Supplementary information on UNIQA Versicherungen AG's Group Embedded Value results for 2005

1. Introduction

This is the first time that UNIQA Versicherungen AG ("the Group") has disclosed information on the Group Embedded Value (GEV). The Group has decided to apply the European Embedded Value (EEV) Principles, as published by the CFO Forum, to the main Life and Health Insurance businesses in Austria. The GEV includes the Group's Property and Casualty and Life and Health Insurance businesses excluded from the scope of the EEV calculations on the basis of their adjusted IFRS equity.

The Group has chosen a bottom-up, market consistent methodology in setting the economic assumptions for the EEV calculations. The EEV calculations include an explicit allowance for the Cost of Non-Market Risks.

The Directors of the Group acknowledge their responsibility for the preparation of the supplementary information. B&W Deloitte GmbH has been retained to review the GEV calculations. The scope and the results of its independent review are set out in the Appendix A.

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

2. Summary of results

The GEV includes the following components:

- Adjusted Net Asset Value (ANAV) – only this component has been included in respect of the Property and Casualty and Life and Health businesses excluded from the scope of the EEV calculations
- Value of In-Force (VIF)
- Time Value of Financial Options and Guarantees (FOG)
- Cost of Capital and Non-Market Risks (CoCNMR)

All the values shown in this disclosure are after tax and exclude minority interests in the Group's subsidiaries unless otherwise stated.

2.1 Group Embedded Value

The following tables show the GEV for the years ending 31st December 2005 and 31st December 2004. The ANAV for the Property and Casualty businesses includes additional value from a small number of non-quoted equity holdings of €364.7mn at 31st December 2005 and €351.1mn at 31st December 2004. These values reflect differences between the Directors' estimates of the market values of these holdings, after allowing for minority interests and deferred tax, and the values shown in the Group's consolidated IFRS accounts.

Table 1a contains the results before minority interests, whereas the results after minority interests are shown in the Table 1b.

Table 1a

€ mn	Life & Health(1)		Property & Casualty(2)		Total		Change over period
	2005	2004	2005	2004	2005	2004	
ANAV	687.6	630.6	1,006.6	755.6	1,694.2	1,386.2	22.2%
VIF	875.9	897.2	n/a	n/a	875.9	897.2	-2.4%
FOG	-51.1	-8.7	n/a	n/a	-51.1	-8.7	487.4%
CoCNMR	-108.4	-101.7	n/a	n/a	-108.4	-101.7	6.6%
EEV	***1,404.0***	***1,417.4***	***n/a***	***n/a***	***n/a***	***n/a***	***-1.0%***
GEV	***n/a***	***n/a***	***n/a***	***n/a***	***2,410.5***	***2,173.0***	***10.9%***

The “Austria Foundation and Collegialität Trust”, which are significant shareholders of the Group, have a 36.6% direct shareholding in the Group’s main operating company, UNIQA Personenversicherung AG, and an 18.3% shareholding in FinanceLife Lebensversicherung AG. These minority interests as well as the minority interests in some of the other Group subsidiaries are excluded in the following table.

Table 1b

€ mn	Life & Health(1)		Property & Casualty(2)		Total		Change over period
	2005	2004	2005	2004	2005	2004	
ANAV	486.3	449.8	895.2	646.9	1,381.6	1,096.8	26.0%
VIF	637.9	646.8	n/a	n/a	637,9	646.8	-1.4%
FOG	-38.2	-5.9	n/a	n/a	-38.2	-5.9	549.7%
CoCNMR	-85.4	-80.1	n/a	n/a	-85.4	-80.1	6.6%
EEV	***1,000.7***	***1,010.7***	***n/a***	***n/a***	***n/a***	***n/a***	***-1.0%***
GEV	***n/a***	***n/a***	***n/a***	***n/a***	***1,895.9***	***1,657.6***	***14.4%***

(1) The EEV has not been calculated for all the Life and Health businesses in the Group. The IFRS equity for the Life and Health businesses excluded from the scope of the EEV calculations is shown under the column Property & Casualty.

(2) Includes the IFRS equity for the Life and Health businesses excluded from the scope of the EEV calculations.

2.2 Return on GEV

The return on GEV shown below has been adjusted to take account of the sale of UNIQA Versicherung AG shares by the Group’s treasury function.

