



UNIQA Insurance Group AG

Group Economic Capital Requirement Report 2013

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1 Executive Summary

- The risk management approach of UNIQA Group is designed to add value by focusing on risk, return and revenue.
- The capitalization level of UNIQA Group is adequate and in line with the defined risk strategy.

As an insurance company carrying on life, health and non-life business lines, UNIQA Group is exposed to various risks. The risks that require the highest portion of the risk capital are:

- Market risk, especially spread risk due to assets backing long-term and saving products
- Underwriting risks life, driven by expense risk
- Underwriting risks non-life, mainly due to CAT losses

Due to the high share of life business mainly in Austrian companies, the continuous low interest rate environment is one of the main challenges for the UNIQA Group. Interest rate risk, driven by the duration gap between assets and liabilities, and the margins achievable on conventional business are key issues. These topics are one of the main fields of activity and measures in product development and ALM have been developed in order to manage the risk actively.

Despite the difficult economic environment the solvency position could be improved significantly in 2013. The Economic Capital Requirement (ECR) Quota is 161% as at year-end 2013 compared to 108% as at year-end 2012.

(in EUR millions)	2013	2012
Economic Capital Requirement	2,762	2,865
Own Funds	4,442	3,086
Economic Capital Ratio	161%	108%

Table 1 Economic Capital Ratio

The improvement of the ECR Quota is mainly driven by the significant increase of Own Funds. Also a moderate decrease of ECR was visible.

The increase of Own Funds by 1,356 EUR millions can be explained by:

- Capital increase (Re-IPO) by 725 EUR millions
- Additional subordinated liabilities by 150 EUR millions
- Decrease of net technical provisions by 366 EUR millions, mainly due to higher interest rates

The decrease of ECR by 103 EUR millions is mainly driven by market risk reduction due to risk reducing measures taken with regards to private equity, hedge funds and ALM.

The ECR Quota is characterized by a higher volatility and therefore additional measures and activities are necessary in order to achieve a stable and sustainable improvement of the ECR Quota. The main measures thereof are:

- Asset Liability Management (ALM)
- Reduction of private equity and hedge funds
- Implementation of life strategy
- Continual portfolio management

B&W Deloitte GmbH, Cologne has been retained to review the ECR methodology, assumptions and the derivation of the results as set out in sections 4, 5 and 6 of this report. They have not reviewed the Risk Strategy or Risk Management Framework. The scope and the results of this independent review are set out in section 8.

2 Risk Strategy – UNIQA Group

We have set ourselves ambitious targets in connection with our corporate strategy UNIQA 2.0. In summary, we aspire to sustainable and profitable growth; we take the initiative, optimize processes and back innovation. We do this with a view to keeping the promise we made to our customers, our shareholders and our employees. In addition, we established seven core initiatives that support our Business Strategy. To complement our business strategy we also need to have the right answers in place as to how this strategy has to be seen in the light of all our company's risks. The Management Board has therefore adopted a risk strategy, whose main purpose is to meet our obligations towards our clients, employees and shareholders. This strategy is borne by four principles:

- We know our responsibility and understand our clients' need
- We have a clear understanding of our risks
- We know our risk bearing capacity
- We see opportunities in our risks

With these four principles, we will move confidently into the future and maintain a financial strength that allows us to achieve our corporate goals, as well as preserving our reputation and profitability also under any possible deterioration of our environment.

Risk preferences

UNIQA clearly stated its preferences towards risk categories, where it is defined, which risks we are willing to take and which we want to avoid.

Risks that we are willing and committed to take are underwriting risks in the Non-Life, Health as well as in the Life segment, since these build the core of the insurance business.

On the other hand, we want to avoid any risks that cannot be influenced by our business conduct and based on misconduct such as operational and strategic risk.

A medium preference is assigned to market and credit risk, since some amount of risk has to be taken here to fulfil our obligations towards our customers. Still those risk categories are monitored closely with a profound limit system to avoid excessive risk loading.

Risk Appetite Statements

Capital – We aim to keep a regulatory Solvency I ratio of at least 135% on Group and Business Unit level. When Solvency 2 comes into force this regulation with its requirements has to be fulfilled. We strive for an ECR Ratio of at least 150% in 2015. Our long term target is to settle our ECR Ratio at a level around 170% to match market expectations.

Risk & Return – We aim to steer the overall portfolio development on an economic modelling basis. Quantitative results are part and input of product review, planning and steering processes.

Non-Life Underwriting Risk – Clear and transparent portfolio exposure limits plus a Group wide Nat Cat cover are the main stabilizing factors. Besides, we implement clear pricing principles, profit analysis and proper underwriting guidelines with single exposure limits. A crucial objective is to have a well-diversified risk profile with an emphasis on profitable non-motor business.

Health Underwriting Risk – Short term health products show excellent risk/return relations. Long term health is the major growth segment in mature markets. Cost inflation and regulatory changes are monitored closely.

Life Underwriting Risk – We see life insurance as key products for our customers. Due to the low interest rate environment product adjustments and new parameter sets are to be introduced. We focus on managing the in-force business with a focus on biometric risks, a clear profit testing process for new products and increasing the share of unit linked products.

Market Risk – As a liability driven investor we focus on the inherent profitability of our insurance products first. UNIQA manages asset risks by clear limits for the overall risk appetite, risk budgets and a stringent strategic asset allocation process to restrict our market risk to an acceptable volume.

Operational Risks – A clear Group Governance model, Group Compliance, Group (IT) Security and our internal control framework act together to limit operational risks exposures.

Risk Tolerances

Capital - UNIQA Group target ECR Quota for 2015 is 150%; the long-term target is set at 170% to match market expectations.

S&P Rating - Also external judgment is essential, thus UNIQA wants to hold a target financial strength rating of “A” (by Standard & Poor’s), with a calculated quantitative rating of “AA” concerning UNIQA’s capitalization (S&P capital model).

Market Risk Share - The concentration on market risk shall be lowered, in order to come up to a more diversified risk profile, which is crucial for an insurance company. To decrease the concentration of market risk we aim to lower its share. The target share of market risk of total ECR in 2018 is 60% - 65%.

The Group risk tolerances are defined by the Economic Capital Requirement based on our internal valuation principles. ECR details are described in chapter 8.1.2.

3 Risk Management Framework

3.1 Risk Governance

The focus of risk management with management structures and defined processes is the attainment of the strategic goals of the UNIQA Group and its subsidiaries.

The UNIQA Group’s Risk Management Guidelines form the basis for a uniform standard at various company levels. The guidelines are approved by the Group CRO and Group Risk Management Committee and describe the minimum requirements in terms of organisational structure and process structure. They also provide a framework for all risk management processes for the most important risk categories.

In addition to Group Risk Management Guidelines, a set of Risk Management Guidelines have also been prepared and approved for the company’s subsidiaries. The Risk Management Guidelines at subsidiary level were approved by the Management Board of the UNIQA subsidiaries and are consistent with the UNIQA Group Risk Management Guidelines.

These aim to ensure that risks relevant to the UNIQA Group are identified in advance and evaluated. If necessary, proactive measures are introduced to transfer or minimise the risk.

Intensive training on the content and utilisation of these guidelines is required in order to enshrine risk management in everyday business activities. Very extensive information and training measures have therefore been implemented since 2012, which will be continued in 2014 and extended to further target groups.

Organisational Structure

The detailed set-up of the risk management process and organisational structure is set out in the UNIQA Group’s Risk Management Guidelines. These reflect the principles of “three lines of defence” and the clear differences between the individual “lines of defence”.

First line of defence: risk management within the business activity

Those responsible for business activities must build up and embody a reasonable monitoring environment to identify and monitor the risks that arise in connection with the business and the processes.

Second line of defence: supervisory functions including risk management functions

The risk management function and the supervisory functions, such as controlling, must monitor business activities without encroaching on operational activities.

Third line of defence: internal and external auditing

This enables an independent review of the formation and effectiveness of the entire internal control system, which comprises risk management and compliance (e.g. internal auditing).

The following figure describes the risk management organisational structure and the most essential process responsibilities within the UNIQA Group. Functional tasks and obligations are described precisely in the Risk Management Guidelines.

