

Contents

Introduction	02
Summary of Results	03
Life and Health Embedded Value	03
Value of New Business	04
Methodology	05
Adjusted Net Asset Value	05
Stochastic Present Value of Future Profits	05
Net Risk Margin	06
Value of New Business	06
Assumptions	07
Economic Assumptions	07
Operating Assumptions	09
Analysis of Change	10
Sensitivity Analysis	13
Maturity Profile	15
Appendix: Independent Review	16

Introduction

The VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (VIG Insurance Group) last disclosed results of the consolidated Embedded Value of its life and health businesses (Life and Health Embedded Value) in April 2019 for the year 2018. The disclosure included the Market Consistent Embedded Value (MCEV) for the majority of the Life and Health businesses.

The chart below shows the companies for which the Life and Health Embedded Value is calculated for the year 2019. The results are shown separately for Austria/Germany (companies shown in red below) and CEE (companies shown in grey below).

COMPANIES FOR WHICH THE LIFE AND HEALTH EMBEDDED VALUE IS CALCULATED

Austria	Wiener Städtische	Donau Versicherung	
Germany	InterRisk Life		
<hr/>			
Czech Republic	Kooperativa	ČPP	VIG RE
Slovakia	Kooperativa	Komunalna	
Hungary	Union Biztosító		
Poland	Compensa Life	Vienna Life	
Romania	BCR Life		
Croatia	Wiener osiguranje		

In 2019, VIG Insurance Group successfully completed the merger of PČS into Kooperativa in Czech Republic. The insurance companies for which the Life and Health Embedded Value is not calculated are included in the consolidated results on the basis of the book value as shown in the respective parent company's audited local statutory accounts. The consolidation process ensures that where one of the businesses has an interest in another business, the value of the parent company excludes the book value and any unrecognized capital gains in respect of the dependent business.

VIG Insurance Group applies a bottom-up methodology in setting the economic assumptions for the Embedded Value calculations. The CFO Forum of European Insurers' Market Consistent Embedded Value Principles (Copyright © Stichting CFO Forum Foundation 2008), which were launched in June 2008 and last amended in April 2016, are applied.

In accordance with the April 2016 MCEV Principle 14 and to appropriately reflect the long-term and relatively illiquid nature of the insurance liabilities, VIG Insurance Group applies the volatility adjustment to the basic risk free curve in Austria as detailed in the Economic Assumptions section.

The directors of VIG Insurance Group acknowledge their responsibility for the preparation of the supplementary information and confirm the Embedded Value is prepared, in all material aspects, in accordance with the MCEV Principles.

KPMG Alpen-Treuhand GmbH reviews VIG Insurance Group's Embedded Value methodology, assumptions and calculations. The scope and the results are set out in the section about the independent review.

Summary of Results

The Life and Health Embedded Value is an estimate of the economic value of insurance business including for covered business future profits on existing business, but excluding any profits on future new 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 Life and Health Embedded Value includes the following components which are described in the Methodology section:

- Adjusted Net Asset Value (ANAV)
- Value of In-Force (VIF) determined as
 - Stochastic Present Value of Future Profits (SPVFP)
 - less Net Risk Margin

All the values shown in this disclosure are net of tax and exclude minority interests.

LIFE AND HEALTH EMBEDDED VALUE

The following table shows the Life and Health Embedded Value results as at 31 December 2019 and 2018 after restatement.

	2019	2018*
<i>in EUR '000</i>		
Austria/Germany		
Free Surplus	-148,614	367,465
Required Capital	641,858	103,365
ANAV	493,244	470,830
Stochastic PVFP	1,799,068	2,050,359
- Net Risk Margin	-629,705	-460,075
VIF	1,169,363	1,590,284
Subtotal	1,662,607	2,061,114
CEE		
Free Surplus	895,813	900,304
Required Capital	170,942	85,860
ANAV	1,066,754	986,164
Stochastic PVFP	1,129,918	1,063,640
- Net Risk Margin	-220,049	-212,436
VIF	909,868	851,204
Subtotal	1,976,623	1,837,368
Total		
Free Surplus	747,199	1,267,769
Required Capital	812,799	189,226
ANAV	1,559,998	1,456,994
Stochastic PVFP	2,928,986	3,113,998
- Net Risk Margin	-849,755	-672,510
VIF	2,079,231	2,441,488
Total	3,639,229	3,898,482

* Results shown above are after restatement.

