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Actuarial reserve

A reserve calculated according to mathematical principles for future insurance payments in the life and health insurance areas. In the health insurance area, this is also referred to as an ageing reserve.

Annuity tables

Annuity tables are the most important calculation tool used in life and health insurance. The annuity tables used by insurers are based on the mortality tables derived from the population census. These are revised every ten years to take into account changing conditions, such as medical advances, improved living conditions.

Assets under management

Total capital assets that are valued at fair value, under management by the group, and where the group is responsible for asset performance.

Associated companies

The parent company and its subsidiaries are considered to be associated companies if the parent company is able to exert a control over the business policies of the subsidiary. Examples of this are where the parent company directly or indirectly holds more than half of all voting rights, a controlling agreement exists, or it is possible to appoint the majority of the members of the Managing Board or other executive bodies of the subsidiary (§ 244 HGB).

Available-for-sale securities

Available-for-sale securities include securities that were not acquired with the intention of being held-to-maturity, or for short-term trading purposes. These available-for-sale securities are recognised at market value as of the balance sheet reporting date. The difference between market value and amortised cost (unrealised gains and losses) is applied directly to equity.

Cash flow statement

A presentation of the changes in cash and cash equivalents during a fiscal year, broken down into the three areas of ordinary activities, investing activities, and financing activities.

CEE (Central and Eastern Europe)

Central and Eastern Europe. This includes Albania, Bosnia and Herzegovina, Bulgaria, Estonia, Georgia, Croatia, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russia, Serbia and Montenegro, Slovenia, Slovakia, the Czech Republic, the Ukraine, Hungary, and Belarus.

Ceded reinsurance premiums

Share of the premiums to which the reinsurer is entitled in return for reinsuring certain risks.

Combined ratio (net)

When the total of all items in the income statement that contribute to the result before taxes, except for income from capital assets and the value of gross earned premiums itself, is divided by gross earned premiums, the result is called the combined ratio. If this ratio is less than 100%, the company is earning a profit from the underwriting portion of the business. This ratio is only calculated for property and casualty insurance. Since the reinsurers' share is taken into account in the calculation, the result is a net combined ratio.

Consolidation

The financial assets of the parent company and those of the subsidiaries are combined when the consolidated financial statements are prepared by the parent company. During this process, intercompany capital combinations, profit/loss, payables and receivables, and income and expenses between group companies are eliminated.

Deposits on assumed and ceded reinsurance business

A claim by the reinsuring company against the ceding company for deposits that it retains. When business is assumed, the reinsurer's share of premiums and claims are retained as security by the ceding insurance company. The deposits on ceded reinsurance item is analogous.

Derivative financial instruments (derivatives)

Financial contracts whose value depends on the price of an underlying asset. Derivatives can be classified systematically according to the nature of the underlying asset (interest rates, share prices, currency rates, or commodity prices). Options, futures, forward and swaps are important examples of derivative financial instruments.

Direct business

Insurance business where an immediate legal relationship exists between the insurer and policyholder.

Earned premiums

The portion of premiums written which is allocated to the current fiscal year.

Earnings per share (basic/diluted)

The ratio of consolidated net income divided by the average number of shares outstanding. The diluted earnings per share include convertible securities that have been exercised, or are still available for exercise, in the calculation of the number of shares and net income. The convertible securities consist of convertible bonds and stock options.

Equity method

Shares in non-consolidated affiliated companies and non-profit companies, and shares in associated companies are recognised using this method. As a rule, the value recognised corresponds to the Group's proportional share of the equity in these companies. In the case of shares in companies that prepare their own consolidated financial statements, the consolidated equity is recognised instead. For current valuation, the value recognised is adjusted using a proportional share of changes to equity, with the shares in net income being allocated to consolidated net income and disbursed profit distributions deducted.

Expense ratio

The ratio of premium writing expenses and other operating expenses divided by earned premiums. The expense ratio is therefore made up of a premium writing expense ratio and an administrative expense ratio.

Expenses for insurance claims

These are comprised of the payments for insurance claims, payments for claims investigation, claims settlement, and claims prevention, and from the change in the associated reserves.

Financial result

Income and expenses for capital assets and interest. This includes, for example, income from securities, loans, real estate and equity interests, as well as bank interest, and expenses incurred in the financial area, such as scheduled depreciation on owned real estate, write-downs of securities to listed market prices, bank fees, etc.

Gross domestic product (GDP)

A measure of a country's economic production. All goods and services produced or provided within a country (by citizens or foreigners) during a specified period, valued at current prices (market prices) or constant prices (prices in a certain base year).

Gross/net

In insurance terminology, "gross/net" means before or after reinsurance has been deducted. ("For own account" is also used for "net"). In connection with income from equity interests, the term "net" is used when related expenses have already been deducted from income (e.g., write-offs and losses from sale). Therefore, (net) income from equity interests equals the profit or loss from these interests.

IAS

International Accounting Standards.

IFRS

International Financial Reporting Standards. Since 2002, the designation IFRS has stood for the overall framework of all standards adopted by the International Accounting Standards Board. Previously adopted standards continue to be referred to as International Accounting Standards (IAS).

Income from capital assets and interest income

Income from capital assets and other interest income is comprised of income from equity interests (from associated companies), income from land and buildings, income from other capital assets, income from write-ups, gains from the sale of capital assets, and other income from capital assets and interest income.

Indirect business

Insurance business where the company acts as a reinsurer.

Initial Public Offering (IPO)

Stock exchange listing of a company using an initial public offering.

Insurance density

Annual per capita insurance premiums, used as an indicator for the state of development of a country's insurance sector.

Insurance payments (net)

Expenses (after deducting reinsurance) for insurance claims.

