

Protecting what matters.

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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 2020 for the year 2019. 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 2020. 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		

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 performs an independent assurance of VIG Insurance Group's Embedded Value methodology, assumptions and calculations. The scope and the results are set out in the section about the independent assurance report.

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 2020 and 2019.

	2020	2019
<i>in EUR '000</i>		
Austria/Germany		
Free Surplus	-819,834	-148,614
Required Capital	1,337,785	641,858
ANAV	517,951	493,244
Stochastic PVFP	1,522,451	1,799,068
- Net Risk Margin	-849,754	-629,705
VIF	672,698	1,169,363
Subtotal	1,190,649	1,662,607
CEE		
Free Surplus	978,762	895,813
Required Capital	114,963	170,942
ANAV	1,093,726	1,066,754
Stochastic PVFP	1,160,783	1,129,918
- Net Risk Margin	-216,744	-220,049
VIF	944,039	909,868
Subtotal	2,037,765	1,976,623
Total		
Free Surplus	158,929	747,199
Required Capital	1,452,748	812,799
ANAV	1,611,677	1,559,998
Stochastic PVFP	2,683,234	2,928,986
- Net Risk Margin	-1,066,497	-849,755
VIF	1,616,737	2,079,231
Total	3,228,414	3,639,229

VALUE OF NEW BUSINESS

The Value of New Business (VNB) is calculated only for the covered business and the following table shows 2020 and 2019 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.

	2020	2019
in EUR '000		
Austria/Germany		
Value of New Business	20,317	36,773
APE	130,112	148,484
APE-Ratio	15.62%	24.77%
PVNBP	1,996,566	2,124,294
PVNBP-Ratio	1.02%	1.73%
CEE		
Value of New Business	48,489	66,800
APE	173,325	182,662
APE-Ratio	27.98%	36.57%
PVNBP	1,103,441	1,148,861
PVNBP-Ratio	4.39%	5.81%
Total		
Value of New Business	68,806	103,573
APE	303,437	331,145
APE-Ratio	22.68%	31.28%
PVNBP	3,100,007	3,273,155
PVNBP-Ratio	2.22%	3.16%

The VNB is calculated as the SPVFP for the new life and health business sold in 2020, 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 lower interest rates and lower sales volumes of risk business caused by the COVID-19 situation.

The 2020 total PVNBP-Ratio is 2.22%.