The results as at 31 December 2018 are shown after restatement. The restatement includes updated Solvency II compliant treatment of contract boundaries in Czech Republic.

VALUE OF NEW BUSINESS

The Value of New Business (VNB) is calculated only for the covered business and the following table shows 2019 and 2018 results. Profitability is measured as a percentage of the Annual Premium Equivalent (APE) and the Present Value of New Business Premiums (PVNBP). The APE equals one tenth of the single premiums plus the annualized amount of regular premiums written during the year.

	2019	2018
in EUR '000		
Austria/Germany		
Value of New Business	36,773	48,838
APE	148,484	138,952
APE-Ratio	24.77%	35.15%
PVNBP	2,124,294	1,807,395
PVNBP-Ratio	1.73%	2.70%
CEE		
Value of New Business	66,800	93,326
APE	182,662	204,425
APE-Ratio	36.57%	45.65%
PVNBP	1,148,861	1,413,071
PVNBP-Ratio	5.81%	6.60%
Total		
Value of New Business	103,573	142,164
APE	331,145	343,377
APE-Ratio	31.28%	41.40%
PVNBP	3,273,155	3,220,466
PVNBP-Ratio	3.16%	4.41%

The VNB is calculated as the SPVFP for the new life and health business sold in 2019, less the new business strain and Net Risk Margin.

The life and health companies in Austria do not defer acquisition costs for the traditional life insurance business in the local statutory accounts. Therefore the new business strain for the Austrian business includes the shareholders' share of the total acquisition expenses net of tax. The VNB in CEE decreased mainly due to the Solvency II compliant treatment of contract boundaries in Czech Republic.

The 2019 total PVNBP-Ratio is 3.16%.

Methodology

The Life and Health Embedded Value represents shareholders' interests in the business. Components of the Life and Health Embedded Value are described below. Calculations are performed separately for each business after allowing for both external and intra-group reinsurance.

ADJUSTED NET ASSET VALUE

The ANAV is defined as:

- the shareholders' equity under the local GAAP bases;
- plus the shareholders' share of the unrecognized capital gains after tax, to the extent that these are not included in the calculation of the VIF;
- less the intangible assets after tax;
- less the difference between the shareholders' share of IFRS and local GAAP pension liabilities after tax;
- less the difference between the market and book value of the issued subordinated debt and hybrid capital after tax.

The unrecognized capital gains are included in the calculation of the VIF to the extent that they are covering technical reserves and allow for relevant minimum profit participation rules and the company's profit participation strategy. The remaining unrecognized capital gains net of tax are included in the ANAV.

The Required Capital for each company or segment is determined as the Solvency Required Capital (SCR) under the Solvency II regime less the sum of subordinated debt eligible to cover the SCR and the VIF. The capital requirements for Standard & Poor's A rating are defined as 150% of the solvency margin of VIG Re in Czech Republic and 100% of the solvency margin for all other companies.

The Free Surplus for each company is the ANAV in excess of the Required Capital.

STOCHASTIC PRESENT VALUE OF FUTURE PROFITS

The Stochastic Present Value of Future Profits (SPVFP) 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 SPVFP allows for each company's profit participation strategy and also for the local minimum legal requirements for profit sharing.

The SPVFP is defined as the average - over a sufficient number of 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 and property returns and inflation. The other assumptions (including expenses, lapse rates, mortality and morbidity rates, profit 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 behaviour, i.e. some assumptions (e.g. the asset allocation or lapse rates) vary depending on the future economic conditions.

