

VIENNA INSURANCE GROUP WIENER STÄDTISCHE VERSICHERUNG AG

Supplementary information on the Group Embedded Value results for 2009

1. Introduction

The VIENNA INSURANCE GROUP WIENER STÄDTISCHE Versicherung AG (VIG) last disclosed its Group Embedded Value (GEV) results in March 2009 for the year 2008. The disclosure included the European Embedded Value (EEV) or the Traditional Embedded Value (TEV) for the majority of the Life and Health (L&H) businesses, and the Adjusted Net Asset Value (ANAV) for the majority of Property & Casualty (P&C) businesses.

In accordance with VIG's goal of continually improving the GEV reporting, VIG has changed from the TEV to the EEV methodology for PCS in Czech Republic and PSLSP in Slovakia.

VIG has a successful track record of dynamic expansion in Central and Eastern Europe (CEE). The integration of the acquired businesses in VIG, and the resultant restructuring, is in some cases still ongoing. It has therefore not been possible to determine the EEV, TEV or ANAV for all the companies in CEE. These companies have been included in the GEV on the basis of the IFRS book values as shown in VIG's IFRS accounts. VIG RE, which is based in Prague, was founded at the end of 2008. A number of group internal and also external treaties were transferred from WSTV in Austria to VIG RE during the course of 2009. However, the present value of the expected profits from these treaties has not been determined. VIG RE has been included in the GEV on the basis of the IFRS book value.

Table 1 below shows the companies for which the EEV, TEV or ANAV has been calculated and the corresponding valuation methodology. The EEV or TEV is determined for the L&H businesses and the ANAV for the P&C businesses.

Table 1

Country	Company	Valuation methodology
Austria	WSTV DONAU S-VERS.	EEV and ANAV EEV and ANAV EEV
Germany	INTERRISK INTERRISK LIFE	ANAV TEV
Czech Republic	KOOPERATIVA CPP PCS	EEV and ANAV EEV and ANAV EEV
Slovakia	KOOPERATIVA PSLSP	EEV and ANAV EEV
Hungary	UNION ERSTE	TEV and ANAV TEV
Poland	COMPENSA COMPENSA LIFE BENEFIA BENEFIA LIFE TU PZM INTERRISK	ANAV TEV ANAV TEV ANAV ANAV
Romania	BCR LIFE	TEV
Croatia	ERSTE	TEV

The covered business includes all the L&H businesses within VIG on the basis of the EEV, TEV or IFRS book value. Where one part of the covered business has an interest in a business for which an EEV, TEV or ANAV has been determined, the ANAV of that business excludes the book value and any unrealized capital gains in respect of the dependent business.

VIG has applied a bottom-up methodology in setting the economic assumptions for the EEV calculations. The CFO Forum of European Insurers' Market Consistent Embedded Value Principles¹ ("the Principles") are not mandatory until the reporting year 2011. VIG upgraded its GEV methodology for the previous reporting period to allow for many of the important aspects of the Principles. (e.g. the Cost of Residual Non-Hedgeable Risks has been determined for the EEV businesses).

In December 2008 the CFO Forum concluded that the market environment displayed highly unusual characteristics including very high credit spreads on fixed income securities and also high interest rate and equity volatilities. In order to appropriately reflect the long term and relatively illiquid nature of the insurance liabilities, VIG applied liquidity margins to the swap rates for the GEV at December 31, 2008 and 2009 as detailed in Section 4.1.

The directors of VIG acknowledge their responsibility for the preparation of the supplementary information. B&W Deloitte GmbH, Cologne, has been retained to review VIG's GEV calculation. The scope and the results of its independent review are set out in the Appendix A.

The GEV disclosure should not be viewed as a substitute for VIG's primary financial statements.

2. Summary of results

The GEV is an estimate of the economic value of insurance business including future profits on existing business, but excluding any profits on future business. It corresponds to the total net of tax statutory profits distributable to the shareholders after allowance for the risks included in the covered business.

The GEV includes the following components:

- ANAV – for the P&C business only this component is included
- Value of In-Force (VIF) determined as
 - Present Value of Future Profits (PVFP) minus
 - Time Value of Financial Options and Guarantees (TVFOG) minus
 - Frictional Cost of Required Capital (FCRC) for the EEV or Cost of Capital (CoC) for the TEV minus
 - Cost of Residual Non-Hedgeable Risks (CRNHR)

The TVFOG and CRNHR have only been explicitly determined for the EEV businesses.

All the values shown in this disclosure are after tax and exclude minority interests unless otherwise stated. The results are generally shown separately for Austria and Germany (A/G) and CEE.

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2.1 Group Embedded Value

The following table shows the GEV results for the year ending December 31, 2009 and the restated GEV results for the year ending December 31, 2008.

