UNIQA Versicherungen AG

Group Embedded Value 2011

Supplementary information on Group Embedded Value results for 2011

Table of Contents

1. Introduction

The Market Consistent Embedded Value (or "MCEV") of UNIQA Versicherungen AG ("UNIQA Group" or "Group" or "UNIQA") represents the shareholders' economic value of the in-force Life & Health business as at 31 December 2011. Future new business is not included.

UNIQA's methodology for the Life & Health MCEV is compliant with the CFO Forum's Market Consistent Embedded Value Principles©[1] ("MCEV Principles") published in June 2008 and amended in October 2009 and the corresponding Guidance. In particular, it:

- provides for the cost of all significant financial options and guarantees (FOG) for the main Life businesses,
- includes a charge for frictional cost of required capital (FCRC) and
- allows for the cost of residual non-hedgeable risk (CRNHR) for the main Life & Health businesses.

UNIQA Versicherungen AG last disclosed information on the Group Embedded Value (GEV) for the business year 2010 in May 2011. In line with the ongoing goal to continually improve the embedded value disclosure, UNIQA discloses this year's results on the basis of the MCEV principles for the first time.

The GEV includes the MCEV of the covered businesses (as defined below), and the Group's Property and Casualty companies, the Life & Health Insurance companies excluded from the covered business and other subsidiaries on the basis of their adjusted IFRS equity.

The results are shown separately for the regions Austria & Germany, Italy and Central and Eastern Europe (CEE). The restatement of the 2010 GEV results allows for the methodology changes.

The following table shows the covered businesses for which a MCEV has been calculated:

Region	Country	Company	Segment
	Austria	UNIQA Versicherungen AG	Group
'Austria/ Germany'	Austria	UNIQA Personenversicherung AG	Life
	Austria	UNIQA Personenversicherung AG	Health
	Austria	Raiffeisen Versicherung AG	Life
	Austria	FINANCE LIFE Lebensversicherung AG	Life
	Germany	Mannheimer Krankenversicherung AG	Health
'Italy'	Italy	UNIQA Previdenza S.p.A.	Life
	Italy	UNIQA Assicurazioni S.p.A.	Health
	Italy	UNIQA Life S.p.A.	Life
'CEE'	Slovakia	UNIQA poistovna a.s.	Life
	Czech Republic	UNIQA poijstovna a.s.	Life
	Hungary	UNIQA Bistosito Zrt.	Life
	Poland	UNIQA TU na Zycie S.A.	Life

Table 1: Covered businesses

The Directors of UNIQA Group acknowledge their responsibility for the preparation of the supplementary information on the Group Embedded Value, and confirm that the UNIQA Group Embedded Value as at 31 December 2011 has been prepared, in all material aspects, in accordance with the Market Consistent Embedded Value Principles© (MCEV principles) issued by the CFO Forum in June 2008 and amended in October 2009, with the exception of principles 17.3.5 and 17.3.47 relating to the segmentation of results and 17.3.37 to 17.3.45 relating to the preparation of a Group MCEV.

B&W Deloitte GmbH, Cologne has been retained to review the GEV calculations. The scope and the results of its independent review are set out in section 6.

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

[1] Copyright © Stichting CFO Forum Foundation 2008

2. Summary of 2011 results

The GEV can be broken down in the adjusted net asset value (ANAV) and the value of business in-force (VIF). Only the ANAV has been included in respect of the Property and Casualty businesses and the Life & Health businesses excluded from the scope of the MCEV calculations.

The ANAV for the covered business is divided between:
- Required capital (RC)
- Free surplus (FS)

The VIF is only calculated for covered business and is determined as:
- Present value of future profits (PVFP) minus
- Time value of financial options and guarantees minus
- Frictional cost of required capital minus
- Cost of residual non-hedgeable risk

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

UNIQA's GEV 2011 was negatively affected by financial market developments. The decreases in risk-free interest rates and weak equity markets all negatively impacted the 2011 results. The main impact can be seen in the increase of the time value of options and guarantees, due to higher implied interest rate volatility and lower interest rates. On the operational side, the results were stable, even after the impact of UNIQA's restructuring program on the 2011 results.

The following tables show the GEV results for the year ending December 31, 2011 and the restated GEV results for the year ending December 31, 2010. Table 2 contains the results before minority interests, whereas the results after minority interests are shown in Table 3.

Group Embedded Value before minorities, in € millions	Life & Health[2]		Property & Casualty[3]		Total		Change over period
	2011	2010	2011	2010	2011	2010	
Free surplus	194	396					
Required capital	509	504					
Adjusted Net Asset Value	703	900	348	655	1,051	1,555	-32%
Present value of future profits	1,601	1,674	n/a	n/a	1,601	1,674	-4%
Cost of options and guarantees	-456	-262	n/a	n/a	-456	-262	74%
Frictional Cost of required capital	-94	-92	n/a	n/a	-94	-92	1%
Cost of residual non-hedgeable risk	-107	-116	n/a	n/a	-107	-116	-7%
Value of business in-force	944	1,204	n/a	n/a	944	1,204	-22%
GEV / MCEV	**1,647**	**2,104**	**348**	**655**	**1,995**	**2,759**	**-28%**

Table 2: GEV before minorities

2 The MCEV has not been calculated for all the Life & Health businesses in the Group. The adjusted IFRS equity for the Life & Health businesses excluded from the scope of the MCEV calculations is shown under the column Property & Casualty.

3 Includes the adjusted IFRS equity for the Life & Health businesses excluded from the scope of the MCEV calculations (less than 1% of the Austrian – and 12% of the Italian and CEE – Life & Health businesses based on earned premium for 2011).-

The “Austria and Collegialität trusts” are significant shareholders of the Group. They also have a 36.6% direct shareholding in the Group’s main operating company UNIQA Personenversicherung AG, and an indirect 17.9% shareholding in FinanceLife Lebensversicherung AG. These minority interests as well as other smaller minority interests in some of the other Group subsidiaries are excluded in the following table.

Group Embedded Value
after minorities, in € millions

	Life & Health		Property & Casualty		Total		Change over period
	2011	2010	2011	2010	2011	2010	
Free surplus	184	375					
Required capital	411	405					
Adjusted Net Asset Value	595	780	273	536	867	1,316	-34%
Present value of future profits	1,133	1,221	n/a	n/a	1,133	1,221	-7%
Cost of options and guarantees	-382	-222	n/a	n/a	-382	-222	72%
Frictional Cost of required capital	-74	-73	n/a	n/a	-74	-73	2%
Cost of residual non-hedgeable risk	-78	-83	n/a	n/a	-78	-83	-7%
Value of business in-force	600	843	n/a	n/a	600	843	-29%
GEV / MCEV	**1,194**	**1,623**	**273**	**536**	**1,467**	**2,159**	**-32%**

Table 3: GEV after minorities

The GEV as at December 31, 2010 has been restated. Details are provided in section 2.4.