NET RISK MARGIN

The Net Risk Margin allows 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 and is presented net of tax. The risk capital is based on Solvency II capital requirements as used to calculate the Solvency II Risk Margin. The risk capital is projected over the life time of the portfolio on the basis of appropriate risk drivers of the risk capital components consistently applied to in-force and new business.

VALUE OF NEW BUSINESS

The VNB represents the value generated by new business sold during the reporting period. New business premiums are defined as premiums arising from new business. New business includes policies where a new contract is signed or underwriting is carried out. The value of premium increases on existing contracts during the period is included in the VIF.

Assumptions

ECONOMIC ASSUMPTIONS

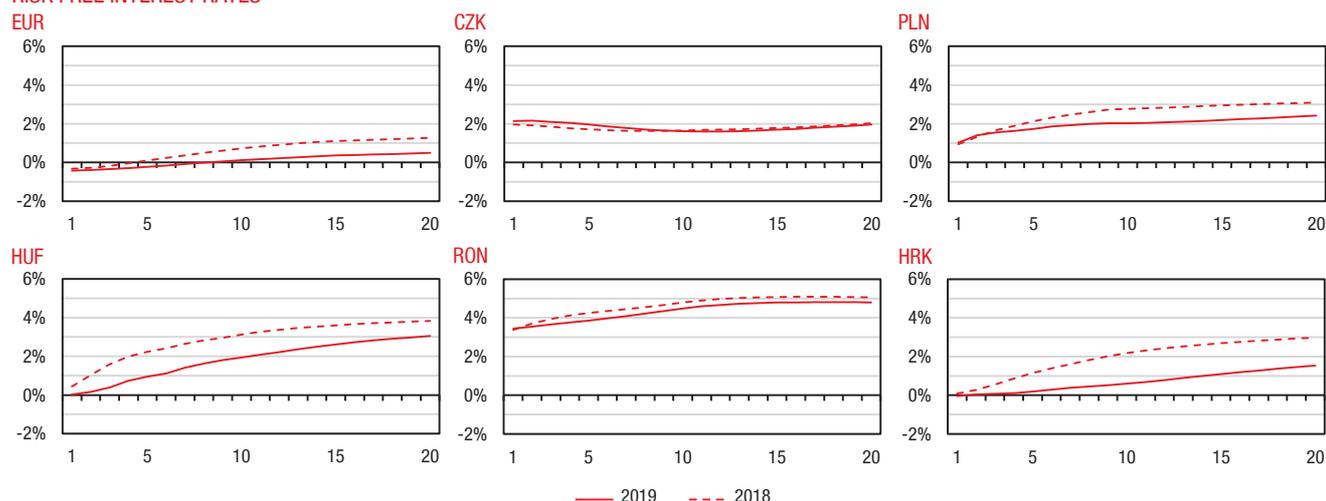
Risk Free Interest Rates

VIG Insurance Group's reference rates as at 31 December 2019 and 31 December 2018 are the official Solvency II basic risk free rate curves as published by EIOPA. The Austrian companies applied the Solvency II volatility adjustment of 0.07% in 2019 and 0.24% in 2018 to the basic risk free curve.

	EUR		CZK		PLN	
	2019	2018	2019	2018	2019	2018
in %						
1 year	-0.42	-0.33	2.15	1.96	1.02	0.94
2 years	-0.39	-0.28	2.16	1.91	1.41	1.33
5 years	-0.23	0.10	1.96	1.71	1.73	2.13
10 years	0.11	0.73	1.61	1.65	2.03	2.77
20 years	0.50	1.28	1.95	2.02	2.41	3.10

	HUF		RON		HRK	
	2019	2018	2019	2018	2019	2018
in %						
1 year	0.02	0.44	3.45	3.38	-0.04	0.08
2 years	0.15	1.03	3.55	3.72	0.03	0.28
5 years	0.96	2.24	3.87	4.25	0.19	1.14
10 years	1.94	3.13	4.49	4.79	0.59	2.18
20 years	3.05	3.83	4.80	5.07	1.54	2.98

RISK FREE INTEREST RATES



For the efficient and reliable generation of economic scenarios, VIG Insurance Group has standardized its data sources, calibration methodology, validation criteria, and processes for economic scenario generation and provides stochastic scenarios for the currencies EUR, CZK and PLN.