€ mn Table 2

	L&H		P&C		Total	
	2009	2008(*)	2009	2008(*)	2009	2008(*)
Austria / Germany						
Free Surplus	227.6	351.0				
Required Capital	356.7	320.5				
ANAV	584.2	671.4	73.3	164.4	657.6	835.8
PVFP	1,440.3	1,304.8			1,440.3	1,304.8
- TVFOG	- 180.2	- 199.8			- 180.2	- 199.8
- CoC/FCRC	- 55.4	- 43.9			- 55.4	- 43.9
- CRNHR	- 104.8	- 73.6			- 104.8	- 73.6
VIF	1,099.9	987.4			1,099.9	987.4
Subtotal A/G	1,684.2	1,658.9	73.3	164.4	1,757.5	1,823.3
CEE						
Free Surplus	301.7	242.8				
Required Capital	147.6	135.4				
ANAV	449.3	378.2	1,734.4	1,541.4	2,183.7	1,919.6
PVFP	740.2	622.3			740.2	622.3
- TVFOG	- 46.5	- 47.2			- 46.5	- 47.2
- CoC/FCRC	- 15.8	- 15.8			- 15.8	- 15.8
- CRNHR	- 33.8	- 38.2			- 33.8	- 38.2
VIF	644.1	521.0			644.1	521.0
Subtotal CEE	1,093.3	899.2	1,734.4	1,541.4	2,827.7	2,440.6
Total	2,777.5	2,558.0	1,807.7	1,705.8	4,585.3	4,263.9

(*) The results shown above for 2008 are after restatement

The results as at December 31, 2008 have been restated. The restatement of the reported 2008 results includes:

- the impact of methodology change to EEV for PCS and PSLSP;
- the impact of the transfer of various reinsurance treaties from WSTV to VIG RE, and also new internal reinsurance treaties with VIG RE;
- the impact of changing the assumed medical inflation rate for WSTV health business in Austria;
- the inclusion of BCR's P&C business on basis of its IFRS book value as shown in VIG's IFRS accounts instead of the ANAV.

In addition to the ANAV shown above for the P&C companies, the VIF has been calculated for personal lines segments of WSTV and DONAU sold through VIG's employed sales force. Internal analyses show that the development of the in force portfolio for these personal lines segments is reasonably predictable and can be compared to the run-off of an existing life insurance portfolio. This VIF after the cost of capital, excluding any value arising from new business sold in the future to new policyholders, amounts to € 618.0 mn as at December 31, 2009 (€ 616.0 mn as at December 31, 2008). The development of the VIF is one of the key performance indicators used internally to manage this business. Owing to the lack of comparable figures from peer companies, the VIF for the P&C business has been excluded from the GEV shown above and has not been subject to an independent review in 2009.

2.2 Return on GEV by segment

The return on GEV split by the regions A/G and CEE, and the segments L&H and P&C allows for the transfers between segments and regions.

€mn

Table 3

	L&H		P&C		Total	
Austria / Germany						
EV Dec 31, 2009	1,684.2		73.3		1,757.5	
EV Dec 31, 2008 Reported	1,670.3		151.4		1,821.7	
EV Dec 31, 2008 Restated	1,658.9		164.4		1,823.3	
EV Dec 31, 2008 Restated and Adjusted	1,516.8		- 16.1		1,500.7	
Dividends	- 58.9		- 186.7		- 245.6	
Closing Adjustments	- 11.0		- 23.8		- 34.8	
<i>Return on EV</i>	<i>178.4</i>	<i>11.8%</i>	<i>113.2</i>	<i>>100%</i>	<i>291.6</i>	<i>19.4%</i>
CEE						
EV Dec 31, 2009	1,093.3		1,734.4		2,827.7	
EV Dec 31, 2008 Reported	969.1		1,371.6		2,340.7	
EV Dec 31, 2008 Restated	899.2		1,541.4		2,440.6	
EV Dec 31, 2008 Restated and Adjusted	901.5		1,572.0		2,473.5	
Dividends	- 3.1		- 7.3		- 10.4	
Closing Adjustments	12.8		21.9		34.7	
<i>Return on EV</i>	<i>179.0</i>	<i>19.9%</i>	<i>140.5</i>	<i>8.9%</i>	<i>319.5</i>	<i>12.9%</i>
Return on Total GEV	357.4	14.8%	253.7	16.3%	611.1	15.4%

The opening adjustments included in the restated and adjusted results include:

- dividends of € 256.0 mn paid in 2009 for the reporting year 2008;
- transfers of holdings in subsidiaries between segments (i.e. L&H and/or P&C in A/G and/or CEE);
- the impact of foreign exchange movements.

The return on GEV after restatement and adjustments in 2009 can be explained by the following factors:

- The total surplus in claims reserves remains stable compared to 2008 and therefore has no impact on the development of the ANAV for the P&C segments.
- The overall increase of the ANAV for the P&C segments is driven by a narrowing of the credit spreads and a recovery in the equity markets.
- The EEV for the L&H segment in A/G has increased. The free surplus in the ANAV has declined due to the payment of a bonus dividend. The VIF for the life business has increased as a result of higher long term interest rates combined with narrowing credit spreads on fixed income assets and a recovery in the equity markets. The operating result continues to be positive as a result of the value of new business and the ongoing execution of a group wide cost reduction program.
- The EEV and TEV for the life businesses in CEE have increased significantly. The ANAV has increased due to retained profits. The VIF has increased due to the value of new business and positive experience variances.
- The closing adjustments show the internal capital increases from the P&C and L&H segments in A/G to the P&C and L&H segments in CEE.

2.3 New Business Value (NBV)

The NBV is calculated as the VIF for the new business sold in 2009 less the new business strain, the CoC for the TEV businesses or the TVFOG, FCRC and CRNHR for the EEV businesses. The L&H companies in Austria do not defer acquisition costs for the traditional life insurance business in the local statutory accounts or in VIG's consolidated IFRS accounts. Therefore the new business strain for the Austrian business also includes the complete acquisition expenses.

The NBV has only been calculated for the L&H business and the following table shows the results for 2009 and restated 2008. The restated 2008 results allow for the PCS and PSLSP new business on an EEV basis.