Required Capital and Free Surplus developed in line with the development of the underlying businesses. The RC allows for the target rating (A+) for rated entities and is shown net of policyholder funds and subordinated debt.

Although Operating MCEV earnings remained positive, as in previous years, Total MCEV Earnings were negatively impacted by the financial markets (lower interest rates, increased volatility and weak equity markets). Details can be seen in section 2.4. The VIF decreased to EUR 944mn and the overall GEV to EUR 1,995mn before minorities.

The decrease in CRNHR results from applying the latest developments in UNIQA’s internal risk model, which reflect ongoing Solvency II developments.

2.2 Return on GEV

The following table shows the return on GEV after minorities, calculated on the opening restated and adjusted GEV.

Return on embedded value
after minorities, in € millions

	2011	2010
GEV as at 31 December	1,467	2,168
GEV as at 31 December previous year, reported	2,168	2,358
GEV as at 31 December previous year, restated	2,159	2,390
GEV as at 31 December previous year, restated and adjusted	1,962	2,336
Dividends	57	57
Return on GEV	-494	-169
as a %	-25%	-7%

Table 4: Return on embedded value

The adjustment in the restated and adjusted figures in the table above removes the dividends paid in the reporting year for the purposes of calculating the return on GEV.

2.3 New business value

The new business value (NBV) is calculated as the VIF for the new business sold in 2011 minus the new business strain, the FOG, FCRC and CRNHR. The Life & Health companies in Austria do not defer acquisition costs in the local statutory accounts. Therefore the new business strain for the Austrian business also includes the acquisition expenses.

The NBV in 2011 has been calculated for the covered business in 2011. The new business value for 2010 has been restated to be consistent with the scope and methodology used for 2011.

New business value
in € millions

	before minorities			after minorities		
	2011	2010 *)	change in 2011	2011	2010 *)	change in 2011
New business value	**46**	**52**	**-12.7%**	**37**	**44**	**-16.8%**
Annual premium equivalent (APE)	264	333		227	280	
New business margin (as % APE)	17.3%	15.7%		16.2%	15.8%	
Present value of new business premiums (PVNBP)	2,534	2,944		2,138	2,440	
New business margin (% of PVNBP)	1.8%	1.8%		1.7%	1.8%	

*) restated results for 2010

Table 5: New business value

There was a decrease in new business volumes compared to 2010. The PVNBP decreased to EUR 2,534mn, due to reductions in single premium business influenced by economic and legal developments. The New business margins (before minorities) remained stable at 1.8% as a percentage of PVNBP. The business volumes and margins by region are shown in section 3.

The NBV 2010 was restated and reflects model changes which led to a decrease in new business margins from 2.1% to 1.8%. This negative effect was mainly driven by a change of assumed lapse rates for unit-linked business, reflecting an improved methodology in deriving lapse rates.

2.4 Analysis of change

The following table shows the analysis of change for the covered Life & Health businesses before minority interests.

Analysis of change
before minorities, in € millions

	Free Surplus	Required Capital	VIF	MCEV
Opening EEV as at 31 December 2010, reported	**69**	**504**	**1,206**	**1,779**
Opening MCEV as at 31 December 2010, restated	**396**	**504**	**1,204**	**2,104**
Capital and Dividend Flows	*-39*	*0*	*0*	*-39*
Foreign Exchange Variances	*-1*	*-2*	*-5*	*-8*
Acquired/Divested Businesses	*-132*	*0*	*0*	*-132*
Opening adjustments	-171	-2	-5	-179
Adjusted Opening MCEV as at 31 December 2010	**225**	**502**	**1,199**	**1,926**
New business value	-57	27	76	46
Expected existing business contribution *(reference rate)*	9	1	75	84
Expected existing business contribution *(in excess of ref. rate)*	3	0	20	23
Transfer from VIF and required capital to free surplus	100	-19	-81	0
Experience variances	-10	-3	12	-1
Assumption changes	-2	0	32	30
Other operating variance	0	4	14	18
Operating MCEV earnings	**43**	**8**	**149**	**201**
Economic variances	-65	-1	-410	-476
Other non operating variance	0	0	6	6
Total MCEV earnings	**-22**	**7**	**-255**	**-270**
Closing Adjustments	-9	0	0	-9
Closing MCEV as at 31 December 2011	**194**	**509**	**944**	**1,647**

Table 6: Analysis of change (Life & Health business)

Key elements of the restatement and initial adjustments:

- Changes to the allocation of participations to covered and non-covered business (transfer from Property & Casualty to Life & Health) to ensure greater consistency with the IFRS primary statements had a positive impact on the covered Life & Health Business of 322mn in the restated MCEV as at year end 2010.
- Another change in the allocation of participations (transfer from Life & Health to Property & Casualty) is shown in the initial adjustments and amounts to EUR 132mn.

- Improvements in the allocation of renewal and initial commission for the Austrian Life Business which had a minor impact on the value of business in-force of EUR 3mn.
- The inclusion of renewal contracts in line with past experience for the Austrian Life Business which had a positive impact on the value of business in-force of EUR 44mn.

Key elements of the operating MCEV earnings:

- The **NBV** as at point of sale written in the year 2011 is EUR 46mn. The negative impact on free surplus is due to non-deferral acquisition expenses.
- The **expected existing business contribution on the basis of the reference rates** is EUR 84mn. This reflects the unwinding at the reference rate for the VIF and the return on the ANAV at the reference rate after tax. The increase in MCEV results from all future profits now requiring one year less discounting.

  This step also includes the release of the FOG for the first year of projection.
- The impact of the **expected existing business contribution in excess of reference rates** is EUR 23mn. This step shows the impact of management's expectation of the additional investment earnings in 2011 above the reference rates.
- **Transfer from VIF and required capital to free surplus** reduces the VIF by EUR 81mn, the expected net profit projected for 2011 from the existing business in-force. RC decreased as the impact of increases in reserves is lower than the capital released for maturing policies. In total there is no effect on the MCEV as the change in VIF and RC is transferred to the FS.
- The **experience variance** for the year is EUR -1mn. In this step the deviations from expected to actual operating assumptions (e.g. lapse assumptions) are measured. Details are included in section 3 in the regional analysis.
- **Assumption changes** have a positive impact (EUR 30mn) on the total operating MCEV earnings. This item covers all operating assumption changes. The major assumption change reflects the positive claims development within the reporting year for the Austrian health business.
- **Other operating variance** covers all operating changes not covered in the other items and is in total EUR 18mn. The main contribution comes from an improvement to the modelling of contract renewals within Raiffeisen Versicherung AG compared to restated values.