Bloomberg is the principal source for market data, the main software used, the Scenario Generator is provided by Moody's Analytics and used in combination with Moody's Analytics ESG Automation Module. The calibration methodology and validation criteria follow market practice and ensure that the economic scenarios provided are of consistent quality and comply with the Solvency II Technical Specifications. We calibrate the stochastic scenarios to the following market data:

- Nominal yield curves;
- Real yield curves via inflation data;
- Interest rate volatilities (swaptions in normal terms);
- Equity implied volatility;
- Initial equity dividend yield;
- Data from VIG Insurance Group's partial internal model for property investments.

The swaption implied volatilities and the equity volatilities from the ESG output are shown in the tables below.

Interest Rate Volatilities

Option/Swap Term	EUR						
	5 years	2019			5 years	2018	
		10 years	15 years	10 years		15 years	
in %							
5 years	0.48	0.53	0.54	0.58	0.59	0.58	
10 years	0.55	0.56	0.56	0.64	0.61	0.58	
15 years	0.54	0.55	0.53	0.60	0.58	0.55	

Option/Swap Term	CZK						
	5 years	2019			5 years	2018	
		10 years	15 years	10 years		15 years	
in %							
5 years	0.53	0.52	0.51	0.64	0.66	0.63	
10 years	0.59	0.57	0.55	0.64	0.64	0.61	
15 years	0.63	0.61	0.58	0.65	0.63	0.59	

Option/Swap Term	PLN						
	5 years	2019			5 years	2018	
		10 years	15 years	10 years		15 years	
in %							
5 years	0.91	0.85	0.80	1.03	0.96	0.91	
10 years	0.82	0.78	0.74	0.82	0.77	0.73	
15 years	0.77	0.73	0.69	0.70	0.66	0.62	

Equity Volatilities

	EUR		CZK		PLN	
	2019	2018	2019	2018	2019	2018
in %						
1 year	15.07	15.41	12.79	16.03	16.99	19.26
5 years	14.69	16.56	12.55	15.69	16.50	19.02
10 years	14.22	16.16	12.19	15.37	16.56	19.20
15 years	14.73	16.32	11.73	15.86	16.62	19.25

Foreign Currency Exchange and Tax rates

The following table shows the foreign currency exchange rates against EUR and the nominal tax rates.

	Exchange rate		Tax rate	
	2019	2018	2019	2018
	1 EUR \triangleq	1 EUR \triangleq	in %	in %
Austria			25.00	25.00
Germany			31.72	31.72
Czech Republic	25.41	25.72	19.00	19.00
Croatia	7.44	7.41	18.00	18.00
Slovakia			24.44	21.00
Poland	4.26	4.30	19.00	19.00
Hungary	330.53	320.98	9.00	9.00
Romania	4.78	4.66	16.00	16.00

Other Economic Assumptions

The price inflation assumptions are scenario dependent and are set in line with the assumed reference rates. The medical inflation rates assumed for the Austrian health insurance business are set to 2.00% p.a. for the calculations as at 31 December 2019 and 2018.

OPERATING ASSUMPTIONS

Shareholder returns for participating business are determined in accordance with local legal minimum profit participation rules, local supervisory requirements and are consistent with each company's practice. The assumed profit sharing for the Austrian health insurance business, in accordance with current practice, is limited to the "no claims bonus". It does not allow for the minimum profit participation rules that were introduced by the Austrian Supervisory Authority (FMA) in 2007, because these rules are applicable for only a non-material part of the Wiener Städtische health business as at 31 December 2019 and 2018.