Table 4

€ mn	2009	2008(*)	+ / - %
Austria / Germany			
NBV	51.0	62.8	- 18.8%
APE	203.8	259.1	
<i>APE-Ratio</i>	<i>25.0%</i>	<i>24.2%</i>	+ 3.2%
PVNBP	1,991.1	2,529.8	
<i>PVNBP-Ratio</i>	<i>2.6%</i>	<i>2.5%</i>	+ 3.1%
CEE			
NBV	77.1	84.4	- 8.7%
APE	184.9	211.1	
<i>APE-Ratio</i>	<i>41.7%</i>	<i>40.0%</i>	+ 4.2%
PVNBP	1,186.8	1,250.7	
<i>PVNBP-Ratio</i>	<i>6.5%</i>	<i>6.8%</i>	- 3.8%
NBV-Total	128.1	147.3	- 13.0%
APE-Total	388.7	470.2	
<i>APE-Ratio Total</i>	<i>32.9%</i>	<i>31.3%</i>	+ 5.2%
PVNBP-Total	3,177.9	3,780.5	
<i>PVNBP-Ratio Total</i>	<i>4.0%</i>	<i>3.9%</i>	+ 3.5%

(*) The results shown above for 2008 are after restatement

The NBV has decreased due to lower sales volumes on the participating life insurance business. The margins have remained stable and the overall APE-Ratio and PVNBP-Ratio increased compared to 2008.

3. Methodology

The shareholders' interest in the covered business is represented by the GEV. The components of the GEV are described below. Calculations are performed separately for each business and are based on the cash flows of that business after allowing for both external and intra-group reinsurance.

3.1 Adjusted Net Asset Value

The ANAV is defined as:

- the shareholders' funds under the local GAAP bases including the profit or loss for the reporting year prior to the valuation date;
- plus the "untaxed reserves" after tax – these reserves are available to cover the solvency requirements and are not required to cover the liabilities on the basis of the best estimate assumptions;
- plus the shareholders' share of the unrealized capital gains after tax to the extent that these are not included in the calculation of the VIF for the L&H businesses;

- plus the surplus in claims reserves (SCR) after tax (only for the P&C businesses);
- less goodwill and other intangible items after tax in respect of the companies for which the EEV, TEV or surplus in claims reserves after tax (SCR) has been calculated;
- less the after tax difference between the IFRS and local GAAP pension liabilities;
- less the difference between the market and nominal value of the subordinated debt.

WSTV in Austria is a composite insurance company and its assets are split between the operating segments (i.e. P&C, Life and Health) on the basis of the statutory balance sheets. The assets for the L&H operating segments are further split between the participating business, non-participating business and shareholder fund. In Austria it is possible to transfer assets between the operating segments on the basis of their book values.

In 2008 all VIG's insurance subsidiaries were allocated to the P&C segment of WSTV with the exception of DONAU, INTERRISK in Germany and VIG RE, which were allocated to the shareholder fund of the Life segment. In 2009 a 15.7% share of WSTV's stake in s-VERSICHERUNG was additionally allocated to the life segment of WSTV.

The after tax unrealized capital gains for the P&C segment have been fully allocated to the shareholders and have been included in the ANAV. For the Life segment the unrealized capital gains have been included in the calculation of the VIF to the extent that they were required to support the policyholder profit participation. The balance has been included in the ANAV after allowing for the relevant minimum profit participation rules and the company's profit participation strategy. The unrealized capital gains for the Health segment have been divided 13%:87% between the ANAV and VIF.

For the P&C businesses, the SCR is the amount by which the claims reserves (including the claims equalization reserves) in the local statutory balance sheets exceed a given actuarial best estimate of the required reserve. The best estimate reserve has been defined as the mean of the eventual payments that will be made in respect of outstanding claims from the in force portfolio, whether currently reported or not. Carrying an accounted reserve with a surplus means that the accounted reserve includes a margin above the expected value of the eventual claims payments. This margin allows for a degree of adverse claims settlement outcome without exhausting the reserve. Future claims payments are not discounted in the calculation of the SCR.

The SCR in Slovakia allows for a part of VIG's expected future share of the IBNR claims arising from motor liability portfolio of the former national monopoly insurer. In accordance with local legislation, the full "SKP" best estimate liability has to be included in the reserves starting from May 1, 2010. Two-thirds of "SKP" reserve was recognized in the booked reserves at the end of 2009. Thus another one-third of the best estimate liability has been included in the estimation of the SCR at that date.

The ANAV (€ 1,033.5 mn at December 31, 2009 and € 1,049.6 mn at December 31, 2008) for the L&H companies is split into Required Capital (€ 504.3 mn at December 31, 2009 and € 455.9 mn at December 31, 2008) and Free Surplus (€ 529.3 mn at December 31, 2009 and € 593.8 mn at December 31, 2008).

The Required Capital for each L&H company or segment has been determined as the maximum of (i) the standalone capital requirements under VIG's internal risk capital model or (ii) consistent with the capital requirements determined by Standard & Poor's for an A rating, 150% of the statutory solvency margin for the L&H segments of WSTV in Austria and 100% of the statutory solvency margin for all other companies. These requirements are reduced to allow for subordinated debt and the funds for future policyholder profit participation to the extent that these are available and can be used to cover the statutory solvency margin. The Free Surplus is the ANAV in excess of the total Required Capital covered by the shareholders' funds.

3.2 Value of In-Force and Financial Options and Guarantees

The VIF calculated for the L&H companies is the value of the projected net of tax statutory distributable profits arising from the in force business. It does not include profits from future new business.