Key elements of the non-operating MCEV earnings:

- The **economic variance** covers impacts arising from the development of the financial markets. The main impacts in 2011 are due to the reduction in interest rates and higher implied volatilities.

  Lower interest rates lead to an increase in cost of options and guarantees to EUR 456mn (2010: EUR 278mn). The total economic variance is EUR -476mn and this is the main driver for the development of the GEV in 2011.
- The **Other non operating variance** measures the impacts arising from local regulatory changes and was EUR 6mn.

The **closing adjustments** were EUR -9mn. These were net capital and dividend flows within the Group.

2.5 Sensitivities

The assumptions used for the MCEV calculations are based on best estimates. Sensitivity analyses are therefore an important part of the supplementary information. The analyses assume the same management actions and policyholder behaviour as for the base case MCEV calculation. As sensitivities are generally correlated it is likely that the sum of two sensitivities will not be the same as if both events occur simultaneously.

The following table shows the sensitivity, split by economic, non-economic and additional factors, of the MCEV and NBV (Life & Health) as at December 31, 2011 to changing various assumptions.

Sensitivities
before minorities, in € millions

	Change in embedded value		Change in new business value	
Base value	**1,647**	100%	**46**	100%
EV change by economic factors				
Risk free yield curve -100bp	-745	-45%	-38	-83%
Risk free yield curve +100bp	439	27%	36	78%
Equity and property market values -10%	-202	-12%	0	0%
Equity and property implied volatilities +25%	-20	-1%	-2	-5%
Swaption implied volatilities +25%	-179	-11%	-12	-26%
EV change by non-economic factors				
Maintenance expenses -10%	205	12%	12	25%
Lapse rates -10%	27	2%	6	12%
Mortality for assurances -5%	20	1%	4	9%
Mortality for annuities -5%	-2	0%	0	0%
Required Capital equal to local solvency capital	16	1%	1	1%
Additional sensitivity				
no Liquidity Premium	-813	-49%	-41	-89%
Profit sharing (for Austrian Life business) +5%	-56	-3%	-4	-8%
Government Spread Premium	756	46%	29	64%

Table 7: Sensitivities for the MCEV and NBV

Economic sensitivities:

- **Increase / Decrease of 100bps to risk free yield curve**
  This sensitivity shows the impact of a sudden parallel shift in reference rates, accompanied by all consequent movements of other economic assumptions.

  The asymmetric effect of a parallel shift in both directions is caused by traditional life business, which is the major part of the covered business. For traditional business the surpluses are shared with policyholders but losses are borne fully by the shareholder due to the existence of guarantees.

  Due to lower interest rates and higher interest rate volatilities, these sensitivities were higher than the previous year. The decrease of 100bps to the risk free yield curve reduces the MCEV by EUR 745mn or -45%.

- **Decrease of 10% in equity and property market values (at the valuation date)**
  The market value of the equity portfolios has not changed significantly during 2011, and the sensitivity has also not changed relative to 2010. The MCEV decreases by EUR 202mn or -12%. There is no effect on NBV.

- **25% increase in equity and property implied volatilities**
  The 25% increase is a multiplicative increase in the assumed volatilities and measures the impact on the FOG. The change in FOG is an increase of EUR -20mn or 4%. In total this sensitivity is not significant (1% of MCEV).

- **25% increase in swaption implied volatilities**
  The 25% increase is a multiplicative increase in the assumed volatilities and measures the impact on the FOG. The change in FOG is an increase of EUR 179mn or 39% (in total this reduces the MCEV by 11%).

Non-economic sensitivities:

- **10% decrease in maintenance expenses**
  The impact of a 10% decrease in the projected expenses is an increase in MCEV by EUR 205mn or 12%. This is relatively low as the increase of future profits also increases future bonus rates for policyholders. For a 10% increase in maintenance expenses the effect is not symmetric, mainly due to the premium adjustments for the Austrian health business.
- **10% decrease in lapse rates**
  The impact of a 10% proportionate decrease in the lapse rates is an increase in MCEV of EUR 27mn or 2%. The main reason there is an overall increase in MCEV when the lapses decrease is due to the health business in Austria. For a 10% increase in lapse rates the effect is not symmetric. There is a stronger positive effect, caused by the Austrian health business.
- **Decrease in mortality and morbidity rates for life assurance by 5%**
  The impact of a 5% decrease in mortality rates for products with mortality risk leads to an increase of EUR 20mn or 1%.
- **Decrease in mortality and morbidity rates annuity business by 5%**
  The impact of a 5% decrease in mortality rates for products with longevity risk leads to a decrease of EUR 2mn or -0.2%.
- **Required capital set equal to local solvency capital requirement**
  This sensitivity is driven by the Austrian business as only UNIQA Personenversicherung AG has RC higher than 100% of statutory solvency requirement. On the ANAV it is just a shift from RC to FS but on the VIF there is an increase due to lower FCRC because of reduced RC.

Additional sensitivities:

- As UNIQA used a liquidity premium in determining the reference rates as at December 31, 2011, an additional sensitivity is disclosed to show the impact of removing the liquidity premium.
- An additional sensitivity was performed to show the impact of increased profit sharing on the Austrian Life business from 85% of the gross surplus to 90%.
- Due to the ongoing discussions regarding adjustments to risk free interest rates, UNIQA performed, in line with the December, 9th 2011 CFO Forum press release, a sensitivity to the Government Spread Premium (GSP). The GSP is defined as the maximum of 0 and the excess of “ECB AAA and other government curve” over swaps. As at 31 December 2011 the GSP amounts for 190bps. The sensitivity has been calculated for traditional life insurance and health business for contracts dominated in EUR.

2.6 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.