Other actuarial assumptions such as mortality and morbidity rates, lapse, paid-up, and annuity take-up rates are included on a best estimate basis. These assumptions are regularly reviewed and adjusted to reflect historical experience and expected trends. Expense assumptions for the covered businesses are based on the companies' recent experience and for the merged companies reflecting the management's best estimate expectation on expense synergy effects. No expenses are excluded as one-off expenses and all the expenses within VIG Insurance Group are allocated to the corresponding operating segments.

Analysis of Change

The following tables show the analysis of change in the Life and Health Embedded Value separately consolidated for Austria/Germany, for CEE, and for the life and health business in total.

Austria/Germany	Free Surplus	Required Capital	VIF	Life and Health Embedded Value	Return
in EUR '000					
Value 2018 reported	367,465	103,365	1,590,284	2,061,114	
Value 2018 restated	367,465	103,365	1,590,284	2,061,114	
Capital and dividend flows	-35,465	0	0	-35,465	
Foreign exchange variance	0	0	0	0	
Value 2018 adjusted	332,000	103,365	1,590,284	2,025,649	
Value of New Business	-149,198	94,939	91,032	36,773	
Roll forward	-877	0	-6,244	-7,121	
Transfers from VIF and Required Capital to Free Surplus	106,844	-350	-106,494	0	
Experience variance	10,912	-131,256	318,145	197,801	
Assumptions changes	-87,832	87,832	-103,985	-103,985	
Other operating variance	76,312	-77,449	70,858	69,721	
Operating earnings	-43,839	-26,283	263,311	193,189	
Economic variance	-436,774	564,775	-684,232	-556,231	
Total earnings	-480,613	538,492	-420,921	-363,042	-17.92%
Value 2019	-148,614	641,858	1,169,363	1,662,607	

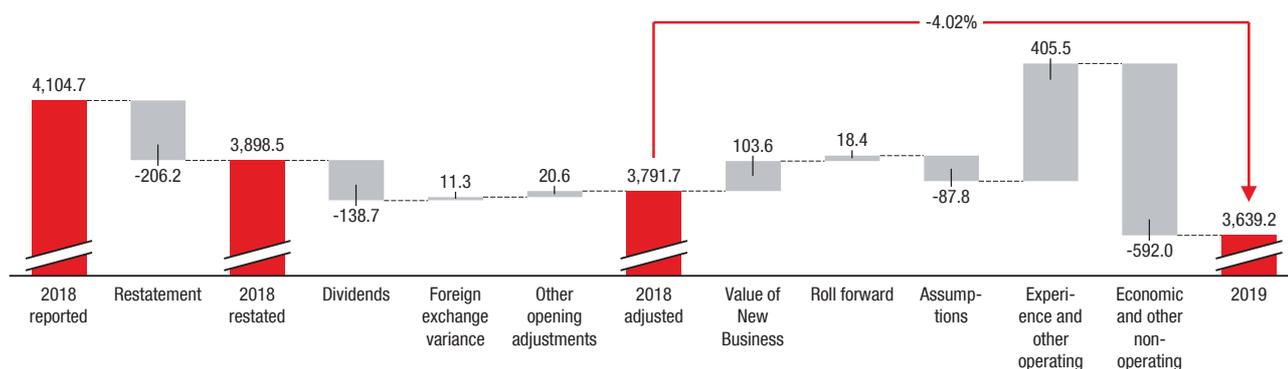
CEE	Free Surplus	Required Capital	VIF	Life and Health Embedded Value	Return
in EUR '000					
Value 2018 reported	830,772	74,819	1,137,981	2,043,573	
Value 2018 restated	900,304	85,860	851,204	1,837,368	
Capital and dividend flows	-109,623	0	0	-109,623	
Foreign exchange variance	2,613	-775	9,495	11,333	
Acquired/divested businesses	26,958	0	-33	26,925	
Value 2018 adjusted	820,253	85,086	860,666	1,766,005	
Value of New Business	-34,037	-2,244	103,081	66,800	
Roll forward	7,313	0	18,167	25,480	
Transfers from VIF and Required Capital to Free Surplus	122,728	-1,243	-121,485	0	
Experience variance	47,082	16,964	74,957	139,002	
Assumptions changes	56	-56	16,160	16,160	
Other operating variance	2,886	-2,270	-1,628	-1,013	
Operating earnings	146,028	11,150	89,251	246,429	
Economic variance	-75,991	74,706	-37,140	-38,425	
Other non-operating variance	5,523	0	-2,909	2,614	
Total earnings	75,559	85,856	49,202	210,618	11.93%
Value 2019	895,813	170,942	909,868	1,976,623	