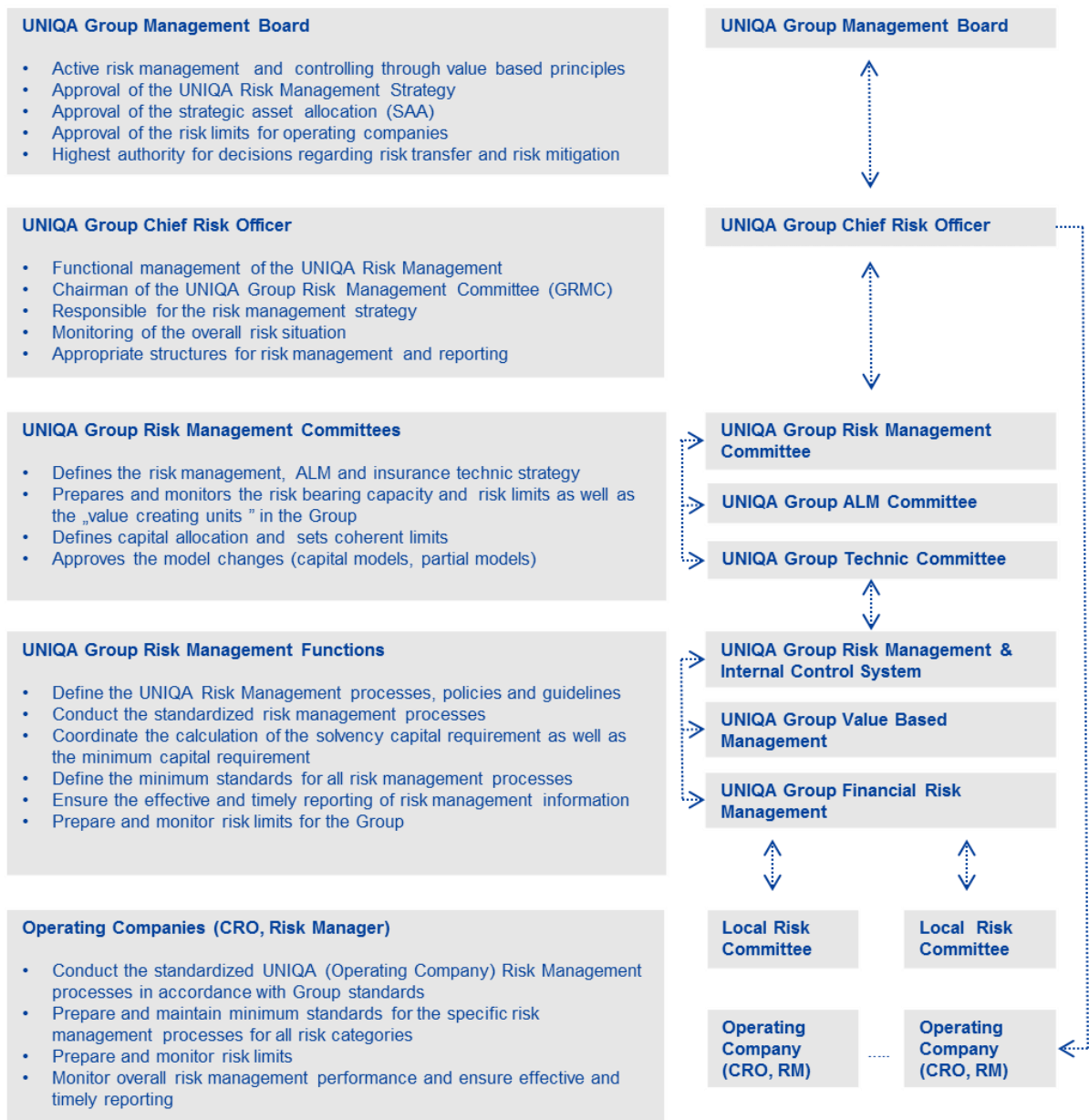


Figure 1 Group Risk Management – Organisational Structure

The UNIQA Group Management Board is responsible for establishing business policy targets.

The Chief Risk Officer (CRO) function has its own resort on the Management Board of the holding company. This ensures that the topic of risk management is represented on the Management Board. In his risk management activities, the CRO is supported in the implementation and fulfilment of his duties in particular by the departments of risk management & internal control system, market risk management, value-based management and compliance.

Furthermore, a CRO function is also established at Management Board level in the operative insurance companies. This ensures a continuous and uniform risk management system within the Group.

The risk management committees constitute a central element in the risk management organization, at both Group level and in every UNIQA company. The risk management committee is the management body for controlling and both short- and long-term steering of the risk profile for UNIQA companies. The risk management committee establishes the risk strategy, monitors and steers compliance with risk-bearing capacity and limits and

therefore plays a central role in the UNIQA Group's risk management system steering process.

The Supervisory Board of the UNIQA Group is informed in depth through risk reports at Supervisory Board meetings.

3.2 Risk Management Process

The UNIQA Group's risk management process (UNIQA ORSA process) delivers periodic information about the risk profile and enables the top management to make the right decisions for the long-term achievement of objectives.

The process concentrates on risks relevant to the company and is defined for the following risk categories:

- Underwriting risk (property and casualty insurance, health and life insurance)
- Market risk/asset/liability mismatch risk
- Credit risk/default risk
- Liquidity risk
- Concentration risk
- Strategic risk
- Reputation risk
- Operational risk
- Contagion risk

A Group-wide, standardised risk management process (Figure 2) regularly identifies, evaluates and reports on risks to the UNIQA Group and its subsidiaries within these risk categories.

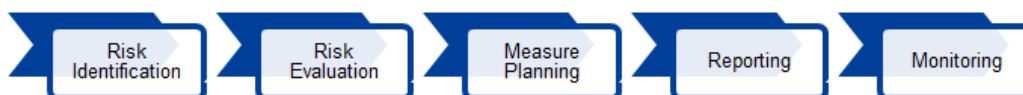


Figure 2 Risk management process

Risk identification:

Risk identification is the starting point for the risk management process, systematically recording all major risks and describing them in as much detail as possible. In order to conduct as complete a risk identification process as possible, parallel different approaches are used, and all risk categories, subsidiaries, processes and systems are taken into account.

Evaluation/measurement:

The risk categories of market risk, underwriting risks, counterparty default risk and concentration risk are evaluated in the UNIQA Group framework by means of a quantitative method based on the standard approach of Solvency II and the ECM (economic capital model) approach.

Furthermore, risk drivers are identified and analyzed in order to assess whether the risk situation is adequately represented (in accordance with ORSA).

For evaluation of other risk categories own scenarios are defined.

Scenario analysis in UNIQA risk management:

One essential element of the risk management process is the derivation and development of risk scenarios based on the economic, internal and external risk situation of the UNIQA Group.

A scenario is a possible internal or external event that causes a short-term or medium-term effect on the Group profit, solvency position or sustainability. The scenario is formulated in accordance with its expression and evaluated in terms of its financial effect on the UNIQA Group. The likelihood that the scenario will actually occur is also considered.

These scenarios are developed, assessed and constantly monitored by the experts in the UNIQA risk management department. Risk mitigation measures are taken on a proactive basis for potential threats.

Limits/early warning indicators:

The limit and early warning system determines risk-bearing capacity and capital requirements on the basis of the risk situation at ongoing intervals, thereby deriving the level of coverage. If critical coverage thresholds are reached, then a precisely defined process is set in motion, the purpose of which is to return the level of solvency

coverage to a non-critical level.

Reporting:

A risk report is prepared twice a year for each operating company and for the UNIQA Group on the basis of detailed risk analysis and monitoring. The risk report for each individual UNIQA subsidiary and the UNIQA Group itself has the same structure, providing an overview of major risk indicators such as risk-bearing capacity, solvency requirements and risk profile.

A summarized reporting form is also available for the UNIQA Group and all subsidiaries, which provides the management with a monthly update regarding the most significant risks.

4 Own Funds

The economic balance sheet at Group level uses the accounting consolidation methodology and the Own Funds are presented on a consolidated basis. The entities consolidated under the UNIQA's economic balance sheet are the same entities consolidated under the Group's Consolidated Financial Statements under IFRS. The Group is treated as one entity and all intra-group transactions are eliminated for the determination of both the Own Funds and the Economic Capital Requirements.

4.1 Statement and Analysis of Change - Own Funds

From 2012 to 2013 the amount of Own Funds increased by 1,356 EUR million. The main reasons for this increase are capital measures taken in 2013 and economic value creation. The capital increase stemming from the Re-IPO amounts to 725 EUR million and an additional 150 EUR million result from the replacement of subordinated liabilities. Own Funds have increased as the result of writing profitable new business and from deviations to assumptions (e.g. investment returns were higher than expected, claims payments were lower than expected and changes in interest rates had a positive overall impact).

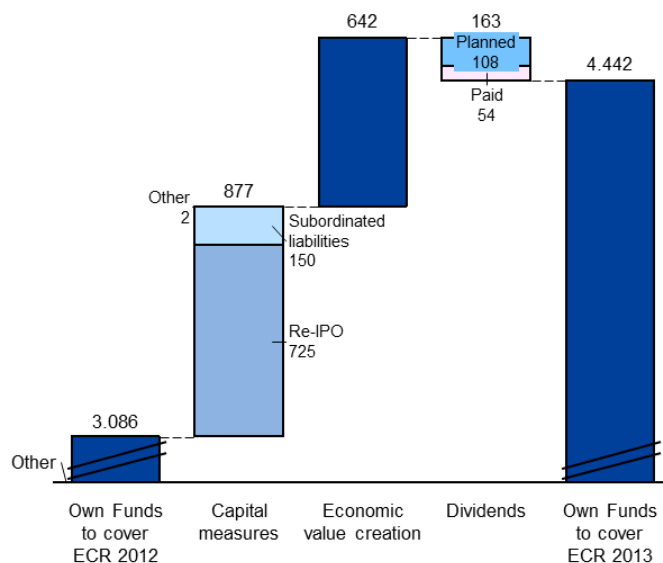


Figure 3 Development of Own Funds

There was a significant increase of Own Funds during the last year. According to Solvency II requirements, there are defined limits for the allowance of different capital classes. Tier 1 class is the capital of the highest quality and can be used to fully cover the Economic Capital Requirement. The composition of Own Funds is still similar to the last year. The portion of Tier 1 capital is 86%. The amount of subordinated liabilities is significantly below the defined limits. Consequently all of the Own Funds can be used to cover the economic capital requirement.