The EEV and the TEV for the life businesses allow for each company's profit participation strategy and also the local minimum legal requirements for profit sharing.

The PVFP for the EEV companies is determined by projecting cash flows under the assumption that the future investment returns on all assets are equal to the rates implied by the reference interest curve at the valuation date. The other assumptions (including expenses, surrender rates, mortality and morbidity rates, shareholder participation rates and tax rates) are set on a best estimate basis that reflects each business' recent experience and expected future trends. Where appropriate, the projection models allow for management actions and policyholder behavior, i.e. some assumptions (e.g. the asset allocation or surrender rates) vary depending on the future economic conditions. The resulting statutory shareholder profits are discounted at the reference interest rates and this is defined as the "certainty equivalent" PVFP. This value takes account of the intrinsic value of financial options and guarantees.

The PVFP for the TEV companies is determined by projecting cash flows using best estimate investment return assumptions. The resulting projected shareholder profits are discounted at risk discount rates that include an implicit margin to cover aggregate risks.

The TVFOG are valued explicitly for the EEV companies as the difference between the "stochastic" PVFP and the "certainty equivalent" PVFP. The "stochastic" PVFP is defined as the average – over one thousand economic scenarios – of the discounted value of the projected after-tax statutory shareholder profits. The economic scenarios represent possible future outcomes for capital market variables such as interest rates, equity returns and inflation.

3.3 Frictional Cost of Required Capital and Cost of Capital

The FCRC for the EEV companies has been calculated as the present value at the reference interest rates of the frictional costs on the total Required Capital. The frictional costs on the Required Capital covered by the shareholders' funds have been defined as the sum of the corporation tax on the future investment returns and investment expenses.

The CoC for the TEV companies has been calculated as the present value of the difference between the risk discount rate and the after-tax investment return to shareholders applied to the proportion of the total Required Capital covered by the shareholders' funds.

The same definitions for the FCRC and CoC have been applied for the in force business and the new business.

3.4 Cost of Residual Non-Hedgeable Risks

The CRNHR, that have only been determined for the EEV businesses, allow for the non-financial (i.e. mortality, morbidity, lapse and expense) and operational risks on the basis of the cost of holding risk capital to cover these risks. The risk capital is based on VIG's internal risk capital model and is equal to the stand alone risk capital at the 99.5% percentile. The internal risk capital model has been cross-checked with the QIS 4 technical specifications. No allowance has been made for diversification between companies or between financial, non-financial or operating risks. The risk capital is projected over the life time of the portfolio on the basis of projected reserves, premiums or other relevant drivers. The same drivers are used to project the risk capital for in force and new business.

3.5 New Business Value

The NBV represents the value generated by new business sold during the reporting period. New business premiums are defined as premiums arising from sales of new contracts during the period and renewals on these contracts. New business includes policies where a new contract is signed or underwriting is carried out. Renewal premiums include contractual renewals and changes to health insurance premiums due to medical inflation.

4. Assumptions

4.1 Economic assumptions

The reference interest rates used for the EEV calculations at December 31, 2009 and 2008 are shown in Table 5 below. They are based on the corresponding swap rates and the values at December 31, 2009 include a liquidity spread of 0.25% (0.50% at December 31, 2008) for all terms.

Table 5

Reference rate	EUR		CZK	
	2009	2008	2009	2008
1 year	1.56%	3.18%	1.91%	4.83%
2 year	2.10%	3.32%	2.49%	3.78%
5 years	3.09%	3.76%	3.30%	3.40%
10 years	3.95%	4.30%	3.91%	3.79%
20 years	4.48%	4.40%	4.23%	3.89%

The swaption implied volatilities and the equity option volatilities used to calibrate the economic scenario generator as at December 31, 2009 are based on implied volatilities as at December 31, 2009. The volatilities used to calibrate the economic scenario generator as at December 31, 2008 are based on average volatilities over 2008. The swaption volatilities are shown in Table 6 and the equity option volatilities are shown in Table 7.

Table 6

Option Term	Interest rate volatility (*)			
	EUR		CZK	
	2009	2008	2009	2008
1 year	20.18%	15.01%	20.97%	17.02%
2 year	18.72%	14.23%	19.64%	15.86%
5 years	16.10%	12.72%	16.82%	13.31%
10 years	14.40%	12.26%	14.91%	12.74%
20 years	16.15%	16.46%	20.41%	13.64%

(*) Volatilities implied in option on 10-year swaps at the money

Table 7

Term	Equity volatility			
	EUR		CZK	
	2009	2008	2009	2008
1 year	23.91%	27.87%	25.38%	28.35%
2 year	24.73%	28.65%	26.10%	28.68%
5 years	26.17%	29.70%	27.08%	28.88%
10 years	28.81%	31.65%	28.97%	29.63%
20 years	32.62%	34.71%	32.36%	30.99%

The correlation assumptions used to calibrate the economic scenarios are based on historic market data.

The weighted average new money investment return assumptions used for the TEV calculations are based on the corresponding 10 year government bond rates with positive or negative margins for the non fixed income asset classes. Table 8 shows the weighted average new money investment returns and also the risk discount rates.