Total	Free Surplus	Required Capital	VIF	Life and Health Embedded Value	Return
in EUR '000					
Value 2018 reported	1,198,237	178,184	2,728,265	4,104,686	
Value 2018 restated	1,267,769	189,226	2,441,488	3,898,482	
Capital and dividend flows	-145,087	0	0	-145,087	
Foreign exchange variance	2,613	-775	9,495	11,333	
Acquired/divested businesses	26,958	0	-33	26,925	
Value 2018 adjusted	1,152,253	188,451	2,450,950	3,791,654	
Value of New Business	-183,235	92,695	194,113	103,573	
Roll forward	6,436	0	11,923	18,359	
Transfers from VIF and Required Capital to Free Surplus	229,572	-1,593	-227,979	0	
Experience variance	57,994	-114,292	393,101	336,803	
Assumptions changes	-87,776	87,776	-87,825	-87,825	
Other operating variance	79,198	-79,719	69,229	68,708	
Operating earnings	102,188	-15,133	352,562	439,618	
Economic variance	-512,766	639,481	-721,372	-594,656	
Other non-operating variance	5,523	0	-2,909	2,614	
Total earnings	-405,054	624,348	-371,719	-152,424	-4.02%
Value 2019	747,199	812,799	2,079,231	3,639,229	

The opening adjustments of TEUR -106,828 include:

- the dividends paid to shareholders from the consolidated L&H segments in 2019;
- the impact of exchange rate movements;
- transfers between regions and segments.

Total L&H business
in EUR million



The VNB for Austria/Germany is TEUR 36,773. The decrease in the free surplus is due to the non-deferral of acquisition expenses for the conventional business in Austria and this is compensated by a higher VIF. The VNB for CEE is TEUR 66,800.

The roll forward of TEUR -7,121 in Austria/Germany is the expected existing business contribution on the basis of the reference rates. This represents the unwinding at the reference rates of all the Life and Health Embedded Value components with the exception of the free surplus which increases at the reference rates after tax. The corresponding result for CEE is TEUR 25,480.

The experience variance is TEUR 197,801 for Austria/Germany and TEUR 139,002 for CEE. These amounts include a number of positive and negative variances. The main impact in Austria/Germany is due to an optimized reinsurance structure with negative impact on ANAV and positive impact on VIF. In CEE, the experience variance reflects renewals due to the Solvency II compliant treatment of contract boundaries.

The impact of the assumption changes is TEUR -103,985 for Austria/Germany and TEUR 16,160 for CEE. The main effect in Austria/Germany is due to updated persistency assumptions.

The other operating variances are TEUR 69,721 in Austria/Germany and TEUR -1,013 in CEE.

The economic variances are TEUR -556,231 in Austria/Germany and TEUR -38,425 in CEE. The significant negative impact in Austria/Germany is a result of the decreased EUR interest rates. The economic variance in CEE was not material.

In 2019 the total Life and Health Embedded Value Return is -4.02% of the 2018 restated and adjusted value. The positive return of 11.93% in CEE did not compensate the negative development in Austria/Germany.