Position	2013		2012	
	(in EUR millions)	in %	(in EUR millions)	in %
Tier 1	3,842	86%	2,636	85%
Subordinated Liabilities	600	14%	450	15%
Total	4,442	100%	3,086	100%

Table 2 Composition of Own Funds

4.2 Reconciliation with IFRS Equity

As at 31 December 2013 the IFRS equity including minorities amounted to EUR 2,790 million (thereof EUR 22 million minorities) and Own Funds according to the economic valuation principles amounted to EUR 4,442 million.

The following table shows the reconciliation of IFRS equity including minorities to Own Funds.

Position (in EUR millions)	2013	2012
IFRS Equity	2,790	2,018
- Goodwill	-472	-475
- Value of business in force (VBI)	-38	-46
- Intangible assets	-24	0
- Deferred acquisition costs	-928	-869
+ Revaluation (after deferred taxes)	2,627	2,010
<i>Revaluation of assets</i>	833	683
<i>Revaluation of net technical provisions</i>	1,794	1,327
+ Subordinated liabilities	600	450
- Foreseeable dividends	-108	0
- Capping of minority interests	-5	-3
Own Funds	4,442	3,086

Table 3 Reconciliation of IFRS equity to Own Funds

The main differences between the IFRS equity including minorities and Own Funds are:

- Goodwill, VBI and intangible assets are valued at zero in Own Funds;
- Deferred acquisition costs are valued at zero in Own Funds too;
- Market values of participations, properties and loans (as shown in the notes to the Group's Consolidated Financial Statements) replace IFRS values;
- Technical provisions and reinsurance recoverables are valued on a discounted, best-estimate basis in the Own Funds;
- Foreseeable dividends are deducted in Own Funds

5 Risk Profile

5.1 Economic Capital Requirement

The ECR is the level of Own Funds needed for protection against unexpected and extreme losses. UNIQA applies the methodology of the standard formula under Solvency II which is a value-at-risk (“VaR”) approach with a confidence level of 99.5% over a one-year time horizon. UNIQA’s Economic Capital Requirement is the consolidated result of the aggregated capital requirements for the individual risks, which takes into account diversification effects between individual risk modules. For lines of business where an internal model approach has been applied, also diversification effects between companies within the group are allowed for. More details of the methodology are included in the Appendix. The ECR for market, life and health are net of the risk mitigation from future discretionary benefits where applicable, but before the adjustment for deferred taxes.

5.1.1 Risk Profile Results

Figure 4 shows the main components of the ECR: market, life underwriting, non-life underwriting, health CAT & SLT and counterparty default risk). The Own Funds are split between the components Tier 1 capital and subordinated liabilities.

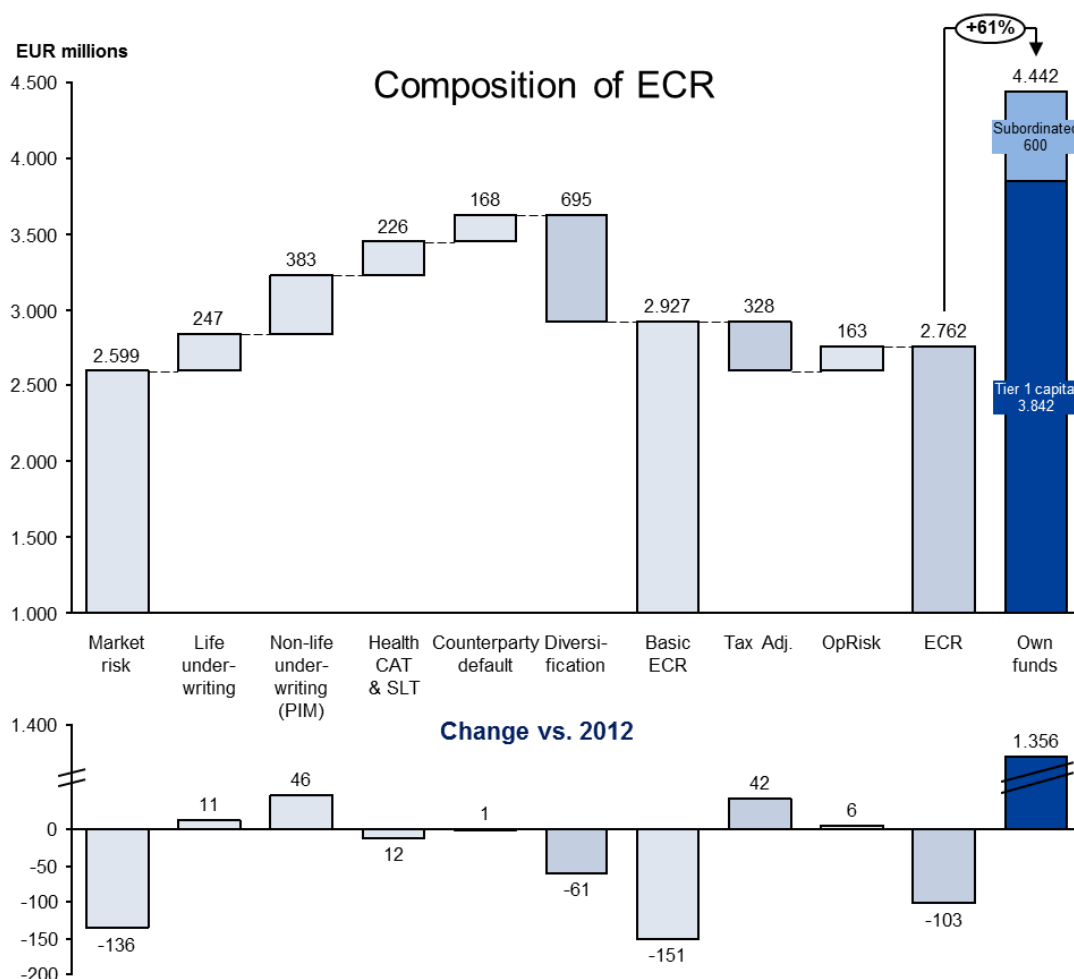


Figure 4 Risk Profile in 2013 and change vs. 2012¹

¹ The Diversification figures above also include the ECR for Intangible Assets in 2012. In 2013 the ECR for Intangible Assets is zero.

In the following table the composition of ECR is presented. ECR figures are shown net of the risk mitigation from future discretionary benefits.

Position	2013		2012	
	(in EUR millions)	in %	(in EUR millions)	in %
Economic Capital Requirement	2,762		2,865	
<i>Basic ECR</i>	2,927		3,078	
ECR Market Risk	2,599	71.8%	2,735	73.6%
ECR CDR	168	4.6%	166	4.5%
ECR Life	247	6.8%	236	6.4%
ECR Non-Life	383	10.6%	337	9.1%
ECR Health ²	226	6.2%	237	6.4%
Diversification	-695		-654	
ECR Intangible	0		20	
<i>Operational risk</i>	163		157	
<i>Mitigation due to DT</i>	-328		-370	

Table 4 Development of Risk Profile

The ECR decreased from 2,865 EUR millions in 2012 to 2,765 EUR millions in 2013 (a decrease of 103 EUR millions). The main component of the ECR is still the market risk, caused by the high portion of the life insurance portfolio. Further improvement compared to last year is the desired trend to increase insurance underwriting risks. Within UNIQA Group the proportion of both Life and Non-Life Underwriting risks increased. As defined in the risk strategy of the Group the market risk was reduced in both absolute figures and as percentage of the risk profile. Due to these changes within the risk profile significantly higher diversification effects could be generated.

The analysis for each risk category is shown in chapters 5.1.2 to 5.1.5.

In the following tables the capital requirement per segment and region is represented. Compared to last year the capital requirement for the health segment decreased significantly due to reduction of market risk, mainly caused by interest rate risk, and due to modelling changes made. Because of this, the weighting of other segments shifted. The capital requirement for health business is driven by SLT (Similar to Life Techniques) business in the Austrian and Italian operating companies.

Further details regarding the Non-Life segment can be found in chapter 5.1.4.

Table 6 shows that the highest portion of the capital requirement comes from the Austrian companies and is caused by the high business volumes.

Segment	2013	2012
Life	59%	55%
Non – Life (incl. Health N-SLT)	25%	22%
Health SLT	16%	23%

Table 5 Capital requirement per business segment

Region	2013	2012
AT	80%	78%
WEM	10%	11%
CEE	4%	6%
SEE	4%	3%
EEM	2%	2%

Table 6 Capital requirement per Region

² ECR Health includes the ECR for Health SLT and Health CAT risk (Health NSLT is included in ECR-Non Life)

5.1.2 Market Risk

Investment activity in 2013 was strongly influenced by the new liability driven investment approach. As outlined in table 7, the major shift included a reduction of investments in equity and alternative asset classes (private equity and hedge funds) and an increase in fixed income assets. The share of bonds was further raised by a reduction in cash.

Position	2013		2012	
	in %		in %	
Bonds	77.2%		71.6%	
Real Estate	8.5%		9.0%	
Cash	8.6%		10.1%	
Alternatives	0.3%		3.0%	
Equities	2.1%		3.1%	
Participations	3.3%		3.3%	

Table 7 Asset allocation

As a result of these changes, total market risk declined from 2.735 EUR millions (2012) to 2.599 EUR millions. With a share of 72% of overall risk, market risk continues to be the major risk driver for UNIQA. In addition to the impact on overall market risk, the changes in the asset allocation also had a significant impact on the composition of market risk sub-categories as outlined in table 8.