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

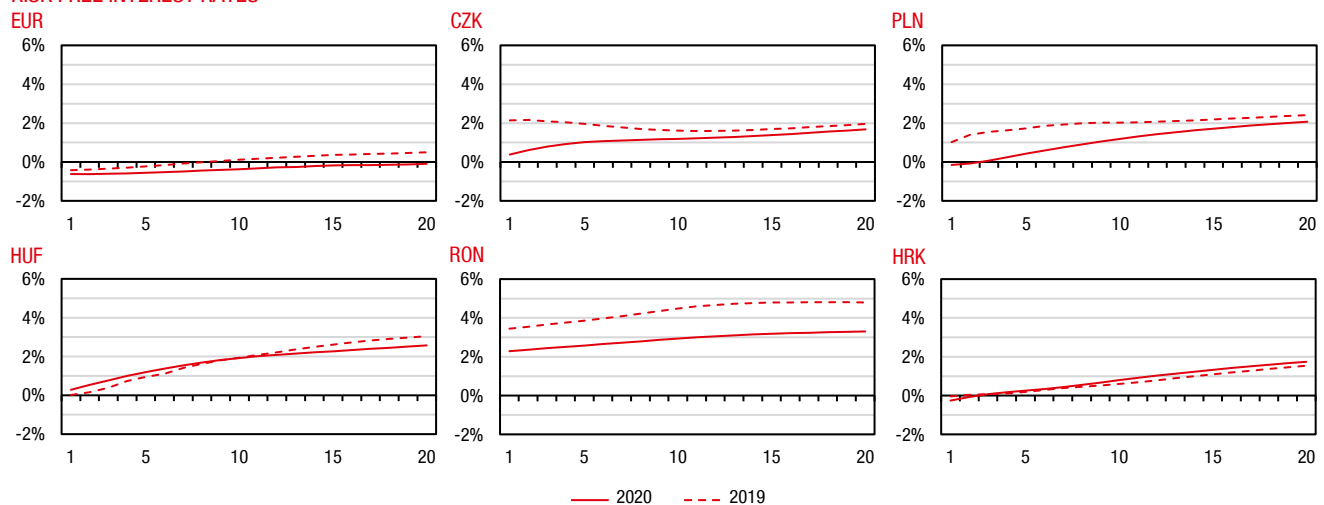
Risk Free Interest Rates

VIG Insurance Group's reference rates as at 31 December 2020 and 31 December 2019 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 2020 and 0.07% in 2019 to the basic risk free curve. In 2020 the Slovak companies applied the volatility adjustment of 0.07% for the first time.

	EUR		CZK		PLN	
	2020	2019	2020	2019	2020	2019
in %						
1 year	-0.62	-0.42	0.39	2.15	-0.15	1.02
2 years	-0.62	-0.39	0.61	2.16	-0.07	1.41
5 years	-0.56	-0.23	1.02	1.96	0.43	1.73
10 years	-0.37	0.11	1.19	1.61	1.19	2.03
20 years	-0.09	0.50	1.68	1.95	2.07	2.41

	HUF		RON		HRK	
	2020	2019	2020	2019	2020	2019
in %						
1 year	0.29	0.02	2.29	3.45	-0.26	-0.04
2 years	0.53	0.15	2.36	3.55	-0.08	0.03
5 years	1.20	0.96	2.58	3.87	0.25	0.19
10 years	1.93	1.94	2.94	4.49	0.79	0.59
20 years	2.57	3.05	3.30	4.80	1.74	1.54

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	2020			5 years	2019	
		10 years	15 years	10 years		15 years	
in %							
5 years	0.44	0.49	0.51	0.48	0.53	0.54	0.54
10 years	0.49	0.52	0.53	0.55	0.56	0.56	0.56
15 years	0.50	0.53	0.52	0.54	0.55	0.55	0.53

Option/Swap Term	CZK						
	5 years	2020			5 years	2019	
		10 years	15 years	10 years		15 years	
in %							
5 years	0.48	0.50	0.50	0.53	0.52	0.51	0.51
10 years	0.54	0.55	0.54	0.59	0.57	0.55	0.55
15 years	0.58	0.57	0.55	0.63	0.61	0.58	0.58

Option/Swap Term	PLN						
	5 years	2020			5 years	2019	
		10 years	15 years	10 years		15 years	
in %							
5 years	0.94	1.02	1.02	0.91	0.85	0.80	0.80
10 years	0.87	0.85	0.81	0.82	0.78	0.74	0.74
15 years	0.71	0.67	0.62	0.77	0.73	0.69	0.69

Equity Volatilities

	EUR		CZK		PLN	
	2020	2019	2020	2019	2020	2019
in %						
1 year	17.05	15.07	16.49	12.79	19.12	16.99
5 years	15.09	14.69	16.25	12.55	18.74	16.50
10 years	15.15	14.22	15.90	12.19	18.81	16.56
15 years	14.89	14.73	15.29	11.73	19.40	16.62

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	
	2020	2019	2020	2019
	1 EUR \triangleq	1 EUR \triangleq	in %	in %
Austria			25.00	25.00
Germany			31.72	31.72
Czech Republic	26.24	25.41	19.00	19.00
Croatia	7.55	7.44	18.00	18.00
Slovakia			24.44	24.44
Poland	4.56	4.26	19.00	19.00
Hungary	363.89	330.53	9.00	9.00
Romania	4.87	4.78	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 2020 and 2019.

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 2020 and 2019.