Reconciliation IFRS equity to ANAV
in € millions

	2011	2010 restated	2010
Consolidated IFRS equity	**1,095.6**	**1,536.6**	**1,536.6**
Goodwill and value of business in force for MCEV companies	-180.3	-184.9	-175.1
Differences in valuation of assets and liabilities	-163.8	-159.2	-159.2
Other differences	366.0	357.2	347.3
Additional value from non-quoted equity holdings	-66.0	5.3	23.6
Adjusted net asset value before minority interest	**1,051.4**	**1,555.1**	**1,573.2**
Minority interests	-184.0	-239.0	-239.0
Adjusted net asset value after minority interest	**867.4**	**1,316.0**	**1,334.2**

Table 8: Reconciliation of IFRS equity

The consolidated IFRS equity is shown before minority interests. Goodwill and value of business in-force (VBI) are deducted in respect of the covered business.

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”.

Other differences include the unrealized gains on property assets that are not shown at market value in the consolidated IFRS balance sheet.

Additional value from non-quoted equity holdings arises from the difference between the IFRS balance sheet values and the estimated market values – as disclosed in the statutory annual reports of the Group’s subsidiaries - at December 31, after adjusting for deferred tax.

The minority interests have to be deducted to arrive at the ANAV after minority interests.

3. Regional Analysis of Embedded Value

3.1 Overview

The following table shows the MCEV for the Life & Health business split by regions before minority interests. More detailed analysis for each region can be found in the following sections (3.2 to 3.4).

The regions are defined as follows:

- **Austria & Germany:**
  The business in this region includes the life & health business of UNIQA Personenversicherung AG, the life business of Raiffeisen Versicherung AG and Finance Life Lebensversicherung AG and the health business of Mannheimer Krankenversicherung AG.
- **Italy**
  The Italian business includes the life business of UNIQA Previdenza, the life business of UNIQA Life and the health business of UNIQA Assicurazioni.
- **Central Eastern Europe (CEE)**
  The CEE region contains the life companies in the Czech Republic, Hungary, Poland and Slovakia.

Life companies not mentioned above and the non-life companies are included in the GEV on the basis of their adjusted IFRS equity.

Embedded Value 2011 by region
before minorities, in € millions

	2011				2010 *)			
	Austria & Germany	Italy	CEE	Total	Austria & Germany	Italy	CEE	Total
Free surplus	164	15	15	194	348	28	20	396
Required capital	429	52	29	509	432	43	29	504
Adjusted Net Asset Value	593	66	44	703	781	71	48	900
Present value of future profits	1,471	16	113	1,601	1,473	73	129	1,674
Cost of options and guarantees	-411	-40	-5	-456	-234	-23	-5	-262
Frictional Cost of required capital	-88	-4	-2	-94	-87	-4	-2	-92
Cost of residual non-hedgeable risk	-99	-4	-5	-107	-107	-3	-5	-116
Value of business in-force	874	-32	102	944	1,046	43	116	1,204
Life & Health MCEV	**1,466**	**34**	**146**	**1,647**	**1,826**	**114**	**164**	**2,104**
as a % of total Life & Health MCEV	89.0%	2.1%	8.9%	100.0%	86.8%	5.4%	7.8%	100.0%

*) restated results for 2010

Table 9: Market Consistent Embedded Value by region

Due to the business mix in Austria and Italy, where traditional life business is still a significant business line, the decrease of interest rates and the increase of implied swaption volatility had a major impact in these regions. However, positive developments in unit linked and health business partially mitigated the effect and the PVFP decreased to EUR 1,601mn (2010: EUR 1,674mn). The total Life & Health MCEV decreased to EUR 1,647mn or –22%, mainly as a result of the higher FOG.

The CEE business performance was rather stable due to the value of new business written in 2011.

The following table shows the NBV 2011 and 2010 restated for the Life & Health business split by regions before minority interests.

New business value by region
before minorities, in € millions

	Austria & Germany	Italy	CEE	Total
Value of new business 2011	**22**	**1**	**23**	**46**
Annual premium equivalent (APE)	158	55	51	264
New business margin (as % APE)	13.7%	1.7%	45.7%	17.3%
Present value of new business premiums (PVNBP)	1,752	447	335	2,534
New business margin (% of PVNBP)	1.2%	0.2%	6.9%	1.8%
Value of new business 2010 (restated)	**32**	**2**	**18**	**52**
Annual premium equivalent (APE)	223	56	54	333
New business margin (as % APE)	14.5%	3.5%	33.5%	15.7%
Present value of new business premiums (PVNBP)	2,025	466	453	2,944
New business margin (% of PVNBP)	1.6%	0.4%	4.0%	1.8%

Table 10: New business value by region

Overall there was a decrease in new business volumes, driven by the negative development for the region Austria & Germany. Due to the economic conditions new business margins in 2011 decreased in all regions with the exception of CEE.

The Polish life insurance new business improved profitability due to a change in the business mix. Short term single premium contracts with low new business margins were no longer sold. Furthermore the Hungarian new business has a stronger emphasis on unit linked business compared to last year, and in 2011 the profitability of the unit linked business also improved. The overall new business margin in Hungary improved from 3.9% to 6.8%.

3.2 Austria & Germany

The economic conditions significantly impacted the Austrian & German Life & Health MCEV leading to decrease from EUR 1,826mn in 2010 (on a restated basis) to EUR 1,466mn in 2011. The NBV decreased from EUR 32mn in 2010 (on a restated basis) to EUR 22mn in 2011.

3.2.1 Analysis of change

The following table shows the analysis of change in the MCEV for Austrian & German Life & Health business before minority interests.

Analysis of change - 'Austria & Germany'
before minorities, in € millions

	Free Surplus	Required Capital	VIF	MCEV
Opening EEV as at 31 December 2010, reported	**23**	**432**	**1,062**	**1,517**
Opening MCEV as at 31 December 2010, restated	**348**	**432**	**1,046**	**1,826**
Capital and Dividend Flows	*-37*	*0*	*0*	*-37*
Foreign Exchange Variances	*0*	*0*	*0*	*0*
Acquired/Divested Businesses	*-132*	*0*	*0*	*-132*
Opening adjustments	-169	*0*	0	-169
Adjusted Opening MCEV as at 31 December 2010	**179**	**432**	**1,046**	**1,657**
New business value	-30	9	43	22
Expected existing business contribution *(reference rate)*	7	0	60	67
Expected existing business contribution *(in excess of ref. rate)*	3	0	23	26
Transfer from VIF and required capital to free surplus	84	-13	-71	0
Experience variances	-15	-3	30	11
Assumption changes	0	0	48	48
Other operating variance	0	4	14	18
Operating MCEV earnings	**49**	**-4**	**146**	**191**
Economic variances	-65	0	-319	-383
Other non operating variance	0	0	1	1
Total MCEV earnings	**-15**	**-4**	**-172**	**-191**
Closing Adjustments	0	0	0	0
Closing MCEV as at 31 December 2011	**164**	**429**	**874**	**1,466**

Table 11: Analysis of change – Austria & Germany

The increase of EUR 309mn to the restated MCEV as at year-end 2010 results from the reallocation of participations from Property & Casualty to Life & Health business to be more consistent with the IFRS primary statements. Another change in the allocation of participations (transfer from Life & Health to Property & Casualty) is shown in the initial adjustments and amounts for EUR 132mn.