Position	2013		2012	
	ECR in EUR millions	in %	ECR in EUR millions	in %
Market Risk	2,599		2,735	
Interest Rate Risk	529	15.2%	818	21.0%
Equity Risk	468	13.5%	646	16.6%
Property Risk	584	16.8%	514	13.2%
Spread Risk	1,358	39.1%	1,142	29.3%
Concentration Risk	201	5.8%	142	3.6%
Currency Risk	332	9.6%	337	8.7%
Counter-Cyclical Premium Risk			297	7.6%
<i>Diversification</i>	-874		-1,162	

Table 8 Capital requirement for market risks

In line with current EIOPA developments, the Counter-Cyclical Premium risk is excluded from the Economic Capital Requirement in 2013. No restatement of 2012 figures for this change was made. Spread risk, which is determined by the risk metrics rating and modified duration, remains the dominant market risk and its share of overall market risk increased by 9.8 percentage points (216 EUR millions) compared to 2012. Reasons for this development were first and foremost purchases of high-quality long-dated government bonds for ALM purposes (e.g. France, Belgium and the Netherlands), but also yield-enhancing investments such as Italian government bonds (primarily for the Italian life insurance companies). Figure 4 gives an overview of the composition of spread risk-relevant assets³.

³ Numbers don't include the effect of future profit sharing

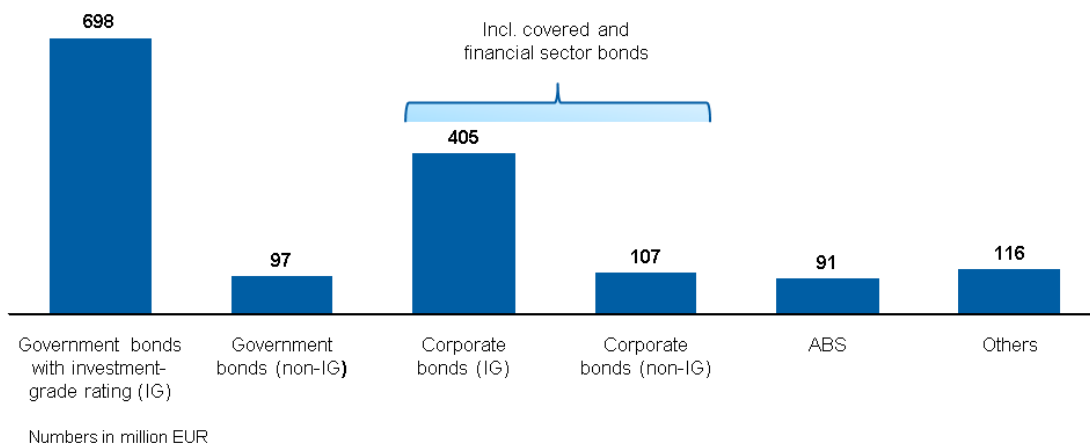


Figure 5 Spread risk composition

Interest rate risk is caused by both assets and liabilities whose values react sensitively to changes in interest rates. The main driver of interest rate risk is the difference in the duration between assets and liabilities. Measures geared toward an active reduction of the duration gap led to an increase in the overall share of the fixed income portfolio, as well as a rise in the weighted average modified duration from 5.4 to 5.6 years. The interest rate risk after mitigation declined from 818 EUR millions to 529 EUR millions. The impact is split between the effects due to assets and liabilities (figure 6).

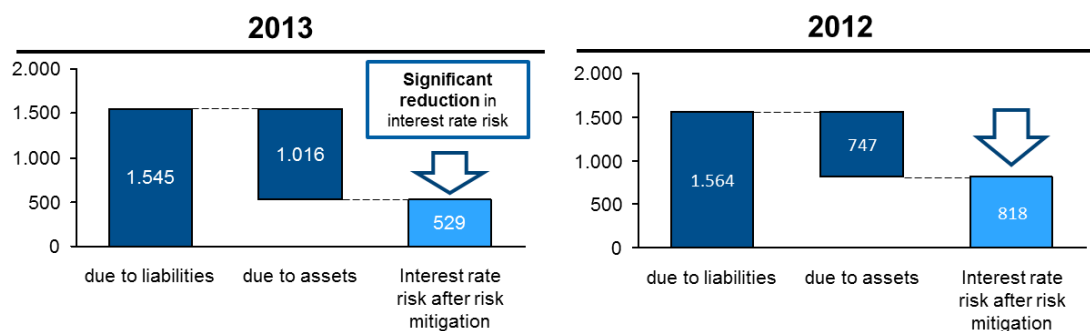


Figure 6 Interest rate risk 2012 vs. 2013

Active risk reduction measures have been taken in order to further reduce equity risk. What had formerly been the third largest market risk type, has been reduced by 4 percentage points or 178 EUR millions in 2013 by the impact of reducing exposures to the alternative asset classes private equity and hedge funds and also by the reclassification of some real estate holding companies to the property risk module. Another risk reducing effect was realized by the reorganization and net reduction of exposures to equity investment funds. Contrary to those risk-reducing activities, the dynamic component of the equity shock (symmetric adjustment) used for the calculation of equity risk, did increase from -0.6% (2012) to 5.0% (2013), resulting in an overall shock of 44% for exchange-listed equity shares and 54% for all other (non-strategic) equity shares.

The increase (70 EUR millions) in property risk was partially caused by increases in the value of real estate assets, but primarily by adaptations to the overall risk framework that led to the reclassification of some real estate holding companies to be considered under the property risk instead of the equity risk module.

At 9.6% and 5.8% respectively, currency and concentration risk continue to play minor roles in the overall composition of market risk.

5.1.3 Underwriting Risk Life

The ECR and risk absorbing capacity of future discretionary benefits for Life underwriting risks is calculated by applying the standard risk factors described in the Technical Specifications for each sub risk module. The ECR

per sub risk module is derived as the change in Best Estimate for guaranteed benefits under shock. The ECR allowing for risk absorbing capacity of future discretionary benefits is derived as the change in Best Estimate for benefits including future profit sharing under shock.

As specified in the Technical Specifications, for lapse risk the stress is only applied where the best estimate increases due to the risk scenario (for each of the scenarios lapse up, lapse down or mass lapse).

To determine the group's ECR for Life underwriting risks and for SLT-Health underwriting risks the results of the sub risk modules are aggregated by applying the correlation factors described in the Technical Specifications.

The ECR for Life underwriting risks are mainly driven by the expense risk, covering the risk of rising administration costs and inflation, and lapse risk. These risks are primarily concentrated in the Austrian businesses.

UNIQA Group has undertaken several risk reduction initiatives, in-force management measures have been started to reduce the cost of potential cost and guarantees.

Position	2013		2012	
	ECR in EUR millions	in %	ECR in EUR millions	in %
Life Underwriting Risk	247		236	
Mortality Risk	28	8.1%	25	7.7%
Longevity Risk	33	9.6%	31	9.5%
Disability Risk	6	1.7%	4	1.4%
Lapse Risk	97	28.0%	71	21.6%
Expense Risk	153	44.4%	161	49.2%
Revision Risk	0	0.1%	0	0.0%
CAT Risk	28	8.0%	35	10.6%
<i>Diversification</i>	-98		-91	

Table 9 Capital Requirement for Life Underwriting Risks

5.1.4 Underwriting Risk Non – Life

Underwriting risk non-life and health NSLT is quantified by means of the partial internal model, which covers both premium (including CAT) and reserve risks. The crucial benefit of the model compared to the standard formula is a more accurate consideration of the specifics risks in the UNIQA portfolio and better application of the non-proportional reinsurance program.

ECR amounts to 635 EUR millions and is mitigated to 383 EUR millions after the application of reinsurance. The lines of business with the highest risk (before reinsurance) are those with the highest CAT exposure (Property and Other with predominant premium risk) followed by the long tail business with high volume (Motor TPL and TPL due to significant role of the reserve risk).

In comparison to the previous year the most significant changes in the ECR, apart from the ordinary portfolio developments, are:

- ECR increase in Property and Other lines due to improved accuracy of exposure data related to natural catastrophes (mitigated through reinsurance on the net side)
- ECR decrease in MAT because of resigning from aviation business in Ukraine

ECR in EUR millions	Stand Alone 2013		Stand Alone 2012	
	Gross	Net	Gross	Net
Non-Life Underwriting Risk	634.7	382.9	536.2	337
Accident	48.6	48.3	52.9	52.6
Legal	20.4	20.4	10.9	10.9
MAT	79.0	64.1	175.2	32.7
Motor Hull	87.8	84.2	57.4	52.1
Motor TPL	158.0	154.5	139.1	135.3
Other	230.2	47.7	162.4	57.5
Property	447.1	132.1	350.3	139.1
Technic	50.5	18.8	44.6	21.5
TPL	100.5	93.3	96.5	91.7
Fronting	88.0	0.6	83.3	1.7
<i>Diversification</i>	<i>-675.4</i>	<i>-281.2</i>	<i>-636.4</i>	<i>-258.0</i>

Table 10 Risk profile non-life underwriting risk

External reinsurance coverage of the UNIQA Group is organized by UNIQA Re and consists mostly of non-proportional treaties provided by numerous external reinsurers. A significant capital release on the net side can be seen in the lines of business with large amount of CAT risk. The CAT XL coverage brings the highest capital release. Remaining excess of loss treaties have less influence on the risk capital as only the highest parts of the risks are reinsured through non-proportional treaties.