Table 8

Country	2009			2008		
	Risk discount rate	10 year govt bond	Weighted average new money return	Risk discount rate	10 year govt bond	Weighted average new money return
Croatia (*)	9.71%	5.71%	5.72%	10.46%	6.46%	6.56%
Poland	10.31%	6.31%	6.34%	9.36%	5.36%	5.36%
Hungary	12.02%	8.02%	8.03%	12,28%	8,28%	8,58%
Romania (**)	14.09%	10.09%	10.29%	15.90%	11.90%	12.36%

(*) 7-year EUR government bond, as 10-year bonds are not available

(**) 9-year RON government bond, as 10-year bonds are not available

The price inflation assumptions for the EEV businesses are scenario dependent and are set with regard to the assumed reference rates. The price inflation assumptions for the TEV businesses are set with regard to the 10 year government bond rates. The medical inflation rates assumed for the Austrian health insurance business were fixed at 2.0% p.a. for the December 31, 2009 calculations and the December 31, 2008 restated calculations. In the previous reporting year the medical inflation rates were assumed to be 2.0% reducing to 1.0% over 10 years.

The capital charge assumed for the CRNHR is 2% p.a. on the projected risk capital for both 2009 and 2008.

Table 9 shows the foreign currency exchange rates against EUR and also the assumed tax rates.

Table 9

	Exchange rate		Tax rate	
	2009	2008	2009	2008
Austria	-	-	25.00%	25.00%
Germany	-	-	30.00%	30.00%
Czech Republic	26.47	26.88	20% (2009) 19% (2010+)	21% (2008) 20% (2009) 19% (2010+)
Croatia	7.30	7.36	20.00%	20.00%
Slovakia	1.00	30.13	19.00%	19.00%
Poland	4.10	4.15	19.00%	19.00%
Hungary	270.42	266.70	20.00%	20.00%
Romania	4.24	4.02	16.00%	16.00%

4.2 Operating assumptions

Shareholder returns for with-profit business are determined in accordance with local legal minimum profit participation rules and are consistent each company's practice.

The assumed profit sharing for the Austrian Health insurance business, in accordance with current practice, has been limited to the "no claims bonus". It does not allow for the minimum profit sharing rules that were introduced by the Austrian Supervisory Authority (FMA) in 2007, because these rules are not applicable to WSTV's health insurance portfolio as at December 31, 2009.

Other actuarial assumptions such as mortality and morbidity rates, surrender and annuity take-up rates have been included on a best estimate basis. These assumptions are reviewed regularly and adjusted to reflect historical experience and expected trends.

Expense assumptions have been based on the companies' recent experience without anticipating future expense improvements. No expenses have been excluded as one-off expenses and all the expenses within VIG, including corporate center expenses, have been allocated to the operating segments L&H or P&C.

5. Analysis of change

The following tables show the analysis of change in the EEV and TEV for the L&H business in total and also separately for A/G and CEE.

€ mn

Table 10

	VIG		EEV	
	Free Surplus	Required Capital	VIF	EEV
Value as at Dec 31, 2008 reported	710.2	455.9	1,473.3	2,639.4
Value as at Dec 31, 2008 restated	593.7	455.9	1,508.4	2,558.0
Capital and Dividend Flows	- 62.0	0.0	0.0	- 62.0
Foreign Exchange Variances	1.4	1.1	3.6	6.1
Acquired/Divested Businesses	- 89.3	2.1	3.4	- 83.8
Value as at Dec 31, 2008 restated and adjusted	443.8	459.0	1,515.5	2,418.3
New Business Value	- 137.8	45.5	220.4	128.1
Roll forward reference rate	42.6	- 5.1	75.8	113.2
Roll forward excess rate	10.3	- 0.8	20.9	30.4
Transfers from VIF and required capital to free surplus	201.8	- 6.8	- 195.0	0.0
Experience Variance	- 2.8	5.8	50.1	53.2
Assumptions changes	- 5.8	4.3	8.6	7.1
Other operating variance	0.1	1.1	- 27.6	- 26.5
Operating EEV earnings	108.3	44.1	153.1	305.5
Economic Variance	- 23.0	- 0.5	77.8	54.4
Other non operating variance	- 1.7	1.7	- 2.5	- 2.5
Total EEV earnings	83.6	45.3	228.5	357.4
Closing adjustments	1.8	0.0	0.0	1.8
Value as at Dec 31, 2009	529.3	504.3	1,744.0	2,777.5

€ mn

Table 11

	A/G EEV			
	Free Surplus	Required Capital	VIF	EEV
Value as at Dec 31, 2008 reported	403.6	320.5	946.2	1,670.3
Value as at Dec 31, 2008 restated	351.0	320.5	987.4	1,658.9
Capital and Dividend Flows	- 58.9	0.0	0.0	- 58.9
Foreign Exchange Variances	0.0	0.0	0.0	0.0
Acquired/Divested Businesses	- 88.6	2.1	3.4	- 83.1
Value as at Dec 31, 2008 restated and adjusted	203.4	322.6	990.8	1,516.8
New Business Value	- 75.3	23.5	102.8	51.0
Roll forward reference rate	25.0	- 1.8	48.6	71.8
Roll forward excess rate	11.6	0.3	18.1	30.0
Transfers from VIF and required capital to free surplus	124.7	- 3.9	- 120.8	0.0
Experience Variance	- 13.6	11.7	20.4	18.5
Assumptions changes	- 5.7	4.1	1.9	0.4
Other operating variance	0.1	0.8	- 35.5	- 34.6
Operating EEV earnings	66.9	34.6	35.6	137.1
Economic Variance	- 31.7	- 0.5	73.5	41.3
Other non operating variance	0.0	0.0	0.0	0.0
Total EEV earnings	35.1	34.1	109.1	178.3
Closing adjustments	- 11.0	0.0	0.0	- 11.0
Value as at Dec 31, 2009	227.6	356.7	1,099.9	1,684.2