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 2019	-148,614	641,858	1,169,363	1,662,607	
Capital and dividend flows	-2,731	0	0	-2,731	
Foreign exchange variance	0	0	0	0	
Acquired/divested businesses	0	0	0	0	
Value 2019 adjusted	-151,345	641,858	1,169,363	1,659,875	
Value of New Business	-54,750	-2,973	78,040	20,317	
Roll forward	-1,564	0	17,217	15,653	
Transfers from VIF and Required Capital to Free Surplus	174,772	-75,926	-98,846	0	
Experience variance	1,200	-68,629	177,074	109,645	
Assumptions changes	-87,746	87,746	105,947	105,947	
Other operating variance	8,658	-10,260	-1,479	-3,081	
Operating earnings	40,570	-70,042	277,952	248,481	
Economic variance	-709,059	765,970	-774,617	-717,707	
Total earnings	-668,489	695,927	-496,665	-469,226	-28.27%
Value 2020	-819,834	1,337,785	672,698	1,190,649	

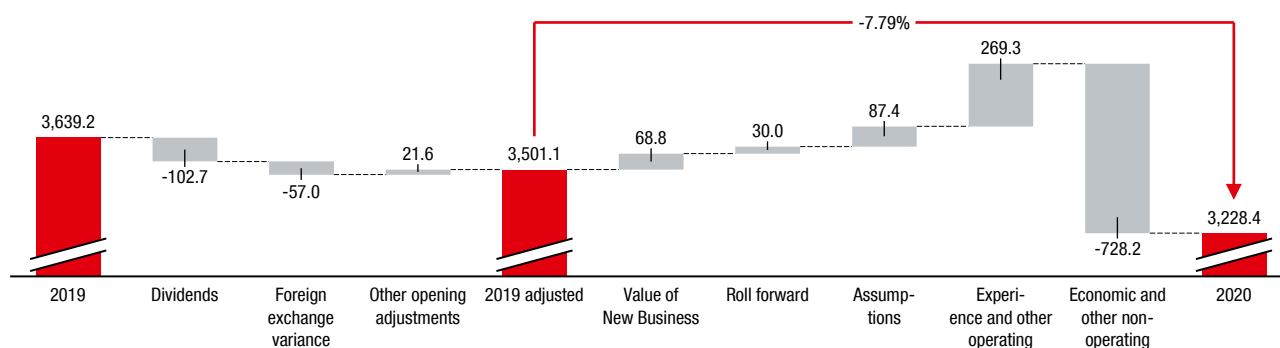
CEE	Free Surplus	Required Capital	VIF	Life and Health Embedded Value	Return
in EUR '000					
Value 2019	895,813	170,942	909,868	1,976,623	
Capital and dividend flows	-86,297	0	0	-86,297	
Foreign exchange variance	-22,013	13	-34,980	-56,980	
Acquired/divested businesses	7,687	312	-91	7,908	
Value 2019 adjusted	795,189	171,267	874,798	1,841,254	
Value of New Business	-56,148	4,373	100,264	48,489	
Roll forward	7,934	0	6,398	14,332	
Transfers from VIF and Required Capital to Free Surplus	143,756	-2,079	-141,678	0	
Experience variance	33,713	-3,310	74,910	105,312	
Assumptions changes	29,855	-29,855	-18,540	-18,540	
Other operating variance	47,901	-53,615	63,155	57,441	
Operating earnings	207,012	-84,486	84,509	207,035	
Economic variance	-18,477	28,182	-15,267	-5,562	
Other non-operating variance	-4,961	0	0	-4,961	
Total earnings	183,573	-56,303	69,241	196,511	10.67%
Value 2020	978,762	114,963	944,039	2,037,765	