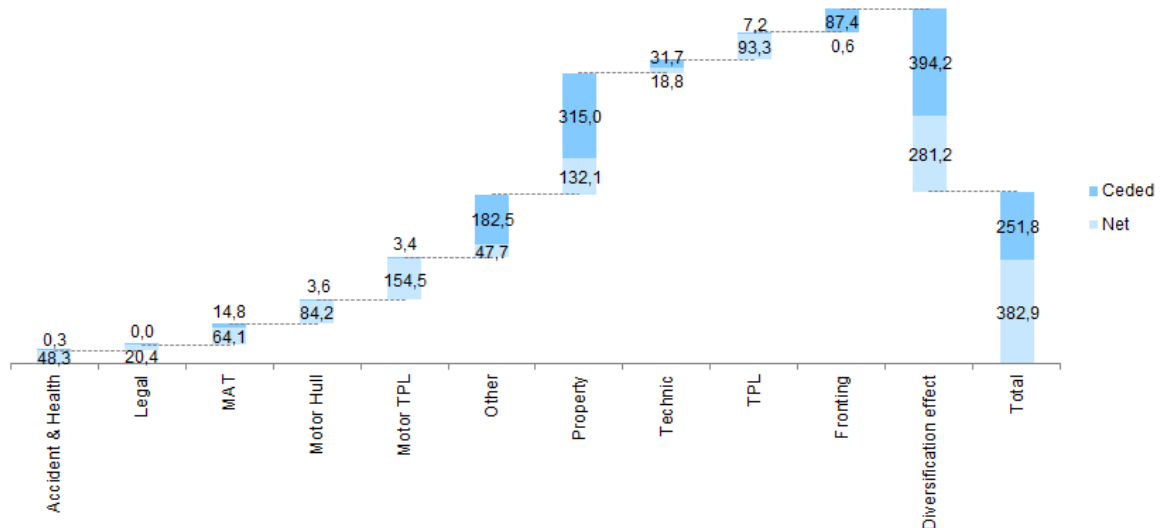


Figure 7 Economic Capital Requirement per line of business and risk mitigation through reinsurance (in EUR millions)

Exclusion of the CAT risk allows analysing the non-CAT risks as well as the influence of the remaining reinsurance treaties. The gross of reinsurance Economic Capital Requirement for Non-Life Underwriting Risk reduces by 41.7%. The main risk driver is Motor TPL followed by Property and TPL. The impact of the reinsurance program is not significant (with exception of fronting), as only the highest parts of the risks are reinsured.

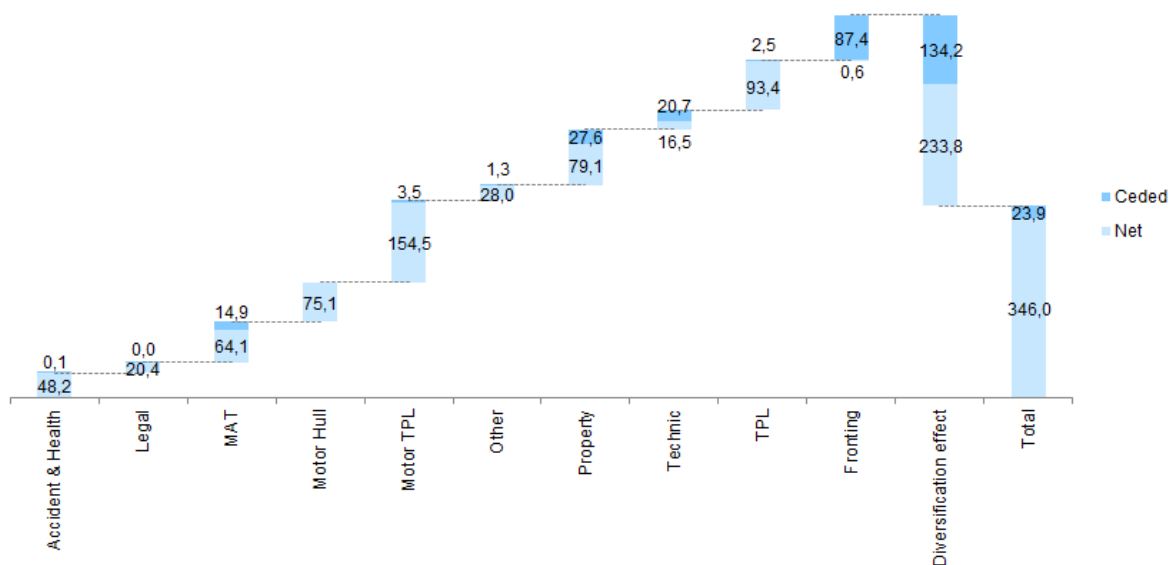


Figure 8 Economic Capital Requirement per line of business and risk mitigation through reinsurance without CAT (in EUR millions)

5.1.5 Underwriting Risk Health SLT

Position	2013		2012	
	ECR in EUR millions	in %	ECR in EUR millions	in %
Health SLT Underwriting Risk	216		220	
Mortality Risk	46	14.3%	16	5.1%
Longevity Risk	0	0.0%	0	0.0%
Disability Risk	77	24.1%	100	31.8%
Lapse Risk	154	48.1%	177	56.7%
Expense Risk	44	13.5%	20	6.4%
Revision Risk	0	0.0%	0	0.0%
<i>Diversification</i>	-105		-93	

Table 11 Capital Requirement for Health SLT Underwriting Risks

The ECR for Health SLT underwriting risks is calculated by applying the standard risk factors described in the Technical Specifications for each sub risk module. The ECR per sub risk module is derived as the change in Best Estimate for guaranteed benefits under shock. The ECR allowing for risk absorbing capacity of future discretionary benefits is derived as the change in Best Estimate for benefits including future profit sharing under shock. As specified in the Technical Specifications for lapse and disability-morbidity risk the scenarios are only applied when that leads to an increase of Best Estimate.

To derive the group's ECR for Health SLT underwriting risks the results of the sub risk modules are aggregated by applying the correlation factors described in the Technical Specifications.

Almost all of the risks relate to the Health portfolio in UNIQA Österreich Versicherungen AG which represents 92% (portion of gross written premium) of UNIQA Group's Health business.

Measures for risk reduction include maintaining strong operating earnings, monitoring new business development and the implementation of a liability-driven asset liability management approach.

5.2 Other Risk Categories

5.2.1 Operational Risks

Operational risks include losses that are caused by inefficient or failed internal processes as well as losses caused by systems, personnel resources or external events.

Operational risk includes legal risks, but not reputational and strategic risks. Legal risk is the risk of uncertainty due to complaints or uncertainty in the applicability or interpretation of contracts, laws or other legal requirements. The UNIQA Group's risk management process also defined the risk process for operational risks in terms of methodology, workflow and responsibilities. The risk manager is responsible for implementation and compliance to UNIQA Group standards in all subsidiaries.

Operational risks can surface in all processes and departments. Therefore operational risks are identified, evaluated and monitored in every operational company of the UNIQA Group at a very broad level. The risk identification is carried out with the aid of a standardized risk catalogue that is regularly checked for completeness. In order to evaluate these risks, scenarios are defined in order to assess the likelihood of occurrence and the amount of damages. The results are then presented by the risk manager in the form of an aggregated risk report and discussed in the risk management committee.

This process is conducted twice a year on a standard basis.

5.2.2 Reputational Risks

Reputational risk describes the risk of loss that arises due to possible damage to the company's reputation, deterioration in standing, or a negative overall impression due to negative perception by customers, business partners, shareholders or supervisory agencies.

Reputational risks which occur during the course of core processes such as claims processing or consulting and service quality are identified, evaluated and managed as operational risks in all subsidiaries.

The most important reputational risks are presented in an aggregated form in the risk report and discussed in the risk management committee.

Group risk management analyses the observed risks within the Group or in another operating company and assesses whether the danger of "contagion" within the Group is possible.

5.2.3 Strategic Risks

Strategic risks describe the risk that results from management decisions or insufficient implementation of management decisions that may influence current/future income or solvency. This includes the risk that arises from management decisions that are inadequate because they ignore a changed business environment.

Like operational and reputation risks, strategic risks are evaluated twice a year. Furthermore, important decisions are discussed with the management board in various committees, such as risk management committee. As outlined in the explanation of the risk management process, the management receives a monthly update regarding the most significant risks in the form of a heat map.

6 Capital Adequacy

On behalf of our shareholders and customers our aim is to have an adequate capital level. UNIQA's internal capital model plays a crucial role for capital management. Furthermore the requirements of supervisory authorities and rating agencies have to be considered. These requirements are also an essential part of our risk management strategy. Due to effective capital management UNIQA Group fulfilled both internal and external capital requirements.

		2013	2012
Statutory Requirement (Solvency I)	Own Funds	3,290	2,434
	Capital requirement	1,146	1,133
	Solvency I Ratio	287%	215%
Economic Capital Model	Own Funds	4,442	3,086
	Economic Capital Requirement	2,762	2,865
	Economic Capital Ratio	161%	108%

Table 12 Capital Adequacy – Own Funds and capital requirement in EUR millions

Statutory requirements

Risk capital requirements and available capital are currently calculated according to Solvency I regulations. These will be replaced when the Solvency II regulations become effective. In order to guarantee a smooth transition between these two different calculation methods UNIQA Group has performed both calculations since 2008. A consequence of these efforts is an early group wide introduction of the new methods and processes. Therefore gaps and deficiencies can be identified and corrected in time.