NBV for Austrian & German Life & Health business is EUR 22mn, allowing for a new business strain of EUR 21mn. Operating MCEV earnings in total developed positively (EUR 191mn in total MCEV).

The experience variance was EUR 11mn.
The decrease in interest rates and increase in implied swaption volatilities led to an economic variance of EUR -383mn in the MCEV.

3.2.2 Sensitivities

The following table shows the sensitivities in the MCEV for Austrian & German Life & Health business before minority interests.

Sensitivities - 'Austria & Germany' before minorities, in € millions	Change in embedded value		Change in new business value	
Base value	**1,466**	100%	**22**	100%
MCEV change by economic factors				
Risk free yield curve -100bp	-700	-48%	-37	-169%
Risk free yield curve +100bp	407	28%	19	88%
Equity and property market values -10%	-182	-12%	0	0%
Equity and property implied volatilities +25%	-19	-1%	-1	-3%
Swaption implied volatilities +25%	-168	-11%	-11	-49%
MCEV change by non-economic factors				
Maintenance expenses -10%	188	13%	8	36%
Lapse rates -10%	18	1%	1	4%
Mortality for assurances -5%	14	1%	1	7%
Mortality for annuities -5%	-2	0%	0	0%
Required Capital equal to local solvency capital	16	1%	1	3%
Additional sensitivity				
no Liquidity Premium	-747	-51%	-310	-143%
Profit sharing (for Austrian Life business) +5%	-56	-4%	-4	-17%
Government Spread Premium (for Austria)	706	48%	23	108%

Table 12: Sensitivities – Austria & Germany

The sensitivities to reference rates have the most significant impact on the MCEV as well as on the NBV, and have increased as at year end 2011 when compared to year end 2010. The asymmetric effect is caused by traditional life business (with profit participation) where profits are shared with the policyholder but losses are born by the shareholder due to the existence of guarantees. The parallel downward shift of the risk free yield curve of 100bps results in a decrease of MCEV by EUR 700mn or –48%.

A decrease of 10% in maintenance expenses has the strongest impact among the non-economic sensitivities and increases the MCEV by EUR 188mn or 13%. The impact in 2011 is larger than 2010 due to the health business, where changes in the premium adjustments had a larger impact on the value. The increase in embedded value for a decrease in lapse rates is due to the health and unit-linked business.

The Required Capital for UNIQA Personenversicherung AG equals 150% of statutory solvency requirement. Setting the RC to 100% has a positive impact on the MCEV by decreasing the FCRC by EUR 16mn.

3.3 Italy

The Life & Health MCEV for Italy decreased from EUR 114mn (on a restated basis) to EUR 34mn, including a NBV of EUR 1mn. The development was mainly driven by high year-end spreads on Italian sovereign bonds resulting in a negative impact. The application of a Government Spread Premium (shown as a sensitivity) would lead to an increase in the MCEV from EUR 34.3mn to EUR 83.7mn.

3.3.1 Analysis of change

The following table shows the analysis of change in the MCEV for Italian Life & Health business before minority interests.

Analysis of change - 'Italy'
before minorities, in € millions

	Free Surplus	Required Capital	VIF	MCEV
Opening EEV as at 31 December 2010, reported	**28**	**43**	**30**	**100**
Opening MCEV as at 31 December 2010, restated	**28**	**43**	**43**	**114**
Capital and Dividend Flows	*0*	*0*	*0*	*0*
Foreign Exchange Variances	*0*	*0*	*0*	*0*
Acquired/Divested Businesses	*0*	*0*	*0*	*0*
Opening adjustments	0	0	0	0
Adjusted Opening MCEV as at 31 December 2010	**28**	**43**	**43**	**114**
New business value	-16	11	6	1
Expected existing business contribution *(reference rate)*	1	0	10	11
Expected existing business contribution *(in excess of ref. rate)*	0	0	0	0
Transfer from VIF and required capital to free surplus	0	-1	1	0
Experience variances	1	0	-14	-13
Assumption changes	0	0	5	5
Other operating variance	0	0	0	0
Operating MCEV earnings	**-14**	**10**	**8**	**4**
Economic variances	1	-1	-88	-88
Other non operating variance	0	0	5	5
Total MCEV earnings	**-13**	**9**	**-75**	**-79**
Closing Adjustments	0	0	0	0
Closing MCEV as at 31 December 2011	**15**	**52**	**-32**	**34**

Table 13: Analysis of change - Italy

The main restatement change for Italian business is due to improvements made to models. The VIF increased by EUR 13mn within the restatement.

Operating MCEV earnings are EUR 4mn. The largest contributors to this are the expected existing business contribution of EUR 11mn and the impact of higher than anticipated lapses of EUR -14mn.

Economic variance of EUR -88mn, mainly as a result of lower interest rates, leads to an overall MCEV for the Italian Life & Health business of EUR 34mn.

3.3.2 Sensitivities

The following table shows the sensitivities in the MCEV for Italian Life & Health business before minority interests.

Sensitivities - 'Italy' before minorities, in € millions	Change in embedded value		Change in new business value	
Base value	**34**	100%	**1**	100%
EV change by economic factors				
Risk free yield curve -100bp	-35	-102%	-2	-254%
Risk free yield curve +100bp	27	79%	17	1800%
Equity and property market values -10%	-18	-51%	0	0%
Equity and property implied volatilities +25%	-1	-3%	-1	-161%
Swaption implied volatilities +25%	-11	-32%	-1	-137%
EV change by non-economic factors				
Maintenance expenses -10%	9	25%	2	192%
Lapse rates -10%	2	5%	2	187%
Mortality for assurances -5%	2	7%	1	112%
Mortality for annuities -5%	0	0%	0	0%
Required Capital equal to local solvency capital	0	0%	0	0%
Additional sensitivity				
no Liquidity Premium	-64	-186%	-10	-1093%
Government Spread Premium	49	144%	6	622%

Table 14: Sensitivities – Italy

3.4 Central Eastern Europe (CEE)

The Life & Health MCEV for CEE decreased from EUR 164mn (on a restated basis) to EUR 146mn, including a NBV of EUR 23mn.