Sensitivity Analysis

The following tables show the sensitivities to various assumption changes of the Life and Health Embedded Value and the VNB as at 31 December 2019.

Life and Health Embedded Value		Austria/Germany	% change	CEE	% change	Total	% change
in EUR '000							
Base value		1,662,607		1,976,623		3,639,229	
Change in yield curve	+1%	677,295	40.74%	73,807	3.73%	751,102	20.64%
Change in yield curve	-1%	-1,175,495	-70.70%	-119,589	-6.05%	-1,295,084	-35.59%
Equity and property values	-10%	-111,042	-6.68%	-15,658	-0.79%	-126,700	-3.48%
Equity and property implied volatilities	+25%	-24,785	-1.49%	-14,608	-0.74%	-39,393	-1.08%
Swaption implied volatilities	+25%	-129,603	-7.80%	-16,525	-0.84%	-146,128	-4.02%
Maintenance expenses	-10%	99,596	5.99%	53,612	2.71%	153,207	4.21%
Lapse rates	-10%	4,909	0.30%	38,789	1.96%	43,698	1.20%
Mortality for assurances	-5%	8,681	0.52%	23,814	1.20%	32,495	0.89%
Mortality for annuities	-5%	-65,801	-3.96%	-1,259	-0.06%	-67,060	-1.84%
Removal of volatility adjustment		-93,734	-5.64%	0	0.00%	-93,734	-2.58%

Value of New Business		Austria/Germany	% change	CEE	% change	Total	% change
in EUR '000							
Base value		36,773		66,800		103,573	
Change in yield curve	+1%	15,668	42.61%	5,503	8.24%	21,171	20.44%
Change in yield curve	-1%	-34,384	-93.50%	-9,469	-14.18%	-43,853	-42.34%
Maintenance expenses	-10%	4,877	13.26%	5,394	8.08%	10,271	9.92%
Lapse rates	-10%	1,790	4.87%	6,381	9.55%	8,171	7.89%
Mortality for assurances	-5%	1,467	3.99%	2,791	4.18%	4,258	4.11%
Mortality for annuities	-5%	-3,165	-8.61%	-143	-0.21%	-3,308	-3.19%
Removal of volatility adjustment		-2,535	-6.89%	0	0.00%	-2,535	-2.45%

The sensitivities assume the same management actions and policyholder behaviour as for the base case. Each of the sensitivities is shown separately. If two events occur simultaneously the impact will usually not be the same as the sum of the individual sensitivities.

- **Change in Yield Curve**

These sensitivities show the impact of a sudden parallel shift in reference rates until the last liquid point. From the last liquid point, the reference rates are extrapolated to the ultimate forward rate, which remains unchanged. There are corresponding changes in the other economic assumptions including discount rates, equity and property returns, and the market values of fixed income assets.

For Austria/Germany the -100 bps sensitivity is more significant than the +100 bps sensitivity because it leads to more interest guarantees on the participating business coming into the money. The losses in this situation are partly compensated by reducing future policyholder profit participation. The higher surplus for the +100 bps sensitivity has to be shared with policyholders.

The impact of these sensitivities for CEE are lower than for Austria/Germany 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 discount rate.

- **Decrease in the equity and property values at the valuation date**

This sensitivity is higher in Austria/Germany than in CEE, where it is not significant.

- **Increase to the equity and property volatilities**

This sensitivity is higher in Austria/Germany than in CEE, where it is less significant.

- **Increase to the swaption volatilities**

This sensitivity is higher in Austria/Germany than in CEE, where it is not significant.

- **Decrease in maintenance expenses**

This sensitivity is significant in both regions.

- **Decrease in lapse rates**

This sensitivity is more significant in CEE.

- **Decrease in mortality rates for assurances**

This sensitivity is more significant in CEE.

- **Decrease in mortality rates for annuities**

This sensitivity is higher in Austria/Germany than in CEE, where it is not significant.