Insurance penetration

Insurance premiums as a percentage of gross domestic product, used as an indicator for the state of development of a country's insurance sector.

Insurance supervisory authority

The Austrian insurance supervisory authority is the Financial Market Authority (FMA), an independent government agency which supervises the operations of all insurance companies, banks, and employee retirement and pension funds in Austria.

Loss ratio

The percentage ratio of expenses for insurance claims divided by gross earned premiums. The calculation is based on the expenses for insurance claims in the income statement less claims handling expenses.

Losses incurred but not reported

Losses that are reported in the current fiscal year but occurred in the previous year. Each year as of the balance sheet reporting date, a reserve (= incurred but not reported reserve, IBNR) is formed for losses that relate to the financial statement year but are not reported until the following year.

Market value

The value of an asset on the balance sheet that can be realised by selling it in the market to a third party.

Minority interest

Shares in the equity of affiliated companies that are not held by Group companies.

Minority interest in net income/loss

The share of net income/loss allocated not to the Group, but to shareholders outside of the Group holding interests in associated companies.

Non-life

Non-life insurance includes the property and casualty insurance and health insurance segments.

Operating expenses

Operating expenses for retained insurance business are broken down into policy writing expenses, and other operating expenses, less reinsurance commissions and profit commissions for reinsurance cessions. Expenses for claims investigation, loss prevention, and claims processing (claims handling expenses) or for making insurance payments (settlement costs) are shown in the expenses for insurance claims item.

Options

Derivative financial instruments which entitle, but do not obligate, the buyer to purchase (call option) or sell (put option) an underlying asset at a future point in time for a specified price. In contrast, the seller of the option is obligated to deliver or purchase the asset and receives a premium for providing the option.

Premium

Agreed fee paid in exchange for assumption of risk by an insurance company.

Premium refund (profit-dependent)

The policyholder's profit participation in the profit of the insurance class in question (life / health / property and casualty).

Premium refund (profit-independent)

Contractually accorded refund of premiums to the policyholder.

Premiums written

Directly premiums written are comprised of set premiums, not including premium or fire service taxes, plus policyholder collateral payments, reduced by premiums cancelled during the fiscal year. In indirect business, the premiums written correspond to the premiums that the ceding insurer has indicated for offset. In co-insurance business, the premiums written by each co-insurer correspond to the share of premiums allotted to it.

Profit participation

See premium refund (profit-dependent).

Real GDP

Real GDP is GDP that has been adjusted to remove inflation. Inflation is removed by using the market prices in a base year to value all goods and services and removing all price increases from the calculations (GDP at constant prices).

Reinsurance

Reinsurance is when an insurance company insures a portion of its risk with another insurance company.

Result from ordinary activities

The result before taxes from activities that a company undertakes as part of its ordinary business. This item does not include extraordinary items, such as income or expenses from events or transactions that clearly differ from the company's ordinary activities and cannot be assumed to recur frequently or regularly.

Retained earnings

Retained earnings are the profits generated by the company that have not been distributed as dividends.

Return on equity (RoE)

Profit before taxes as a percentage of average equity, calculated using values at the beginning and end of the year.

Securities held to maturity

Held-to-maturity securities comprise debt securities that are intended to be held to maturity, and can be held to maturity. They are recognised "at amortised cost".

Segment reporting

Presentation of the consolidated financial statements broken down according to the property and casualty insurance, life insurance, and health insurance areas as primary segments, and according to regions as secondary segments.

Underwriting provisions

These consist of the reserve for outstanding claims, actuarial reserve, unearned premiums, reserves for profit-dependent and profit-independent premium refunds, the equalisation provision, and other underwriting reserves.

Unearned premiums

Premiums written that are to be included in the profit / loss calculation of future fiscal years. As a rule, the calculation is performed to the day for each individual insurance policy.

Unit-linked and index-linked life insurance

Insurance policies where the capital investment is made at the policyholder's risk. The capital assets in this area are valued at fair value, with the underwriting reserves shown at the value of the capital assets.

VAG

The Austrian Insurance Supervision Act (Versicherungsaufsichtsgesetz) includes provisions governing the organisation and supervision of insurance companies.

Vienna Insurance Group (VIG)

Umbrella brand of the Wiener Städtische Group.

Volatility

Fluctuations in security prices, currency rates, and interest rates.

Wiener Städtische AG

A shortened name for Wiener Städtische Allgemeine Versicherung Aktiengesellschaft.

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Notes

This annual report also includes forward-looking statements based on current assumption and estimates that are made by the Management of Wiener Städtische Allgemeine Versicherung Aktiengesellschaft to the best of its knowledge. Information offered using the words "expectation" or "target" or similar formulations indicate such forward-looking statement. The projections that are related to the future development of the company represent estimates that were made on the basis of the information available as of the date on which this annual report went to press. Actual results may differ from the forecast if the assumptions underlying the forecast fail to materialize or if risks arise at a level that was not anticipated.

The annual report was prepared with the greatest possible diligence in order to ensure that the information provided in all parts is correct and complete. Rounding, type-setting and printing errors can nevertheless not be completely ruled out.

Our aim was to keep the Annual Report as easily and fluently readable as possible. To this end, we have dispensed with wordings such as "Clients – he/she" or "Employees – he/she." It should be understood that the text always refers to women and to men equally without any discrimination whatsoever.

In cases of doubt, the German version is authoritative.

Editorial deadline

7 April 2006

General Information:

Editor and media owner:

Wiener Städtische Allgemeine Versicherung Aktiengesellschaft

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DPR Number: 0016705

The annual report is available in the German and in the English language and can also be downloaded in both languages as a pdf file from our website (www.wienerstaedtische.at) under Investor Relations. On the website, you will also find an online version of the annual report specially adapted for the Internet (including a search function).

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