3.4.1 Analysis of change

The following table shows the analysis of change in the MCEV for CEE Life business before minority interests.

Analysis of change - 'CEE'
before minorities, in € millions

	Free Surplus	Required Capital	VIF	MCEV
Opening EEV as at 31 December 2010, reported	**18**	**29**	**114**	**162**
Opening MCEV as at 31 December 2010, restated	**20**	**29**	**116**	**164**
Capital and Dividend Flows	*-2*	*0*	*0*	*-2*
Foreign Exchange Variances	*-1*	*-2*	*-5*	*-8*
Acquired/Divested Businesses	*0*	*0*	*0*	*0*
Opening adjustments	-2	-2	-5	-10
Adjusted Opening MCEV as at 31 December 2010	**17**	**27**	**111**	**155**
New business value	-11	7	27	23
Expected existing business contribution *(reference rate)*	1	1	5	6
Expected existing business contribution *(in excess of ref. rate)*	0	0	-2	-2
Transfer from VIF and required capital to free surplus	16	-5	-11	0
Experience variances	5	0	-4	1
Assumption changes	-2	0	-21	-23
Other operating variance	0	0	0	0
Operating MCEV earnings	**9**	**2**	**-5**	**5**
Economic variances	-2	0	-3	-5
Other non operating variance	0	0	0	0
Total MCEV earnings	**7**	**2**	**-8**	**0**
Closing Adjustments	-9	0	0	-9
Closing MCEV as at 31 December 2011	**15**	**29**	**102**	**146**

Table 15: Analysis of change – CEE

Operating MCEV earnings are EUR 5mn, including a new business value of EUR 23mn. The negative impact from assumption changes was due to an increase in lapse rates (especially in the Czech Republic) as consequence of financial crisis.

As seen for the other regions, CEE also shows a negative influence of economic variance of EUR –5mn.

In total, the MCEV of the CEE countries decreases to EUR 146mn, a decrease of 11% relative to the restated 2010 results.

3.4.2 Sensitivities

The following table shows the sensitivities in the MCEV for CEE Life business before minority interests.

Sensitivities - 'CEE' before minorities, in € millions	Change in embedded value		Change in new business value	
Base value	**146**	100%	**23**	100%
MCEV change by economic factors				
Risk free yield curve -100bp	-10	-7%	1	5%
Risk free yield curve +100bp	4	3%	0	0%
Equity and property market values -10%	-2	-1%	0	0%
Equity and property implied volatilities +25%	0	0%	0	0%
Swaption implied volatilities +25%	0	0%	0	0%
MCEV change by non-economic factors				
Maintenance expenses -10%	8	6%	2	9%
Lapse rates -10%	8	5%	3	13%
Mortality for assurances -5%	4	2%	1	6%
Mortality for annuities -5%	0	0%	0	0%
Required Capital equal to local solvency capital	0	0%	0	0%
Additional sensitivity				
no Liquidity Premium	-1	-1%	0	1%

Table 16: Sensitivities - CEE

4. Methodology

The GEV is the total of the adjusted net asset value and, in respect of the covered in-force business, the present value of future profits of in-force business less the value of financial options and guarantees, frictional cost of required capital and cost of residual non-hedgeable risks.

4.1 Covered business

The MCEV results cover the life insurance, savings, pensions and annuity, disability and health insurance business written by the Group's main Life & Health businesses in Austria & Germany – UNIQA Personenversicherung AG, Raiffeisen Versicherung AG, FinanceLife Lebensversicherung AG and Mannheimer Krankenversicherung AG; the Life & Health business in Italy written by UNIQA Assicurazioni, UNIQA Previdenza and UNIQA Life S.p.A.; and the Life business written in the Czech Republic, Hungary, Slovakia and Poland.

UNIQA Group provides the operating entities with detailed guidelines in order to ensure consistency of embedded value calculations throughout the Group. The economic assumptions that are used by the operating entities are set centrally.

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.

4.2 Adjusted Net Asset Value

The Adjusted Net Asset Value for the MCEV calculations is defined as:

- the shareholders' funds under the local accounting bases including the profits and losses for the reporting year;
- 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 MCEV calculations; the VBI is the 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 & Health businesses excluded from the scope of the MCEV calculations is defined as:

- the IFRS equity;
- plus the 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 included in the consolidated IFRS balance sheet on the basis of their adjusted IFRS equity. On the basis of market consistent valuations or of valuations carried out recently by external experts, the Directors of the Group have concluded that the current estimated market values, and also the historic market values in 2010 and 2011 of these equity holdings are higher than the values shown in the consolidated IFRS balance sheets. These estimated market values are disclosed in the 2011 statutory annual reports of the Group's subsidiaries.

The differences between the IFRS balance sheet values and the disclosed market values as at December 31, 2010 and December 31, 2011 after adjusting for minority interests and deferred tax are fully included in the ANAV for the Property and Casualty segment. As at December 31, 2011 and December 31, 2010 a part of these holdings were allocated to the Austrian Life & Health businesses. The additional value from these equity holdings amounted to EUR -66.0mn at December 31, 2011 and EUR 5.3mn at December 31, 2010 before minority interest. The reduction is due to a negative change in the market value in one of these equity holdings.

The unrealized capital gains on the assets within 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. The unrealized capital gains on property assets for the Austrian Life businesses that are included in the IFRS balance sheet at amortised cost are included fully in the ANAV after deducting deferred tax. It has been assumed that these assets can be transferred to the P&C segment at book value. The balance of the unrealized gains for the Austrian Life businesses have been split between the ANAV and 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 allocation of the unrealized capital gains to the ANAV for the non-Austrian Life businesses reflects the local statutory requirements.

4.2.1 Free Surplus

Free Surplus is defined as difference between ANAV and Required Capital. It is the market value of any assets allocated to, but not required to support, the in-force covered business at the valuation date.

4.2.2 Required Capital

Required Capital is defined as the statutory solvency margin requirement for each company, with the exception of UNIQA Personenversicherung AG for which the Required Capital is assumed to be 150% of the statutory solvency margin requirement. The Required Capital is shown net of available policyholder funds and subordinated debt.

The statutory solvency margin requirements for the Life & Health businesses included in the scope of the MCEV calculations were EUR 509.2mn at December 31, 2011 and EUR 504.4mn at December 31, 2010 restated. A part of the solvency margin requirements can be covered by subordinated debt and policyholder funds.