Economic capital base

UNIQA Group defines its risk appetite on the basis of an "Economic Capital Model" (ECM).

The target coverage of quantifiable risks with eligible Own Funds should be at least 150% in the short term. In the long term, excess coverage of up to 170% is to be achieved.

On 31 December 2013, and therefore after the placement of the supplementary capital bond in July 2013 and the capital increase in October 2013, the solvency ratio according to the ECM is 161%.

Standard and Poor's Model

In addition to regulatory and internal requirements, capital requirements of an external rating agency are also considered in order to present creditworthiness objectively and to enhance the comparability. Therefore, UNIQA Group is regularly rated by the rating agency Standard & Poor's. In October 2013 UNIQA Group's rating was upgraded to "A-" and those of UNIQA Österreich Versicherungen AG and UNIQA Re AG to "A" each with a stable outlook. At the same time, the rating of the hybrid capital bond issued by UNIQA in July 2013 was raised a notch to "BBB". UNIQA Group considers the effects on its rating in its capital planning process with the aim of improving it in future.

7 External Review

The Directors
UNIQA Insurance Group AG
Untere Donaustraße 21
1029 Vienna
Austria

22nd May 2014

Review of the derivation of the UNIQA's Own Funds and Economic Capital Requirement as at 31st December 2013

In accordance with our engagement letter B&W Deloitte GmbH has been engaged to review the derivation of the Own Funds and Economic Capital Requirement (ECR) for UNIQA Insurance Group AG (UNIQA) as at 31st December 2013. The values determined by UNIQA together with a summary of the methodology and the key assumptions are set out in UNIQA's Group Economic Capital Requirement Report 2013 (together "the Statements").

There are no generally accepted principles or final guidelines for the derivation of the Own Funds and ECR because the Solvency II legislation and related guidelines have not yet been finalised. The Statements themselves, the methodologies applied and the assumptions underlying them are each the sole responsibility of the Board of Directors of UNIQA.

The Own Funds have been derived by UNIQA using the consolidated IFRS balance sheet as a starting point and then making adjustments to allow for valuation differences between IFRS and UNIQA's methodology to determine Own Funds. The ECR has been determined by UNIQA on a bottom up (i.e. separately for each risk category and material legal entity) basis and then aggregated using a correlation matrix. The Solvency II standard formula approach on the basis of the Long Term Guarantee Assessment Technical Specifications (issued by EIOPA, dated 28 January 2013) has generally been applied. The main exceptions are the use of a partial internal model for the property & casualty business (including NSLT-Health business), company specific parameters for repackaged loan products and European Economic Area (EEA) government bonds (in the concentration and spread risk sub-modules) and the counter-cyclical premium risk sub-module.

The calculation of the Own Funds and ECR is necessarily based on numerous assumptions with respect to economic conditions (e.g. yield curves), operating conditions, taxation, and other matters, many of which are beyond UNIQA'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 Own Funds and ECR and such variation may be material. Deviations from assumed experience are normal and are to be expected.

The Own Funds do not purport to be a market valuation of UNIQA and should not be interpreted in that manner since it does not purport to encompass all of the many factors that determine and may have influence on a market value, e.g. the value of future new business. Furthermore it is possible that the final Solvency II methodology and parameters may differ significantly from the methodology and assumptions applied by UNIQA. Such changes could have a significant impact on the level of solvency coverage ratio.

Scope of B&W Deloitte's Review

We have reviewed:

- the methodology adopted to determine the Own Funds and ECR;
- the derivation of the assumptions used to calculate the Technical Provisions;
- the reconciliations between the consolidated IFRS balance sheet and the corresponding Own Funds, together with the adjustments on the basis of limited sample checks;

- the derivation of the ECR for the material risk drivers for the entities as defined in the scope of our engagement letter; and
- the aggregation of the ECR.

The following elements were excluded from the scope of our review:

- UNIQA's Risk Strategy and Risk Management Framework;
- Accuracy and completeness of the underlying data;
- UNIQA uses a partial internal model instead of the standard model for the property and casualty business (including the NSLT-Health business). Therefore we did not review the calculation of the standard model for this business.

Our work comprised a combination of such reasonableness checks, analytical review and checks of clerical accuracy as we considered necessary to provide a moderate level of assurance that the Statements have been compiled free of significant error. However, we have relied upon the completeness and accuracy of the data and information supplied by UNIQA as disclosed in the various financial statements on which the Statements are based. Accordingly, we have not audited, verified or otherwise substantiated that data and information. The procedures described above neither constitute an audit nor a review conducted in accordance with any generally accepted review or audit standards. Also, they would not necessarily reveal all matters of significance with respect to our opinion below.

Opinion

Based on our review, no matters have come to our attention that cause us to presume that the Own Funds and ECR have not been compiled consistently in all material respects with UNIQA's methodology and assumptions as described in the Statements.

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

Yours faithfully



B&W Deloitte GmbH

8 Appendix

8.1 Methodology

For the evaluation of the Own Funds and Economic Capital Requirements, UNIQA constructs an economic balance sheet based on the long term guarantees assessment (LTGA) study performed by EIOPA in spring 2013 the revised technical specifications for the Solvency II valuation and the solvency capital requirements calculations (Part I) (dated January 28. 2013), together referred to as the “Technical Specifications”. In line with current EIOPA developments, the Counter-Cyclical Premium risk is excluded from the Economic Capital Requirement in 2013. No restatement of 2012 figures for this change was made.

Details of the calculations for each of the Own Funds and ECR are included in the sections below.

8.1.1 Own Funds

The principles stated in the Technical Specifications were applied for the determination of the economic balance sheet.

Assets should be valued at the amount for which they could be exchanged between knowledgeable, willing parties in an arm's length transaction. For the valuation of assets in general mark-to-market values are used. If such values are not available, mark-to-model values should be derived.

Liabilities should be valued at the amount for which they could be transferred, or settled between knowledgeable, willing parties in an arm's length transaction. The values of liabilities should be derived by means of models which are based on the future cash flows of the business in force. These cash flows are discounted at the reference interest rates. The methodology for the derivation of the reference interest rates is described in the section “Economic Assumptions”.

Certain economic balance sheet positions are based on IFRS principles. A reconciliation of Own Funds to shareholders' equity under IFRS is shown in the section “Reconciliation with IFRS Equity.”

Adjustments are made to components of the Group's IFRS consolidated balance sheet in light of the principles stated above to derive the Economic Balance Sheet. These adjustments include:

- Goodwill and deferred acquisition costs (DAC) are valued at zero;
- Properties are valued at market value instead of amortized cost (the market values are shown in the notes to the Group's Consolidated Financial Statements);
- All assets classified as loans in the Group's IFRS consolidated balance sheet are re-valued to their market values (as shown in the notes to the Group's Consolidated Financial Statements);
- With respect to the Group's holding in STRABAG, the market value of the shares are used instead of the adjusted equity value shown in the Group's IFRS consolidated balance sheet;
- Reinsurance receivables are set up on a discounted, best-estimate basis, consistent with the corresponding technical provisions; the external reinsurance treaties are included in the reinsurance recoverables; internal reinsurance is eliminated in the consolidation;
- Technical provisions are valued on a discounted, best-estimate basis;
- Deferred Tax Assets and Liabilities are adjusted for the valuation differences;

Pensions benefit obligations are valued according to IAS 19 principles consistent with IFRS.

Own Funds include minority interests up to the level of the minority interests' share of the Economic Capital Requirements.

Furthermore, the going concern principle for the valuation is applied. Technical provisions are calculated assuming no limited liability put option.

8.1.2 ECR Methodology

The ECR is the level of Own Funds needed for protection against unexpected and extreme losses. UNIQA applies the methodology of the standard formula under Solvency II which is a value-at-risk (“VaR”) approach with a confidence level of 99.5% over a one-year time horizon. UNIQA’s Economic Capital Requirement is the consolidated result of the aggregated capital requirements for the individual risks, which takes into account diversification effects between individual risk modules. For lines of business where an internal model approach has been applied, also diversification effects between companies within the group are allowed for.

The basis for the calculation of the Economic Capital Requirement calculation is the Technical Specification. The Economic Capital Requirement is calculated according to the EIOPA’s Solvency II standard formula for all risk categories except spread risk, concentration risk, underwriting risk for Non-Life and underwriting risk for NSLT-Health (see Figure 9). For these categories UNIQA’s internal economic capital methodology is used. In particular, for the valuation of underwriting risk Non-Life and underwriting risk NSLT-Health UNIQA has developed a partial internal model in order to more precisely reflect these risks. For spread risk and concentration risk the methodology UNIQA uses is described in the section Risk Modules using UNIQA’s Economic Capital Approach in the subsection Spread- and Concentration Risks. Consistent with recent market developments no ECR is calculated for the Counter-cyclical premium risk module.

Allowance is made for the risk absorbing capacity of future discretionary benefits in line with the Technical Specifications. The risk absorbing capacity for a specific risk is given by the decrease of future discretionary benefits for policy holders due to the occurrence of the 200 year event (99.5% VaR) for that risk. The overall risk absorbing capacity cannot be higher than the amount of future discretionary benefits.

Allowance for the risk absorbing capacity of deferred tax is made in line with the Technical Specifications. Deferred tax in the economic balance sheet is calculated as the deferred tax in the Group’s consolidated IFRS balance sheet plus the tax related to the differences between the values of assets and liabilities in the economic balance sheet compared to the consolidated IFRS balance sheet. The risk absorbing capacity is the lower of the reduction in net deferred taxes resulting from an instantaneous loss stemming from a 200 year event and the excess of deferred tax liabilities over deferred tax assets in the economic balance sheet.