Total	Free Surplus	Required Capital	VIF	Life and Health Embedded Value	Return
in EUR '000					
Value 2019	747,199	812,799	2,079,231	3,639,229	
Capital and dividend flows	-89,029	0	0	-89,029	
Foreign exchange variance	-22,013	13	-34,980	-56,980	
Acquired/divested businesses	7,687	312	-91	7,908	
Value 2019 adjusted	643,844	813,124	2,044,160	3,501,129	
Value of New Business	-110,898	1,400	178,304	68,806	
Roll forward	6,370	0	23,615	29,985	
Transfers from VIF and Required Capital to Free Surplus	318,529	-78,005	-240,524	0	
Experience variance	34,913	-71,939	251,983	214,957	
Assumptions changes	-57,891	57,891	87,407	87,407	
Other operating variance	56,559	-63,875	61,675	54,360	
Operating earnings	247,582	-154,528	362,461	455,515	
Economic variance	-727,536	794,152	-789,885	-723,269	
Other non-operating variance	-4,961	0	0	-4,961	
Total earnings	-484,915	639,624	-427,424	-272,715	-7.79%
Value 2020	158,929	1,452,748	1,616,737	3,228,414	

The opening adjustments of TEUR -138,100 include:

- the dividends paid to shareholders from the consolidated L&H segments in 2020;
- 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 20,317. 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. Material contribution by new business is coming from CEE where the VNB is TEUR 48,489.

The roll forward of TEUR 15,653 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 14,332.

The experience variance is TEUR 109,645 for Austria/Germany and TEUR 105,312 for CEE. These amounts include a number of positive and negative variances. The main impact in Austria/Germany is mainly due to a better than projected development of the health business. 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 105,947 for Austria/Germany and TEUR -18,540 for CEE. The main effect in Austria/Germany is due to updated projection assumptions for the health business following the experience variance.

The other operating variances are TEUR -3,081 in Austria/Germany and TEUR 57,441 in CEE.

The economic variances are TEUR -717,707 in Austria/Germany and TEUR -5,562 in CEE. The significant negative impact in Austria/Germany is a result of the decreased EUR risk free interest rates. The economic variance in CEE was not material.

In 2020 the total Life and Health Embedded Value Return is -7.79% of the 2019 adjusted value. The positive return of 10.67% 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 2020.

Life and Health Embedded Value		Austria/Germany	% change	CEE	% change	Total	% change
in EUR '000							
Base value		1,190,649		2,037,765		3,228,414	
Change in yield curve	+1%	1,014,181	85.18%	43,083	2.11%	1,057,264	32.75%
Change in yield curve	-1%	-1,607,224	-134.99%	-77,168	-3.79%	-1,684,392	-52.17%
Equity and property values	-10%	-143,660	-12.07%	-9,452	-0.46%	-153,112	-4.74%
Equity and property implied volatilities	+25%	-47,085	-3.95%	-6,587	-0.32%	-53,672	-1.66%
Swaption implied volatilities	+25%	-123,005	-10.33%	-9,970	-0.49%	-132,975	-4.12%
Maintenance expenses	-10%	121,874	10.24%	44,871	2.20%	166,746	5.16%
Lapse rates	-10%	-102,198	-8.58%	33,219	1.63%	-68,979	-2.14%
Mortality for assurances	-5%	1,344	0.11%	28,289	1.39%	29,633	0.92%
Mortality for annuities	-5%	-72,760	-6.11%	-403	-0.02%	-73,163	-2.27%
Removal of volatility adjustment		-126,134	-10.59%	-6,514	-0.32%	-132,647	-4.11%

Value of New Business		Austria/Germany	% change	CEE	% change	Total	% change
in EUR '000							
Base value		20,317		48,489		68,806	
Change in yield curve	+1%	21,035	103.54%	1,051	2.17%	22,086	32.10%
Change in yield curve	-1%	-46,418	-228.47%	-2,359	-4.86%	-48,776	-70.89%
Maintenance expenses	-10%	5,083	25.02%	4,156	8.57%	9,239	13.43%
Lapse rates	-10%	2,136	10.51%	4,672	9.63%	6,807	9.89%
Mortality for assurances	-5%	1,751	8.62%	4,083	8.42%	5,834	8.48%
Mortality for annuities	-5%	-2,931	-14.42%	90	0.19%	-2,840	-4.13%
Removal of volatility adjustment		-240	-1.18%	-498	-1.03%	-738	-1.07%

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 significant in both regions.

- **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. This year the volatility adjustment was applied for the first time in Slovakia.