Table 2

€ mn	
GEV Dec 31, 2005	1,895.9
GEV Dec 31, 2004	-1,657.6
Sale of shares	-118.3
Dividends	32.7
Return on GEV	152.7
Return on GEV (%)	9.2

The return on GEV in 2005 has been driven by the following economic and operating factors. High equity returns and lower interest rates have resulted in an increase in unrealized capital gains, and this has a positive impact on the ANAV for the Property and Casualty and Health insurance businesses. The impact of the higher unrealized gains on the Life business is less marked due to policyholder profit participation. The VIF for the Life and Health businesses has declined due to lower interest rates and the FOG have increased significantly due to the combination of lower interest rates and higher interest rate volatility.

Negative operating effects include lower than expected premium adjustments for the Health business in 2005 and the impact of the annuity reserve strengthening following the introduction of new mortality tables for the Life business.

2.3 Value of new business

The value of new business (NBV) is calculated as the VIF for the new business sold in 2005 less the new business strain, the cost of capital and the cost of non-market risks.

The NBV has only been calculated for the main Life and Health businesses in Austria.

Table 3

€ mn before minority interests	**Life & Health**
NBV	53.6
Annual Premium Equivalent (APE)	268.1
APE-Ratio	20.0%

FinanceLife Lebensversicherung AG in particular had exceptionally high new volumes in 2005 due to sales of the “geförderte Zukunftsvorsorge” (retirement savings products with additional contributions from the State).

3. Methodology

The GEV is the total of the adjusted net asset value and, in respect of the the covered in force business, the value of in force business less the cost of capital and cost of non-market risks.

3.1 Covered business

The EEV results cover the life insurance, savings, pensions and annuity, disability and health insurance business written by the Group’s main Life and Health businesses in Austria – UNIQA Personenversicherung AG, Raiffeisen Versicherung AG and FinanceLife Lebensversicherung AG.

Calculations are performed separately for each business and are based on the cash flows of that business, after allowing for both external and intra-Group reinsurance. Where one part of the covered business has an interest in another part of the covered business, the ANAV of that business excludes the book value of the dependent business.

3.2 Adjusted Net Asset Value

The Adjusted Net Asset Value for the EEV is defined as:

- the shareholders’ funds under the local accounting bases;
- plus the “untaxed reserves” after tax – these reserves are available to cover the solvency requirements;
- plus the shareholders’ share of the unrealized capital gains after tax to the extent that these are not included in the calculation of the VIF;
- less goodwill and value of business in force (VBI) after tax in respect of the businesses included in the scope of the EEV calculations; the VBI is value of the business in force included in the consolidated IFRS balance sheet as an intangible asset.

The Adjusted Net Asset Value for the Property and Casualty and the Life and Health businesses excluded from the scope of the EEV calculations is defined as:

- the IFRS equity;
- plus unrealized capital gains not included in the IFRS equity.

Uniqa Personenversicherung AG (UPV) and Raiffeisen Versicherung AG are composite insurers. Their assets are split between the operating segments (i.e. Property and Casualty, Life and, in the case of UPV, Health) on the basis of the statutory balance sheets. It is possible to transfer assets between the operating segments at book value.

The Group has a small number of non quoted equity holdings that have been reflected in the consolidated IFRS balance sheets as at 31st December 2004 and 31st December 2005 on the basis of their adjusted IFRS equity. On the basis of valuations carried out during 2006 the Directors of the Group have concluded that the current market values, and also the historic market values in 2004 and 2005, of these equity holdings are higher than the values shown in the consolidated IFRS balance sheets. The differences between the balance sheet values and Group's estimates of the market values as at 31st December 2004 and 31st December 2005, after adjusting for minority interests and deferred tax, are fully included in the ANAV for the Property and Casualty segment. As at 31st December 2005 and 2004 a part of these holdings were allocated to the Life and Health businesses. The additional value from these equity holdings amounts to €364.7mn at 31st December 2005 and €351.1mn at 31st December 2004.

The unrealized capital gains for the Property and Casualty and Health businesses have been fully allocated to the shareholders and have been included in the ANAV after deducting deferred tax. For the Life businesses the unrealized capital gains on property assets that are included in the IFRS balance sheet at amortised cost are included fully in the ANAV. The balance of the unrealized gains for the Life businesses have been split between the ANAV and the calculation of the VIF on the basis of the book value of the liabilities (i.e. the remaining unrealized capital gains backing the policyholder reserves are allocated to the VIF).