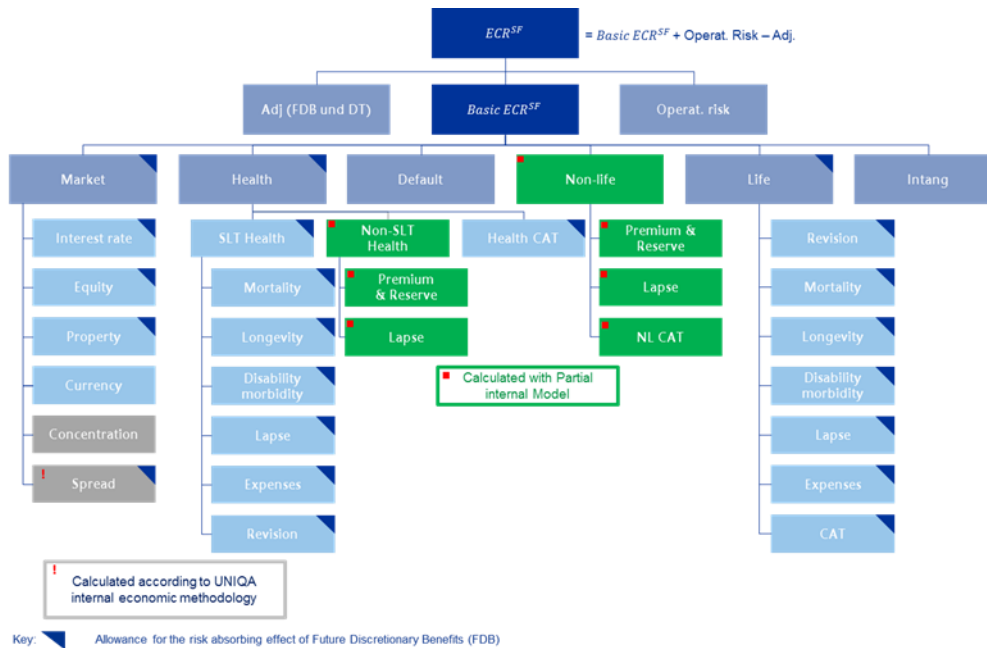


Figure 9 Composition of ECR and calculation methodology

Standard Formula Risk Modules

For market risks (excluding concentration and spread risks), Life and SLT-Health underwriting risks, default risk, operational risk and intangible asset risk the methodology uses the standard formula approach as described in the Technical Specifications. For each of these risk modules a 200 year scenario is defined and applied to the economic balance sheet. The change in the Own Funds determines the capital requirement for the specific shock.

The aggregation of the risk modules is performed using the correlation matrices as defined in the Technical Specifications.

The market risks allow for change in both the values of the asset and liabilities, in particular the technical provisions are revalued. This allows for changes in projected cash flows from the liability models as well as changes in the reference rates. The changes in projected cash flows include the impact on both guaranteed and future discretionary benefits (i.e. policyholder profit sharing).

Adverse deviations to the economic environment or the best estimate assumptions can lead to a reduction in the future discretionary benefits. The management rules used to amend the future profit sharing are consistent with UNIQA's profit sharing strategy. They allow a limited reduction in future premium discounts for risk insurance policies to compensate adverse deviations in assumptions other than mortality or morbidity assumptions. It has been assumed that such reductions will not lead to adverse policyholder behaviour (surrender behaviour).

The change in the value of the pensions benefit obligations is also included in the interest rate shock. In the interest rate down shock the valuation interest rate for pension benefit obligation is reduced to 2.50% p.a. For the Own Funds and IFRS a valuation interest rate of 3.00% is used.

Life and SLT-Health underwriting risks are calculated as the change in Technical Provision as consequence of the stress of the relevant risk driver. For example, for the expense risks it is assumed that the expenses incurred in servicing insurance contracts are increased by 10% and expense inflation is increased by 1% p.a.

Risk Modules using UNIQA's Economic Capital Approach

UNIQA generally follows the standard formula approach for the calculation of the ECR. Some modules for specific

risks use an alternative approach in order to reflect a more realistic view of the risk posed to the Group.

Spread- and Concentration Risk

In these modules, UNIQA assumes that EEA (European Economic Area) government bonds denominated in the local currency also contain spread- and concentration risks and this leads to an increase in the capital requirements. The Group measures the credit risk for these government bonds, derived on the basis of their corresponding credit rating and spread for internal risk monitoring. The time value of options & guarantees, as a part of the technical provision, does not consider credit risk on EEA government bonds.

In contrast to the default rates for corporate bonds the EIOPA shock factors for the repackaged loan products are based on limited data. For internal risk monitoring, UNIQA uses the ratings determined by external agencies and the implied default expectations. Consequently, the same calculation approach is used for the spread shock as for other fixed income securities. Furthermore, for the purpose of defining the term of callable bonds, UNIQA Group uses consistent assumptions for the derivation of Own Funds and the interest and spread risk modules. Expert judgement is used for deriving assumptions about the call date. Only in case no call is expected it is assumed that callable bonds will not be called by the issuer at the first call option date.

Non-Life and NSLT-Health Risks

UNIQA uses a stochastic cash-flow model for the assessment of the risks related to the Non-Life as well as NSLT-Health business. The risk categories within the scope of the partial internal model are:

- Underwriting risk (including catastrophe risk); and
- Reserving risk.

For both risk categories, a full distribution of the profit and loss is available. These distributions are aggregated to give an overall profit and loss distribution for the aggregate Non-Life and NSLT-Health portfolios. The aggregation of the PIM results with the remaining ECR framework is carried out using the methodology stated in Article 227 TSIM16bis of the Draft Delegated Acts. UNIQA uses "Integration technique 3" described in the chapter D of the Annex PIM. The purpose of this methodology is to replicate the dependency structure embedded in the standard formula to aggregate the results from a partial internal model on the PIM model scope and the results of the standard formula for the non-PIM model scope.

The partial internal model is developed and maintained by the Group Risk Management at Group level. It is implemented and operated within each business unit writing a material level of non-life business. The general methodology and assumptions are set within the Group Risk Management and included in the general model documentation. Assumptions and expert judgment required for the operation of the model are set within the respective business unit and are documented by the respective business unit.

Underwriting Risk (incl. Catastrophe Risk)

Underwriting risk captures the risk that the premium earned is not sufficient to cover all cost and claim payments. The underwriting risk model is separated into a gross model and a reinsurance model. The claims arising in the gross model are separated into three different types:

- Catastrophe claims: claims caused by natural catastrophes (e.g. earthquakes) are typically modeled through the use of external vendor models (e.g. RMS. Impact Forecasting. etc.). In addition, frost and snow pressure in Austria are modelled in-house. This year, UNIQA has introduced explicit modelling of also some man-made scenarios;
- Large claims: very high individual claim events above a pre-defined threshold; and
- Attritional claims: the remaining "high frequency – low severity" part of the portfolio.

After the gross claims are modeled, the applicable reinsurance contracts are applied and UNIQA's share of the claims is calculated. Both non-proportional as well as proportional reinsurance contracts are considered.

Reserving Risk

Reserving risk captures the risk of a loss arising from the run-off of claims occurred in the past but not settled at the date of the assessment. These losses mostly come from claims that are known but where the reserves were not sufficient or from claims that have occurred but are unknown. The reserve risk model is separated into a gross model and a reinsurance model. The losses within the gross model reserve risk are generated as a total value for each portfolio - no separation into attritional claim, large claims and catastrophe claims is carried out. The

reinsurance model uses a gross-to-net proxy to account for different reinsurance structures that were in place historically.

8.2 Assumptions

8.2.1 Economic Assumptions

8.2.1.1 Reference Rates

The reference interest rates used for discounting cash flows in the process of calculating Technical Provisions are based on swap rates at each year's end with the following adjustments:

- credit risk adjustment of 10 basis points is deducted from the swap rates;
- an extrapolation is carried out for the period beyond that for which liquid assets are available in the financial markets. For EUR UNIQA considers the market to be deep and liquid for durations up to 20 years and the extrapolation is applied from this point onwards (the parameter for the other currencies are shown in Table 13);
- UNIQA uses the Smith-Wilson technique to extrapolate the reference rates to the ultimate forward rate of 4.2% for EUR (the parameters for other currencies are shown in Table 13. The parameters are determined such that the ultimate forward rate is reached within 40 years (for 2012 the period was 10 years); and
- a Liquidity Premium is added to the deep and liquid part only.

The Liquidity Premium for EUR shown in Table 14 is determined by the "direct approach" of the 50/40 proxy formula: $\max [0, 50\% (\text{corporate spread over swap} - 40 \text{ basis points})] + 10 \text{ basis points}$. The 10 basis points are the correction for the previous credit risk adjustment. The following Liquidity Premium buckets have been applied in 2013:

- 0% for unit/index-linked business; and
- 65% for other business (including non-life business).

In 2012 UNIQA applied the following Liquidity Premium buckets:

- 75% for participating business;
- 0% for unit/index-linked business; and
- 50% for other business (including non-life business).

For CZK, HUF and PLN 33% of the EUR premium was assumed (the Liquidity Premium for other currencies are included in Table 14).