Maturity Profile

The following table shows the discounted profits expected to emerge from the in-force covered business as at 31 December 2020 over future years. The VIF is split into five maturity bands.

	VIF maturity profile	% of VIF
	in EUR '000	
1 to 5 years	868,398	53.71%
6 to 10 years	212,376	13.14%
11 to 15 years	-52,830	-3.27%
16 to 20 years	-137,123	-8.48%
more than 20 years	725,917	44.90%
Total	1,616,737	

The maturity profile indicates that 66.85% of the VIF emerges during the first 10 years.

Appendix: Independent Assurance Report

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

Vienna, 17th of March 2021

Independent Assurance Report on Life and Health Embedded Value 2020

We have performed an independent assurance engagement in connection with the accompanying Supplementary Information on the Life & Health Embedded Value Results 2020 (the “Life and Health Embedded Value”) of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (“VIG”), Vienna for the period from 1st January 2020 to 31st December 2020.

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 2020 together with the value of new business generated, the sensitivities and the analysis of movement in the MCEV during the year 2020.

Some insurance companies of Vienna Insurance Group are excluded from the scope of our independent assurance engagement. These companies are included in the Life and Health Embedded Value on the basis of book value as included in the respective parent company’s audited local statutory accounts.

The scope of our independent assurance engagement covered the assessment of the appropriateness of methodology adopted as well as the assumptions and calculations made by VIG in its Life and Health Embedded Value.

Management's Responsibility

The Life and Health Embedded Value and the underlying assumptions are the sole responsibility of the Board of Directors of VIG. They are prepared by VIG on the basis of VIG’s methodology as described in the Life and Health Embedded Value.

Auditor’s responsibility

Our responsibility is to state whether, based on our procedures performed and the evidence we have obtained, anything has come to our attention that causes us to believe that the Life and Health Embedded Value is not in accordance with the VIG Group Guideline and MCEV Principles as published by the CFO forum in June 2008 and amended in October 2009 and in April 2016.

Our engagement was conducted in accordance with Austrian Standards for Chartered Accountants, in particular in compliance with KFS/PG 13 “Principles of Engagements Other Than Audits or Reviews” as well as with the International Standards on Assurance Engagements (ISAE) 3000 applicable to such engagements.

These standards require us to comply with our professional requirements, which includes independence requirements, and to plan and perform the engagement to enable us to express a conclusion with limited assurance, taking into account materiality.

An independent assurance engagement with the purpose of expressing a conclusion with limited assurance ("limited assurance engagement") is substantially less in scope than an independent assurance engagement with the purpose of expressing a conclusion with reasonable assurance ("reasonable assurance engagement"), thus providing reduced assurance.

Our procedures were 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 limited 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, including the value of net assets as disclosed in the audited local statutory accounts and the consolidated IFRS accounts of VIG and the subsidiaries of VIG.

The calculation of the Life and Health Embedded Value necessarily relies on 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. 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.

The procedures that we performed do not constitute an audit or a review. Our engagement did not focus on revealing and clarifying of illegal acts (such as fraud), nor did it focus on assessing the efficiency of management.

Conclusion

Based on the procedures performed and the evidence we have obtained, 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 VIG group guidelines and MCEV Principles.

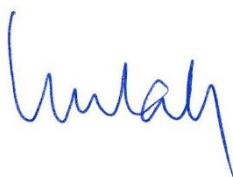
Restriction on use

Because our report was prepared solely on behalf of and for the benefit of the principal, its contents may not be relied upon by any third party, and consequently, we shall not be liable for any third party claims.

General Conditions of Contract

Our responsibility and liability towards the Company and any third party is subject to paragraph 7 of the General Conditions of Contract for the Public Accounting Professions.

KPMG Alpen-Treuhand GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Thomas Smrekar

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.

ADDRESS

VIENNA INSURANCE GROUP AG
Wiener Versicherung Gruppe
Schottenring 30
A-1010 Vienna
Internet: www.vig.com
Phone: +43 (0) 50 390 22000