€ mn

Table 12

	CEE EEV/TEV			
	Free Surplus	Required Capital	VIF	EEV
Value as at Dec 31, 2008 reported	306.6	135.4	527.1	969.1
Value as at Dec 31, 2008 restated	242.8	135.4	521.0	899.2
Capital and Dividend Flows	- 3.1	0.0	0.0	- 3.1
Foreign Exchange Variances	1.4	1.1	3.6	6.1
Acquired/Divested Businesses	- 0.7	0.0	0.0	- 0.7
Value as at Dec 31, 2008 restated and adjusted	240.4	136.4	524.7	901.5
New Business Value	- 62.5	22.0	117.6	77.1
Roll forward reference rate	17.6	- 3.3	27.1	41.4
Roll forward excess rate	- 1.3	- 1.0	2.7	0.4
Transfers from VIF and required capital to free surplus	77.1	- 2.9	- 74.2	0.0
Experience Variance	10.8	- 5.9	29.7	34.6
Assumptions changes	- 0.1	0.2	6.7	6.8
Other operating variance	0.0	0.3	7.9	8.1
Operating EEV earnings	41.4	9.5	117.6	168.4
Economic Variance	8.8	0.0	4.3	13.1
Other non operating variance	- 1.7	1.7	- 2.5	- 2.5
Total EEV earnings	48.5	11.2	119.4	179.1
Closing adjustments	12.8	0.0	0.0	12.8
Value as at Dec 31, 2009	301.7	147.6	644.1	1,093.3

The total impact of the restatement to the 2008 reported results is € -81.4 mn resulting from the changes in methodology, and the change in the scope of the companies included in the EEV/TEV reporting.

The opening adjustments of € -139.7 mn include:

- the transfer of subsidiaries between the L&H and P&C segments in A/G and CEE at book or market value;
- the dividends paid to shareholders from L&H segment in 2009;
- the impact of exchange rate movements.

The NBV at the point of sale for A/G is € 51.0 mn. The significant decrease to the free surplus is due of the non-deferral of the acquisition expenses for the conventional business in Austria and this is compensated by the high VIF. The NBV for CEE is € 77.1 mn.

The expected existing business contribution on the basis of the reference rate for A/G is € 71.8 mn. This represents the unwind at the reference rate of all the components of the EEV with the exception of the free surplus which increases at the reference rate after tax. This unwind also includes a release of the TVFOG for one year. The corresponding result for CEE is € 41.4 mn. The unwind for the TEV businesses is also on the basis of the reference rates.

The expected existing business contribution in excess of the reference rates reflects the differences between management's best estimates for the investment returns on assets and the reference rates for the EEV companies, and the differences between the risk discount rates and the reference rates for the TEV companies. The total impact is € 30.4 mn.

The experience variance is € 18.5 mn for A/G and € 34.6 mn for CEE. These amounts include a number of positive and negative variances. The main drivers are the positive effects of the cost efficiency program and the negative impact of the profit participation for life insurance financed by a release of the surplus reserve.

The impact of the assumption changes is € 0.4 mn for A/G and € 6.8 mn for CEE. These amounts result from different assumption changes of minor consequence, e.g. assumptions related to lapse rates and expenses.

The other operating variances of € -34.6 mn in A/G and € 8.1 mn in CEE arise mainly from a number of model improvements and corrections. The most significant of these effects is a change of methodology applied for the evaluation of CRNHR in A/G.

The economic variance in A/G amounts to € 41.3 mn. The free surplus has reduced due to a conscious decision to retain unrealised gains. These unrealised gains, which result mainly from a narrowing of the credit spreads and a recovery in the equity markets lead to an increase in the VIF. Additionally, the TVFOGs have decreased due to higher long term interest rates and lower interest and equity volatility. The economic variance in CEE of € 13.1 mn is also positive but less significant than the impact in A/G.

The closing adjustments of € -11.0 mn in A/G and € 12.8 mn in CEE reflect consolidation effects due to internal transfers between segments made during 2009.

6. Sensitivity Analysis

The sensitivities for the EEV results for the L&H business assume the same management actions and policyholder behaviour as for the base case. The TEV sensitivities assume that other directly related parameters are changed (e.g. the risk discount rate is also adjusted for the change in yield curve sensitivity). The sensitivities are generally correlated so that the impact of two events occurring simultaneously will probably not be the same as sum of the individual sensitivities.

- **Increase/decrease of 100 bps to reference rates**

This sensitivity shows the impact of a sudden parallel shift in reference rate, accompanied by a corresponding change in the other economic assumptions including discount rates, equity and property returns, and the market values of fixed income assets.

For A/G the -100 bps sensitivity is more significant than the +100 bps sensitivity because it leads to more of the interest guarantees on the participating business coming into the money. The losses in this situation can only partly be met by reducing future policyholder profit participation. The higher surplus for the +100 bps sensitivity has to be shared with policyholders. The NBV sensitivity is higher because there is no compensating impact from the

existing fixed income assets. The sensitivities for CEE are lower because the higher proportion of unit linked and non-participating business means that the impact of a change in the yield curve is partly offset by the change in the risk discount rate.

- **Increase/decrease of 25 bps to liquidity premium**

The liquidity premium sensitivities are broadly symmetrical for EEV. For NBV the decrease of the liquidity premium has a higher impact. The liquidity premium sensitivities do not have any impact on the market value of the assets at the valuation date and therefore the consequences of the shifts are significantly different from the effects of the yield curve sensitivities.