4.3 Value of In-Force and Time Value of Financial Options and Guarantees

The VIF calculated for the Life & 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 PVFP for the Life & Health businesses writing conventional or unit linked 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 reference rates 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 reference rates and this is defined as the PFVP. This value takes account of the intrinsic value of financial options and guarantees.

The FOGs are valued explicitly for the conventional life products in Austria and Italy as the difference between the "stochastic" PVFP and the PVFP. The "stochastic" PVFP is defined as the average − over one thousand economic scenarios − of the discounted value of the projected after-tax statutory shareholder profits. The economic scenarios represent possible future outcomes for capital market variables such as interest rates 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. The conventional reserves in the covered CEE Life business account for less than 5% of the total Group reserves. Due to the level of materiality, the FOGs for the conventional life products in CEE are estimated using prudent internal and external benchmarks. Under this methodology an explicit cost of the guarantee is calculated in each year and discounted at the reference rates.

4.4 Frictional Cost of Required Capital

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

The same definition for the FCRC has been applied for the in force business and the new business.

4.5 Cost of residual non-hedgeable risk

The CRNHR 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. The risk capital is based on our Group internal risk capital model and is equal to the stand alone risk capital at the 99.5% percentile. Allowance has been made for diversification between the covered businesses. No allowance has been made for diversification between financial and non-financial or operating risks. The risk capital is projected over the life time of the portfolio on the basis of projected reserves, premiums or other relevant drivers. The same drivers are used to project the risk capital for in force and new business.

4.6 New business value

The NBV represents the value generated by new business sold during the reporting period. New business premiums are defined as premiums arising from sales of new contracts. 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.

5. Assumptions

The economic and operating assumptions used for the calculations are shown below.

5.1 Economic assumptions

The following tables show the main economic assumptions for the MCEV calculations. Table 17 lists the reference rates (excluding liquidity premiums) in 2011 (as well as in 2010). The liquidity premium shown in Table 18 is observed from observable market data and based on the following methodology:

- Considering the proposed assessment from CRO Forum leads to a basis premium of 118bp for EUR.
- Liquidity premium is applied to forward rates and flat for all maturities.
- 75% of the basis premium is used for participating business and 50% for other business.

In 2011, for all non-EUR currencies 35% of the EUR basis premiums were assumed. In 2010, the basis premium was 41bp for EUR and no liquidity premium was assumed for non-EUR currencies.

	EUR		CZK		HUF		PLN	
Reference Rates	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
1 year	1.31%	1.31%	0.93%	1.45%	7.81%	6.43%	4.77%	4.46%
5 years	1.63%	2.60%	1.59%	2.61%	7.65%	7.01%	4.70%	5.50%
10 years	2.33%	3.42%	2.13%	3.11%	7.84%	7.23%	4.86%	5.67%
15 years	2.64%	3.79%	2.45%	3.64%	7.51%	6.81%	4.59%	5.43%
20 years	2.65%	3.83%	2.56%	3.77%	6.99%	6.26%	4.26%	5.07%
25 years	2.70%	3.67%	2.58%	3.57%	6.52%	5.68%	4.07%	4.63%

Table 17: Reference rates as at 31 December

		Liquidity Premium 2011		Liquidity Premium 2010	
		EUR	CZK / HUF / PLN	EUR	CZK / HUF / PLN
Base premium	**100%**	**118bp**	**41bp**	**34bp**	**0bp**
Participating life business	75%	88bp	31bp	25bp	0bp
Unit and index linked business	50%	59bp	21bp	17bp	0bp
Health business	50%	59bp	21bp	17bp	0bp
Others	0%	0bp	0bp	0bp	0bp

Table 18: Liquidity Premium as at 31 December

Other EUR economic assumptions		
	2011	**2010**
Interest rate volatility *)	25.47%	17.60%
Equity volatility	29.16%	24.39%
Expense / medical inflation	2% / 2% - 5%	2% / 2% - 5%

*) 5 to 5 implied swaption volatility

Table 19: Other EUR economic assumptions

	Exchange rate		Tax rate	
	2011	2010	2011	2010
UNIQA Austria	-	-	25.00%	25.00%
UNIQA Germany	-	-	30.50%	30.50%
UNIQA Italy	-	-	34.40%	32.40%
UNIQA CZ	25.79	25.06	19.00%	19.00%
UNIQA HU	314.58	277.95	19.00% + 2.3% **)	19.00% + 2.3% **)
UNIQA SK	-	-	19.00%	19.00%
UNIQA PL	4.46	3.98	19.00%	19.00%

*) Muncipal Tax & innovation fee
**) including additional crisis tax

Table 20: Exchange and tax rates

5.2 Operating assumptions

The assumed policyholder profit participation for the Austrian with-profits 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 has to be used for profit sharing. Although the Life companies in Austria have used more than 85% of the gross surplus in the past five years to finance the declared profit share rates, it has been assumed, that in the future only 85% of the surplus will be used for profit sharing. The gross surplus is the sum of the investment (based on book values), risk and expense surpluses. The unit linked business does not have any policyholder profit sharing.

A 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. There is no additional allowance for future profit sharing.

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. The corresponding assumption for the Italian life business is 85% of the projected investment returns after deducting the technical interest rates.

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.

Expense assumptions have been based on the companies' recent experience. For companies with extraordinary costs within the actual balance sheet year, those costs have been excluded for the derivation of the expense assumptions. This relates to one-off restructuring costs of EUR 27.0mn in 2011, which were incurred by the life and health business of UNIQA Personenversicherung AG and the life business of Raiffeisen Versicherung AG.

6. Independent Opinion

Herrn
Mag. Kurt Svoboda
Mitglied des Vorstands
UNIQA Versicherungen AG
Untere Donaustraße 21

1029 Wien
Österreich

23rd May 2012

Dear Herr Mag. Svoboda,

Independent Opinion on Review of Embedded Value results of UNIQA Versicherungen AG as at 31 December 2011

Based on the engagement letter dated 2 November 2011, B&W Deloitte GmbH has been engaged to review the Group Embedded Value (GEV) of UNIQA Versicherungen AG, Wien, ("the Group" or "UNIQA") as at 31 December 2011 as stipulated in the accompanying document "Group Embedded Value 2011" (the "Statements"). The Statements comprise:

- the Market Consistent Embedded Values of the main Life and Health insurance businesses in Austria, Germany, Italy, the Czech Republic, Slovakia, Hungary and Poland as at 31 December 2011 and 31 December 2010 together with the value of new business generated, the sensitivities and the earnings analyses during the year 2011;
- the Adjusted Net Asset Values as at 31 December 2011 and 31 December 2010 for the Property and Casualty insurance businesses and the Life and Health insurance businesses excluded from the scope of the Market Consistent Embedded Value calculations.