- **Removal of volatility adjustment**

The removal of volatility adjustment sensitivity does not have any compensating impact on the market value of the assets at the valuation date. Therefore the impact of removing the volatility adjustment of 0.07% is proportionally higher than the effect of the -100 bps yield curve sensitivity for Austria/Germany.

Maturity Profile

The following table shows the discounted profits expected to emerge from the in-force covered business as at 31 December 2019 over future years. The VIF is split into five maturity bands.

	VIF maturity profile	% of VIF
	in EUR '000	
1 to 5 years	791,262	38.06%
6 to 10 years	351,202	16.89%
11 to 15 years	153,903	7.40%
16 to 20 years	67,512	3.25%
more than 20 years	715,353	34.40%
Total	2,079,231	

The maturity profile indicates that 54.95% of the VIF emerges during the first 10 years.

Appendix: Independent Review

VIENNA INSURANCE GROUP AG
Wiener Versicherung Gruppe
Schottenring 30
1010 Vienna, Austria

Vienna, 23rd of March 2020

Report on the Review of Life and Health Embedded Value 2019

Introduction

We have reviewed the accompanying Supplementary Information on the Life & Health Embedded Value Results (the “Life and Health Embedded Value”) of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (“VIG Insurance Group”), Vienna for the period from 1st January 2019 to 31st December 2019.

The Life and Health Embedded Value comprises the Market Consistent Embedded Values (“MCEV”) of the majority of the life and health businesses as at 31st December 2019 together with the value of new business generated, the sensitivities and the analysis of movement in the MCEV during the year 2019.

Some insurance companies are excluded from the scope of our review. These companies are included in the Life and Health Embedded Value on the basis of book value as shown in the respective parent company’s audited local statutory accounts or the MCEV.

The scope of our review covered the methodology adopted together with the assumptions and calculations made by VIG Insurance Group in its Life and Health Embedded Value. The Life and Health Embedded Value and the underlying assumptions are the sole responsibility of the Board of Directors of VIG Insurance Group. They are prepared by VIG Insurance Group on the basis of VIG Insurance Group’s methodology as described in the Life and Health Embedded Value.

Auditor’s responsibility

Our responsibility is to express an opinion on this Life and Health Embedded Value based on our review. Our liability towards the Company and towards third parties is limited in accordance with the stipulations of § 275 par. 2 of the Austrian Commercial Code (UGB).

We conducted our review in accordance with Austrian Standards for Chartered Accountants, in particular in compliance with KFS/PG 11 “Principles of Engagements to Review Financial Statements” as well as with the International Standards on Review Engagements (ISRE) 2400/2410 and the stipulations in the MCEV Principles published by the CFO forum in June 2008 and amended in October 2009 and in April 2016 (“MCEV Principles”).

A review is limited primarily to making inquiries, primarily of Company personnel, responsible for actuarial, financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, we do not express an audit opinion.

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 accuracy as we considered necessary to provide reasonable assurance that the Life and Health Embedded Value is compiled free of significant error. However, we have relied without verification upon the completeness and accuracy of data and information supplied by VIG Insurance Group, including the value of net assets as disclosed in the audited local statutory accounts and the consolidated IFRS accounts of VIG Insurance Group and the subsidiaries of VIG Insurance Group.

The calculation of the Life and Health Embedded Value necessarily makes numerous assumptions with respect to economic conditions, operating conditions, taxes, and other matters, many of which are beyond VIG Insurance Group'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. The Life and Health 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.

Due to the fact that this report was prepared solely by order and on behalf of VIG Insurance Group, its contents should not be relied upon by any third party and do not provide a basis for any claims by third parties.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the Life and Health Embedded Value has not been prepared in all material respects in accordance with the MCEV Principles.

KPMG Alpen-Treuhand GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Michael Schlenk

DISCLAIMER

This supplementary disclosure of the Life and Health Embedded Value 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.

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