The statutory solvency margin requirements for the Life and Health businesses included in the scope of the EEV calculations were € 522.3mn at 31st December 2005 and € 484.1mn at 31st December 2004. A part of the solvency margin requirements can be covered by policyholder funds in the Life companies and also the subordinated loans.

3.3 Value of In-Force and Financial Options and Guarantees

The VIF calculated for the Life and Health businesses is the value of the projected net of tax distributable profits arising from the in force business. It does not include profits from future new business.

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

The VIF for the health insurance company, which does not have long-term interest guarantees or significant financial options in the products, and also FinanceLife, which mainly writes unit linked business, are determined by projecting cash flows using best estimate investment return assumptions. The resulting projected shareholder profits are discounted at risk discount rates that include a margin to cover aggregate risks (including the FOG).

The FOG are estimated explicitly for the conventional life business as the difference between the "stochastic" VIF and the "certainty equivalent" VIF. The "stochastic" VIF is defined as the average • over one thousand economic scenarios • of the discounted value of the projected after-tax statutory shareholder profits. The economic scenarios represent possible future outcomes for capital market variables such as interest rates and equity returns. The economic scenarios and the corresponding scenario-specific discount rates are market consistent, i.e. they are calibrated to the market prices of a range of capital market instruments at the valuation date.

3.4 Cost of Capital and Non-Market Risks

The Required Capital for the Life and Health businesses has been defined as 100% of the statutory solvency margin to cover the Cost of Capital and a further 50% of the statutory solvency margin to cover the Cost of Non-Market Risks.

The CoCNMR for the Life businesses (excluding FinanceLife) has been calculated as the present value at the risk free interest rates of the frictional costs on the Required Capital. The frictional costs have been defined as the corporation tax on the future investment returns and investment expenses.

The Cost of Capital for the Health business and FinanceLife have been calculated as the sum of the present value of the difference between the risk discount rate and the assumed after-tax investment return on the shareholders' funds;

The same definitions for the Cost of Capital and the Cost of Non-Market Risks have been applied for the in force business and also the value of new business.

3.5 Value of New Business

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

4.1 Economic assumptions

The following tables show the main economic assumptions for the EEV calculations.

Table 4

	Euro spot rates	
	2005	**2004**
1 year	2.93%	2.41%
5 years	3.22%	3.23%
10 years	3.48%	3.88%
15 years	3.70%	4.24%
20 years	3.80%	4.48%
25 years	3.85%	4.58%

Table 5

	Other economic assumptions	
	2005	**2004**
Interest rate volatility (*)	20.40%	16.40%
Equity volatility	22.37%	21.75%
Expense / medical inflation	1% / 2% - 3%	1% / 2% - 3%
Tax rate	25.0%	25.0%
Risk discount rates (Life / Health)	6.5% / 6%	7.0% / 6.5%

(*) 5 into 5 implied swaption volatility

4.2 Operating assumptions

The assumed policyholder profit participation for the Life businesses 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 gross surplus is the sum of the investment (based on book values), risk and expense surpluses. The unit linked business does not include profit sharing.

A part of the gross surplus for the Health business, in accordance with current practice, is assumed to be used to reduce the level of future premium adjustments. There is no additional allowance for future profit sharing.

Actuarial assumptions such as mortality and morbidity rates, surrender and annuity take-up rates have been included on the basis of the Directors' best estimates of future experience. They reflect historical experience and expected trends. The reserves for the annuity business have been strengthened in 2005 to reflect the latest Austrian annuitant mortality tables.

Expense assumptions have been based on the companies' recent experience.

5. Analysis of change for the Life and Health businesses

The following table shows the analysis of change in the EEV.

Table 7

€ mn (before minority interests)	**EEV**
EEV at Dec 31, 2004 before dividends	**1,417.4**
Modelling changes	16.6
Dividends paid	-37.2
Roll forward	89.7
Operating profit	
Changes in operating assumptions	-39.6
Operating variance	2.5
Economic profit	
Investment performance and changes in economic assumptions	-99.0
Value of new business	53.6
EEV at Dec 31, 2005	**1,404.0**

The modelling changes reflect changes to the management rules to reflect the lower interest rates at the end of 2005.