The Manaqement of UNIQA is responsible for the preparation of the Statements. This in particular includes specifying the methodology, setting the operating and economic assumptions, ensuring that the data required to determine the Group Embedded Value are complete and accurate, ensuring that the required systems function correctly and carrying out the calculations and the related analyses.

Our responsibility is to express an opinion on the calculation of the GEV as to whether the methodology and the assumptions used comply with the Market Consistent Embedded Value Principles© as published by the CFO Forum on 4 June 2008 and amended in October 2009 except principles 17.3.5 and 17.3.47 relating to segmentation of results and 17.3.37 to 17.3.45 relating to the preparation of a Group MCEV.

The scope of our review covered the methodology adopted together with the assumptions and calculations made by the Group in relation to the Market Consistent Embedded Values (MCEV) for the main Life and Health businesses and also the calculations made by the Group in relation to the Group Embedded Value. The Adjusted Net Asset Values (ANAV) are based on values shown in Group's audited consolidated IFRS accounts and also the audited local statutory accounts for the relevant subsidiaries of the Group. In the case of the Property and Casualty businesses the ANAV allow for additional value arising from the difference between the Directors' estimates of the market value of a small number of non-quoted equity holdings and the values for these holdings in the Group's consolidated IFRS accounts. The ANAV for the businesses excluded from the scope of the MCEV calculations have also been excluded from the scope of our review and this accounts for 17.4% of the Group Embedded Value.

Our review was conducted in accordance with generally accepted actuarial practices and processes. Therefore we plan and conduct our review so that we can preclude through critical evaluation, with a certain level of assurance, that the Statements – the methodology and assumptions used, the calculations and further information – have not been prepared in material aspects in accordance with the requirements of the MCEV Principles. The review comprised a combination of such reasonableness checks, analytical review and checks of clerical accuracy as we considered necessary to provide this certain level of assurance that the Statements have been compiled free of significant error. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in an MCEV audit. However, we have relied without verification upon the completeness and accuracy of data and information supplied by the Group, including the value of net assets as disclosed in the audited local statutory accounts and the IFRS accounts of the Group and the subsidiaries of the Group, together with the adjustments made by the Directors to reflect the additional value of the non-quoted equity holdings referred to above.

The calculation of the Group Embedded Value is subject to numerous assumptions on future conditions and events which are uncertain and beyond control of the company. Therefore the actual cash future cash flows might differ significantly from those underlying the Group Embedded Value. The Group Embedded Value does not purport to be a market valuation and should not be interpreted in that manner since it does not purport to encompass all of the many factors that may bear upon a market value.

In Austria the rules for minimum profit sharing in respect of participating life insurance business require that at least 85% of the surplus arising from participating business has to be used for profit sharing. Since the introduction of the minimum profit sharing rules in 2006 the Group companies in Austria have used more than 85% of the surplus for the profit share rates declared. Management has assumed that in the future only 85% of the surplus will be used for profit sharing. Should future profit share declarations exceed 85% of the surplus then this could have a negative impact on the future development of the Group Embedded Value.

Based on our review - with the exceptions and limitations noted above - no matters have come to our attention that cause us to presume that the Group Embedded Value has not been prepared in material respects in accordance with the MCEV Principles.

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 sincerely,

B+W Deloitte GmbH

B&W Deloitte GmbH

7. 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.

8. Glossary and abbreviations

Glossary and abbreviations

Adjusted Net Asset Value (ANAV)	The sum of the Free Surplus and Required Capital.
Annual Premium Equivalent (APE)	This is defined as 100% of annual premiums and 10% of single premiums for new business.
Best estimate	A best estimate assumption should be equal to the mean estimate (probability weighted average) of outcomes of that risk variable.
Certainty Equivalent Value of In-force Business (CEV)	This is the deterministic value of in force covered business calculated. All asset classes are assumed to earn the reference rates (i.e. from the swap curve).
Cost of Residual Non-Hedgeable Risks (CRNHR)	This is the cost (to shareholder) of all other risks not being modelled explicitly in the stochastic model.
Covered business	The contracts to which the MCEV methodology according to the MCEV principles has been applied.
Free Surplus (FS)	The free surplus is the market value of assets allocated to the in-force covered business, which is not required for the support of the in-force business.
Frictional Costs of Required Capital (FCRC)	Frictional costs reflect the investment expenses and tax on investment income on the assets backing the Required Capital.
Government Spread Premium (GSP)	The GSP is defined as the maximum of 0 and the excess of “ECB AAA and other government curve” over swaps.
IFRS	International Financial Reporting Standards
Market Consistent Embedded Value (MCEV)	The MCEV is a measure of the consolidated value of shareholders’ interests in the covered business. It is defined as: Adjusted Net Asset Value (ANAV), less Present Value of Future Profits (PVFP), less Time Value of Financial Options and Guarantees (FOG), less Frictional Costs of Required Capital (FCRC), less Cost of Residual Non-Hedgeable Risks (CRNHR)
New Business Strain	Negative impact of new business on free surplus corresponding to the initial expenses in the year business is written.
New Business Value (NBV)	The additional value to shareholders created through the activity of writing new business. It is calculated as the Value of In-force Business (VIF) of the written business in 2008 less the New Business Strain.
Present Value of Future Profits (PVFP)	This is the same as the Certainty Equivalent Value of In-force Business.
Present Value of New Business Premiums PVNBP)	This is equal to the single premiums plus present value of annual premiums (on best estimate non-economic assumptions and discounted using the reference rates).
Reference rate	Refers to the rate, which is used for the valuation of Certainty Equivalent Value of In-force Business (CEV).
Required Capital (RC)	This is the market value of assets, attributed to the covered business over and above that required to back (statutory) liabilities for covered business, whose distribution to shareholders is restricted.
Time value of financial options and guarantees (FOG)	This is defined as the difference between the PVFP and the Stochastic Value of Inforce Business (or “Stochastic VIF” or “StochVIF”).
Value of In-force Business (VIF)	The Value of in-force Business (VIF) refers to the sum of discounted profits of the existing liabilities, which arise over the projected time horizon. It is determined as: Present Value of Future Profits (PVFP), less Time Value of Financial Options and Guarantees (FOG), less Frictional Costs of Required Capital (FCRC), less Cost of Residual non-hedgeable risks (CRNHR)

Table 21: Glossary and abbreviations

Table of Figures