- **10% decrease in the equity and property values at the valuation date**

The impact of this sensitivity in A/G and CEE is not significant.

- **25% increase to the equity and property volatilities**

The impact of this sensitivity in A/G and CEE is not significant.

- **25% increase to the swaption volatilities**

The overall impact on A/G is reduced because the premiums for the Austrian health business can be amended to allow for changes in interest rates. The TVFOGs for the life business increase by about 35%. The impact of this sensitivity in CEE is not significant.

- **10% increase/decrease in maintenance expenses**

These sensitivities for both A/G and CEE are broadly symmetrical and consistent with the results for last year.

- **10% increase/decrease in lapse rates**

The lapse rate sensitivities for both A/G and CEE are consistent with the results for last year.

- **Required capital equal to local solvency capital**

The impact of this sensitivity is nil in CEE because the Required Capital is set equal to the local solvency capital. The Required Capital for the WSTV in A/G is 150% of the local solvency capital. The sensitivity for A/G is relatively small because the additional 50% Required Capital is mostly covered by subordinated debt.

6.1 EEV

The following table shows the sensitivity of the EEV or the TEV as at December 31, 2009 to changing various assumptions.

€ mn

Table 13

		A/G	As % of Base	CEE EEV/TEV	As % of Base	Total	As % of Base	
Base value		1,684.2	100.0%	1,093.3	100.0%	2,777.5	100.0%	
Change in Yield Curve	+1%	1,820.3	108.1%	1,086.7	99.4%	2,907.0	104.7%	
	-1%	1,403.9	83.4%	1,078.3	98.6%	2,482.2	89.4%	
Liquidity Premium (*)	-0.25%	1,561.7	92.7%	1,077.4	98.5%	2,639.2	95.0%	
	+0.25%	1,793.2	106.5%	1,109.3	101.5%	2,902.5	104.5%	
Equity and Property Values		-10%	1,615.6	95.9%	1,092.8	99.9%	2,708.4	97.5%
Equity and Property Implied Volatilities (*)		+25%	1,679.4	99.7%	1,089.5	99.6%	2,768.9	99.7%
Swaption Implied Volatilities (*)		+25%	1,621.2	96.3%	1,082.2	99.0%	2,703.4	97.3%
Maintenance Expenses	+10%	1,609.8	95.6%	1,062.6	97.2%	2,672.4	96.2%	
	-10%	1,755.4	104.2%	1,124.2	102.8%	2,879.6	103.7%	
Lapse Rates	+10%	1,667.2	99.0%	1,064.9	97.4%	2,732.1	98.4%	
	-10%	1,694.6	100.6%	1,124.9	102.9%	2,819.5	101.5%	
Mortality	for assurances	-5%	1,692.0	100.5%	1,104.4	101.0%	2,796.4	100.7%
	for annuities	-5%	1,682.9	99.9%	1,092.6	99.9%	2,775.6	99.9%
Required Capital set at the level of solvency capital		100%	1,667.4	99.0%	1,093.3	100.0%	2,760.7	99.4%

(*) These sensitivities have not been calculated for the TEV.

6.2 NBV

The following table shows the sensitivity of the New Business Value for 2009 to changing various assumptions.

€ mn

Table 14

		A/G	As % of Base	CEE EEV/TEV	As % of Base	Total	As % of Base
Base value		51.0	100.0%	77.1	100.0%	128.1	100.0%
Change in Yield Curve	+1%	57.9	113.5%	71.2	92.4%	129.1	100.8%
	-1%	27.0	52.9%	83.5	108.3%	110.5	86.3%
Liquidity Premium (*)	-0.25%	44.5	87.3%	77.8	100.9%	122.3	95.5%
	+0.25%	52.3	102.5%	76.5	99.2%	128.7	100.5%
Equity and Property Values		-10%	51.0	100.0%	77.1	128.1	100.0%
Equity and Property Implied Volatilities (*)		+25%	49.8	97.6%	77.0	126.8	99.0%
Swaption Implied Volatilities (*)		+25%	49.4	96.8%	77.0	126.4	98.7%
Maintenance Expenses	+10%	45.8	89.8%	72.7	94.3%	118.5	92.5%
	-10%	54.7	107.4%	81.5	105.7%	136.2	106.4%
Lapse Rates	+10%	49.2	96.4%	69.8	90.5%	118.9	92.9%
	-10%	51.4	100.9%	85.4	110.7%	136.8	106.8%
Mortality	for assurances	-5%	51.9	101.7%	79.3	131.2	102.4%
	for annuities	-5%	49.4	96.9%	77.1	126.5	98.7%
Required Capital set at the level of solvency capital		100%	50.1	98.2%	77.1	127.2	99.3%

(*) These sensitivities have not been calculated for the TEV.

7. Reconciliation of IFRS equity to the Adjusted Net Asset Value

The following table shows the reconciliation of the IFRS equity to the ANAV as shown in the GEV.