The following tables show the main economic assumptions used to determine the Technical provisions.

Reference rates 2013 (without Liquidity Premium)								
year	EUR	CZK	HUF	PLN	CHF	RUB	RON	HRK
1	0.30%	0.26%	2.89%	2.65%	0.00%	6.87%	2.80%	2.15%
5	1.16%	1.17%	4.04%	3.63%	0.66%	7.13%	3.88%	5.30%
10	2.12%	2.02%	5.31%	4.20%	1.58%	7.71%	4.14%	6.05%
15	2.61%	2.52%	5.36%	4.32%	2.01%	8.35%	4.10%	6.24%
20	2.75%	2.82%	5.05%	4.35%	2.27%	8.60%	4.10%	6.08%
25	2.84%	3.04%	4.87%	4.35%	2.43%	8.39%	4.11%	5.87%

Reference rates 2012 (without Liquidity Premium)								
year	EUR	CZK	HUF	PLN	CHF	RUB	RON	HRK
1	0.23%	0.29%	5.11%	3.33%	0.00%	7.29%	6.08%	3.86%
5	0.67%	0.70%	5.00%	3.25%	0.24%	7.33%	5.97%	6.00%
10	1.50%	1.29%	5.40%	3.49%	0.87%	8.00%	6.00%	6.84%
15	1.98%	1.74%	5.17%	3.65%	1.23%	8.01%	5.63%	6.30%
20	2.16%	2.21%	4.92%	3.77%	1.61%	7.53%	5.29%	5.79%
25	2.45%	2.59%	4.77%	3.86%	1.91%	7.08%	5.07%	5.48%

Table 13 Reference Rates

Liquidity Premium (100%)								
Basis points	EUR	CZK	HUF	PLN	CHF	RUB	RON	HRK
2013	39	14	14	14	14	0	0	0
2012	47	16	16	16	15	0	0	0

Table 14 Liquidity Premium

Reference rates projection 2013								
	EUR	CZK	HUF	PLN	CHF	RUB	RON	HRK
Starting Point of Extrapolation	20	15	15	10	15	15	10	10
Ultimate Forward Rate	4.2%	4.2%	4.2%	4.2%	3.2%	5.2%	4.2%	4.2%

Reference rates projection 2012								
	EUR	CZK	HUF	PLN	CHF	RUB	RON	HRK
Starting Point of Extrapolation	20	15	15	10	15	15	10	10
Ultimate Forward Rate	4.2%	4.2%	4.2%	4.2%	3.2%	5.2%	4.2%	4.2%

Table 15 Reference Rates Projection

8.2.2 Other Economic Assumptions

Swaption and equity option implied volatilities for EUR are shown in the following tables:

Expiry / Swap Tenor	2013		2012	
	10 years	20 years	10 years	20 years
10 years	23.07%	22.56%	25.04%	21.71%
15 years	23.29%	20.73%	23.46%	20.24%
20 years	21.64%	19.20%	20.09%	18.47%

Table 16 Swaption Implied Volatilities

EUR	At-the-money Equity Option Implied Volatilities	
	2013	2012
5 years	19.92%	24.63%
10 years	20.50%	26.05%

Table 17 At-the-money Equity Option Implied Volatilities

Tax rate

For the derivation of deferred tax liabilities the Group's corporate tax rate of 25% is used.

Foreign exchange rates

The same foreign exchange rates as used for the IFRS balance sheet have been applied for the economic balance sheet. These are shown in the table below.

Exchange Rates								
	EUR	CZK	HUF	PLN	CHF	RUB	RON	HRK
2013	1.00	27.43	297.04	4.15	1.23	45.32	4.47	7.63
2012	1.00	25.15	292.30	4.07	1.21	40.33	4.44	7.56

Table 18 Exchange Rates

UNIQA models corporate credit spreads with a model based on the Jarrow-Lando-Turnbull methodology. In this

model, bonds which contain credit risk have an initial rating. The bond then migrates to another rating according to a transition matrix and defaults are modelled dependent on the rating class. With the simulation of the transition matrices the corresponding spreads per rating are calculated and used to evaluate the credit risk for corresponding bonds at each point in time. The credit spreads by rating and maturity and the corresponding transition probabilities are calibrated to observed spreads.

Inflation is linked to interest rates and calibrated to meet an expected long time horizon of 2%. For Health business the expense and medical inflation are both set at 2%.

8.2.3 Operating Assumption

8.2.3.1 *Best Estimates Life and Similar to Life Techniques (SLT) Health*

The assessment of best estimate assumptions is made in light of past, current and expected future experience and other relevant data. The assumptions are entity specific.

The best estimate assumptions are used for a number of purposes including liability adequacy testing, IFRS and embedded value reporting. These assumptions are reviewed and updated at least annually and assumptions are considered separately for each product group.

Profit Sharing

The assumed policyholder profit participation for the Austrian profit participating life insurance business has been set for each economic scenario using management rules that seek to achieve a pre-tax shareholder margin of 15% of the gross surplus. The rules in Austria for minimum profit sharing require that at least 85% of the gross surplus have to be used for profit sharing. In line with the Group's strategy for Life business in Austria, it has been assumed that 85% of future surpluses will be used for profit sharing. In line with Austrian profit sharing regulations, some premium discounts applied to risk business also qualify as profit sharing and are included in the management rules. Reserves for future profit participation not allocated to policies are treated as Own Funds. The gross surplus includes the investment, mortality and expense surpluses. The unit-linked business does not have any policyholder profit sharing.

Part of the gross surplus for the Austrian Health business, in accordance with current practice, is assumed to be used to reduce the level of future premium adjustments.

The assumed profit participation for the Life businesses in the Czech Republic, Hungary and Slovakia is defined as at least 85% of the difference between the projected investment returns and the technical interest rates. For the Italian Life business, profit sharing is product specific but in total is assumed to be 80% of the net investment income less the technical interest rates.

Expenses

Expense assumptions are based on the actual expenses incurred in the year prior to the valuation date. The allocation of expenses between initial and renewal expense assumptions reflects the reality. The allocation of expenses is differentiated by product class and between regular and premium contracts.

Exceptional costs which are not expected to recur in the future are excluded from the expenses allocation. Likewise, where additional expenses are expected to be incurred in the future, these expenses are included in the expense allocation.

Lapses and Paid-Ups

Lapse rates are based on an analysis of historic lapse rates and are based on the average of the experienced lapse rates of the past years. For new products the lapse rates are based on the assumptions for similar products.

Commission

Commission assumptions are consistent with the actual commission arrangements in force.

Mortality and Morbidity

Mortality and morbidity assumptions are based on best estimates for expected future experience. This takes into account the Group's actual experience. Where this is not credible the assumptions are based on industry experience rates.

8.2.3.1 Best Estimate Liabilities Non-Life

Claims Outstanding

The bases for the evaluation of claims outstanding are the claims triangles per business line and also information on individual atypical claims in some cases. These are available in all business units (except for UNIQA Montenegro, UNIQA Liechtenstein and the UNIQA Insurance Group AG) on a quarterly basis. For the assessment of best estimates, the following generally accepted methods are used (if appropriate):

- Chain ladder;
- Munich chain ladder;
- Cap cod; and
- Bornhuetter-Ferguson.

If these methods are not appropriate (e.g. for lines of business where only limited claims data is available), other best-practice methods (e.g. based on claims frequency/claims severity) are used.

To determine the discounted best-estimate reserves, the cash flow patterns are determined from the claims triangles using the appropriate curve fitting method (e.g. "weibull curve") and discounted using the reference rates.

Premium Provision

For the calculation of premium provision, the following categories are considered:

- Unpaid premium – premium outstanding according to IFRS rules;
- Unearned premium; and
- Unincurred premium - these provisions are estimated by modelling the cash inflows within the contract boundaries and allowing for lapses

8.2.3.2 Risk Margin

Future ECRs for the non-hedgeable risks are projected proportionally to the relevant risk driver and a 6% cost of capital p.a. is applied. The risk margin is calculated as the present value of all future costs of capital. It is assumed that there are no non-hedgeable market risks.

8.3 Glossary and Abbreviations

Glossary and abbreviations	
ALM	Asset Liability Management
Best estimate	A best estimate assumption should be equal to the mean estimate (probability weighted average) of outcomes of that risk variable.
CAT	Catastrophe Risk
DT	Deferred taxes
ECM	Economic Capital Model
ECR	Economic Capital Requirement
ECR Quota	Ratio of Own Funds and ECR
Health SLT	Health Similar to Life Techniques (long term health business)
IFRS	International Financial Reporting Standards
MCEV	Market Consistent Embedded Value - The MCEV is a measure of the consolidated value of shareholders' interests in the covered business.
ORSA	Own Risk and Solvency Assessment; All insurance companies have to setup and run an ORSA process in order to be compliant with the Solvency 2 framework directive article 45.
Own Funds	Available Capital (calculated according ECM principles) to cover the ECR
PIM	Partial Internal Model
Regions	AT – Austrian Operating Companies WEM – Western European Markets (Liechtenstein, Italy, Switzerland) CEE – Central Eastern Europe (Slovakia, Czech Republic, Hungary, Poland) SEE – Southern Eastern Europe (Croatia, Serbia, Bosnia, Bulgaria) EEM – Eastern Emerging Markets (Romania, Ukraine)
SAA	Strategic Asset Allocation
TP	Technical Provision

8.4 Disclaimer

Cautionary statement regarding forward-looking information

This report 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.

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