The dividends paid by the modelled Life and Health businesses in respect of 2004 paid in 2005 amount to € 37.2 mn.

The negative impact from the change in operating assumptions is due to the strengthening of annuity reserves as a consequence of revised mortality tables. This is partly offset by the reduction in expense assumptions for FinanceLife Versicherung AG following the high new business volumes in 2005.

The negative impact from the operating variance is mainly due to the actual premium adjustments for the Health business in 2005 being lower than assumed. This is partly offset by lower than expected maintenance expenses.

Investment performance in 2005 had a positive impact due to high returns on equity investments. Lower interest rates also had a positive impact on the ANAV for the Health business. Lower interest rates and higher interest rate volatility have a negative impact on the VIF for the conventional Life business and the Health business.

6. Sensitivity Analyses for the EEV

The following table shows the sensitivity of the EEV at 31st December 2005 to changing various assumptions. The risk discount rate sensitivities are only shown in respect of the Health business and FinanceLife because risk discount rates are not used in a market consistent valuation framework.

Table 8

€ mn (before minority interests)		EEV	Change as % of base value
Base value		1,404.0	
Change in yield curve / interest rates(1)	+1%	226.0	16.1%
	-1%	-370.3	-26.4%
Change in risk discount rate(2)	+1%	-40.4	-2.9%
	- 1%	84.9	6.0%
Equity and property prices	-10%	-65.5	-4.7%
Administration expenses	-10%	17.2	1.2%
Lapses	-10%	3.3	0.2%
	+10%	-1.1	-0.1%
Mortality(3)	5% improvement	14.2	1.0%
	-5% worsening	-11.6	-0.8%

(1) The change in yield curve sensitivity has been calculated for the conventional life business and the change in interest rate sensitivity for the Health business and FinanceLife

(2) Only calculated for the Health business and FinanceLife

(3) This sensitivity shows the impact of a 5% improvement (i.e. reduction in the mortality for savings and risk products and an increase in the mortality for annuity products) and 5% worsening in mortality

The sensitivity results show that change in the yield curve / interest rates has a significant impact on the EEV. All the other sensitivities have a minor impact.

The following table shows the sensitivity of the value of new business for 2005 to changing various assumptions.

Table 9

€ mn (before minority interests)		NBV	Change as % of base value
Base value		53.6	
Change in yield curve / interest rates[(1)]	+1%	16.1	30.0%
	-1%	-29.1	-54.3%
Change in risk discount rate[(2)]	+1%	-7.9	-14.7%
	-1%	10.0	18.7%
Administration Expenses	-10%	-5.0	-9.3%
Lapses	+10%	1.1	2.1%
	-10%	-0.4	-0.7%
Mortality[(3)]	-5%	1.9	3.5%
	+5%	-1.0	-1.9%

(1) The change in yield curve sensitivity has been calculated for the conventional life business and the change in interest rate sensitivity for t he Health business and FinanceLife

(2) Only calculated for the Health business and FinanceLife

(3) This sensitivity shows the impact of a 5% improvement (i.e. reduction in the mortality for savings and risk products and an increase in the mortality for annuity products) and 5% worsening in mortality

The NBV is also very sensitive to changes in the yield curve / interest rates.

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

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

Table 10

	2005	2004
Consolidated IFRS equity	**1,133.7**	**860.2**
Goodwill and value of business in force for EEV companies	-67.5	-71.2
Differences in valuation of assets and liabilities	219.6	199.2
Additional value from non-quoted equity holdings	408.4	398.0
Adjusted net asset value before minority interests	**1,694.2**	**1,386.2**
Minority interests	-312.6	289.4
Adjusted net asset value after minority interests	**1,381.6**	**1,096.8**

The consolidated IFRS equity is shown before minority interests. Goodwill and VBI are deducted in respect of the Life & Health businesses included in the scope of the EEV calculations. There are a number of differences in the valuation of assets and liabilities between the local statutory accounts that are used to determine the VIF and the IFRS accounts. These are summarized in the line “differences in valuations of assets and liabilities”. This line also includes the unrealized gains on property assets that are not shown at market value in the consolidated IFRS balance sheet.

8. Disclaimer - Cautionary statement regarding forward-looking information

This supplementary disclosure of the Group 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.