€ mn	Table 15	
	2009	2008
Consolidated IFRS equity	4,628.6	4,138.8
Minorities	- 289.3	- 266.9
Hybrid capital	- 495.6	- 245.6
Intangible assets	-1,975.4	-1,648.9
<i>Sub Total</i>	<i>1,868.3</i>	<i>1,977.3</i>
Add back goodwill for businesses included on the basis of IFRS book value	14.0	317.5
Differences in capital consolidation	318.0	111.1
Differences in valuation of capital assets	263.6	- 83.5
Differences in valuation basis of technical reserves (IFRS vs.local GAAP)	- 58.8	- 75.1
P&C Surplus in Claims Reserves	439.8	441.7
Other differences	- 3.7	0.0
<i>Total differences</i>	<i>973.0</i>	<i>711.7</i>
Adjusted Net Asset Value	2,841.3	2,689.0

The minority interests and the hybrid capital issued in 2008 and 2009 are deducted from the consolidated IFRS equity.

The ANAV, EEV or TEV have not been calculated for all the insurance companies within VIG. All the other companies in the Group have been included in the GEV on the basis of their IFRS book values and therefore their goodwill and other intangible assets have to be added back to the ANAV.

Prior to moving to IFRS at January 1, 2004, under Austrian GAAP VIG used to write-off goodwill against shareholder equity. All the companies for which the goodwill had been eliminated were recognised under IFRS on the basis of their reduced book values. The "differences in capital consolidation" adds back the goodwill that had been eliminated in the past. The goodwill values are subject to regular impairment testing.

Under IAS 39 VIG has chosen to value certain assets on the basis of the adjusted purchase price instead of the market value. The differences between the market values and the values shown in consolidated IFRS balance sheet are included in the "differences in valuation of capital assets".

As in the previous year the liabilities of the insurance operations purchased from the ERSTE BANK have been revalued under IFRS. The impact of this revaluation on the IFRS equity is shown under this adjustment.

The P&C reserves in the consolidated IFRS balance sheet are the same as the statutory reserves. The difference between the accounted reserves and the best estimate reserves is shown as the Surplus in Claims Reserves.

All values within this reconciliation are shown net of deferred tax in respect of all segments, and also net of deferred profit participation in respect of the Life segment.

The difference between the IAS 19 reserves in respect of the defined benefit pension schemes and the statutory reserves, as shown in the notes to the IFRS accounts, has not been added back to the ANAV (i.e. the ANAV allows for the pension scheme deficit on the basis of IAS 19).

8. Disclaimer - Cautionary statement regarding forward-looking information

This supplementary disclosure of the GEV results contains forward-looking statements.

Forward-looking statements involve inherent risks and uncertainties, and it might not be possible to achieve the predictions, forecasts, projections and other outcomes described or implied in forward-looking statements. A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in these forward-looking statements.

These forward-looking statements will not be updated except as required by applicable laws.

This document was prepared with the due care 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.

Vienna Insurance Group
Wiener Städtische Versicherung AG
Schottenring 30
1010 Wien
Austria

29th March 2010

Dear Dr. Geyer,

Review of Group Embedded Value of Vienna Insurance Group Wiener Städtische Versicherung AG as at 31 December 2009

We have reviewed the Statements of Group Embedded Value (the “Statements”) of Vienna Insurance Group Wiener Städtische Versicherung AG (“VIG”) as set out in VIG’s “Group Embedded Value Reporting 2009”. These Statements comprise:

- the European Embedded Values (“EEV”) or the Traditional Embedded Values (“TEV”) of the majority of the life and health businesses as at 31 December 2008 and 31 December 2009 together with the value of new business generated, the sensitivities and the analysis of movement in the embedded value during the year 2009;
- the Surplus in Claims Reserves for the majority of the P&C businesses at 31 December 2007 and 31 December 2008.

Some companies have been excluded from the scope of our review. These companies have been included in the Group Embedded Value on the basis of the IFRS book values, as shown in VIG’s IFRS accounts, the TEV or the ANAV.

The scope of our review covered the methodology adopted together with the assumptions and calculations made by VIG in its Group Embedded Value.

These Statements of Group Embedded Value and the assumptions underlying them are the sole responsibility of the Board of Directors of VIG. They have been prepared by VIG on the basis of VIG’s methodology as described in the Statements.

Our review was conducted in accordance with generally accepted actuarial practices and processes. It comprised a combination of such reasonableness checks, analytical review and checks of clerical accuracy as we considered necessary to provide reasonable assurance that the Statements have been compiled free of significant error. However, we have relied without verification upon the completeness and accuracy of data and information supplied by VIG, including the value of net assets as disclosed in the audited local statutory accounts and the IFRS accounts of VIG and the subsidiaries of VIG.

The calculation of the Group Embedded Values necessarily makes numerous assumptions with respect to economic conditions, operating conditions, taxes, and other matters, many of which are beyond VIG's control. Although the assumptions used represent estimates which the Directors believe are together reasonable, actual experience in future may vary from that assumed in the calculation of the embedded value results and any such variations may be material. Deviations from assumed experience are normal and are to be expected. Group Embedded Value does not purport to be a market valuation and should not be interpreted in that manner since it does not purport to encompass all of the many factors that may bear upon a market value.

In our opinion,

- the methodology and assumptions used are appropriate, and in respect of the businesses that have determined an EEV are compliant with the European Embedded Value Principles set out by the CFO Forum in May 2004 (the "CFO Forum Principles") and the additional guidance on disclosure published in November 2005;
- the assumptions made by VIG are reasonable; and
- VIG's Group Embedded Value has been properly compiled on the basis of the methodology and assumptions chosen by VIG, and in respect of the life and health insurance companies that have determined an EEV are compliant with the CFO Forum Principles.

This report is made solely to VIG's Directors as a body. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than VIG's Directors as a body for our work in respect of this report or for the conclusions that we have reached.

Yours sincerely,



B&W Deloitte GmbH