums for the first time. Premiums grew strongly both in life (+11.7 percent) and property and casualty (+8.2 percent) to reach a total of EUR 1.1 billion. Adjusted for exchange rate changes, premium growth even reached 11.4 percent.

“The very positive development in this segment is the result of our unique strategic position. Vienna Insurance Group has the broadest geographical base of all insurance groups in the CEE region and is using this to further expand its market leadership”, emphasized Peter Hagen.

The positive growth can be illustrated using several markets as examples. In Hungary a very satisfying premium growth of 14.6 percent was recorded, which was especially due to corporate business. In Serbia, Wiener Städtische Osiguranje achieved an outstanding increase of 17.9 percent in premiums, based primarily on very strong growth in life. Turkey continued its good performance with a growth of 5.5 percent – even higher when adjusted for exchange rate effects at 15.5 percent. Successful business expansion also continued in Bulgaria, where premiums rose by 3.9 percent.

The Baltic States proved to be a particularly dynamic growth region. The Group companies outgrew the life insurance market at an excellent rate of 35.5 percent. Profit (before taxes) was even higher, at an outstanding 42.6 percent.

Overall profit (before taxes) rose to a record high of EUR 40.3 million in this segment and the combined ratio was 98.6 percent.

Group Embedded Value – continued to increase

Calculated on the basis of international standards, the embedded value is the net asset value of Vienna Insurance Group plus the present value of potential future profits from existing life and health insurance contracts. It was certified by B&W Deloitte GmbH, Cologne.

The long-term viability of the insurance business of Vienna Insurance Group has been evidenced by the fact that the Group embedded value (after taxes) increased by 11.0 percent to EUR 6.2 billion (adjusted value for 2012: EUR 5.5 billion) as of 31 December 2013. With 6.0 percent, the CEE new business margin reached once more an excellent value by international comparison.

Consolidated Income Statement (IFRS) 1 January - 31 December 2013

(in EUR mn)	12M 2013	12M 2012	+/- %
Gross premiums written	9,218.6	9,646.0	-4.4
Net earned premiums	8,479.1	8,972.3	-5.5
Financial result	1,218.8	1,242.3	-1.9
Other income	143.9	115.3	24.8
Expenses for claims and insurance benefits	-7,210.6	-7,590.7	-5.0
Acquisition and administrative expenses	-1,866.3	-1,815.5	2.8
Other expenses	-409.8	-360.0	13.8
Profit before taxes	355.1	563.7	-37.0
Taxes	-98.8	-118.8	-16.9
Profit for the period	256.4	444.9	-42.4
Non-controlling interests	-21.6	-19.4	11.4
Net profit after non-controlling interests	234.8	425.5	-44.8
Combined Ratio (net in %)	100.6	96.7	3.9pp

Segment Reporting (IFRS) 1 January - 31 December 2013

Split by lines of business:

in EUR mn	Property&Casualty			Life			Health		
	12M 2013	12M 2012	+/- %	12M 2013	12M 2012	+/- %	12M 2013	12M 2012	+/- %
Gross premiums written	4,618.4	4,673.4	-1.2%	4,202.4	4,581.1	-8.3%	397.8	391.5	1.6%
Profit before Taxes	57.3	330.9	-82.7%	262.3	201.4	30.3%	35.6	31.4	13.3%

Split by regions:

in EUR mn	Austria			Czech Republic			Slovakia		
	12M 2013	12M 2012	+/- %	12M 2013	12M 2012	+/- %	12M 2013	12M 2012	+/- %
Gross premiums written Non-Life	2,229.4	2,244.2	-0.7%	892.0	958.5	-6.9%	326.1	324.2	0.6%
Gross premiums written Life	1,844.5	1,878.3	-1.8%	870.1	837.1	3.9%	418.6	379.9	10.2%
Gross premiums written Total	4,073.9	4,122.5	-1.2%	1,762.1	1,795.6	-1.9%	744.7	704.1	5.8%
Profit before Taxes	232.7	296.0	-21.4%	197.8	195.0	1.5%	55.3	56.9	-2.9%
Combined Ratio (net in %)	101.4	94.7	6.7pp	91.5	87.3	4.2pp	93.6	91.6	2pp

in EUR mn	Poland			Romania			Remaining		
	12M 2013	12M 2012	+/- %	12M 2013	12M 2012	+/- %	12M 2013	12M 2012	+/- %
Gross premiums written Non-Life	560.1	586.8	-4.5%	300.0	334.0	-10.2%	647.5	604.9	7.0%
Gross premiums written Life	582.2	1,025.0	-43.2%	61.8	74.6	-17.1%	414.2	370.6	11.7%
Gross premiums written Total	1,142.3	1,611.7	-29.1%	361.8	408.6	-11.5%	1,061.6	975.6	8.8%
Profit before Taxes	50.2	41.6	20.8%	-98.7	-44.9	>100	40.3	39.1	2.9%
Combined Ratio (net in %)	96.2	97.6	-1.4pp	179.4	119.2	60.2pp	98.6	98.2	0.4pp

in EUR mn	Central Functions			Consolidation			Total		
	12M 2013	12M 2012	+/- %	12M 2013	12M 2012	+/- %	12M 2013	12M 2012	+/- %
Gross premiums written Total	1,303.8	1,341.4	-2.8%	-1,231.6	-1,313.5	-6.2%	9,218.6	9,646.0	-4.4%
Profit before Taxes	-122.2	-20.1	>100	-0.2	0.1	n.a.	355.1	563.7	-37.0%
Net profit after non-controlling interests							234.8	425.5	-44.8%

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

The figures for 2012 have been restated according to IAS 8.41 and IAS 19.

Vienna Insurance Group (VIG) is the leading insurance specialist in Austria as well as in Central and Eastern Europe. About 50 companies in 25 countries form a Group with a long-standing tradition, strong brands and close customer relations. VIG looks back on 190 years of experience in the insurance business. With about 23,000 employees, Vienna Insurance Group is the clear market leader in its core markets. It is therefore excellently positioned to take advantage of the long-term growth opportunities in a region with 180 million people. The listed Vienna Insurance Group is the best-rated company of ATX, the leading index of Vienna Stock Exchange; its share is also listed on the Prague Stock Exchange.

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