UNIQA Group
Economic Capital Figures 2013

23 May 2014

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UNIQA

Agenda

- Introduction
- Methodology
- Group Risk Strategy
- Results
- Reinsurance
- Rating

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Introduction

Group Economic Capital Figures

- Disclosure of Economic Capital Model (ECM) results:
  - UNIQA discloses ECM results 2013 on the basis of the underlying and published methodology of the Group Economic Capital Model
  - Economic capital is a key figure for steering UNIQA group
  - UNIQA discloses the own funds (and change from the previous year) and economic capital requirement detailed by risk classes
  - Split by the regions Austria, WE, CE, EE & SEE
- Independent review of methodology, assumptions and calculations for economic capital calculation by B&W Deloitte GmbH
- Terminology
  - ECM: Economic Capital Model defines the calculation framework
  - ECR: Economic Capital Requirement: Capital requirement accoring to the methodology
  - Own funds: Available Capital (calculated according ECM principles) to cover the ECR
  - ECR-Quota: Ratio of own funds and ECR

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Highlights

Solvency Position in target range

- Group ECR-Quota 2013: 161% (2012: 108%)
- Group Solvency 1 Quota 2013: 287% (2012: 215%)

Adequate own funds structure

- **Increase of own funds** from 3.086 €m 2012 to 4.442 €m 2013
  - Increase of Tier 1 capital from 2.636 €m to 3.842 €m
  - Increase of subordinated liabilities from 450 €m to 600 €m

Economic capital requirement

- **Reduction of market risk** in overall risk profile from 74% to 72%
  - Reduction of interest rate risk due to ALM measures
  - Reduction of equity risk due to de-risking
    (private equity and hedge funds exposure reduced)

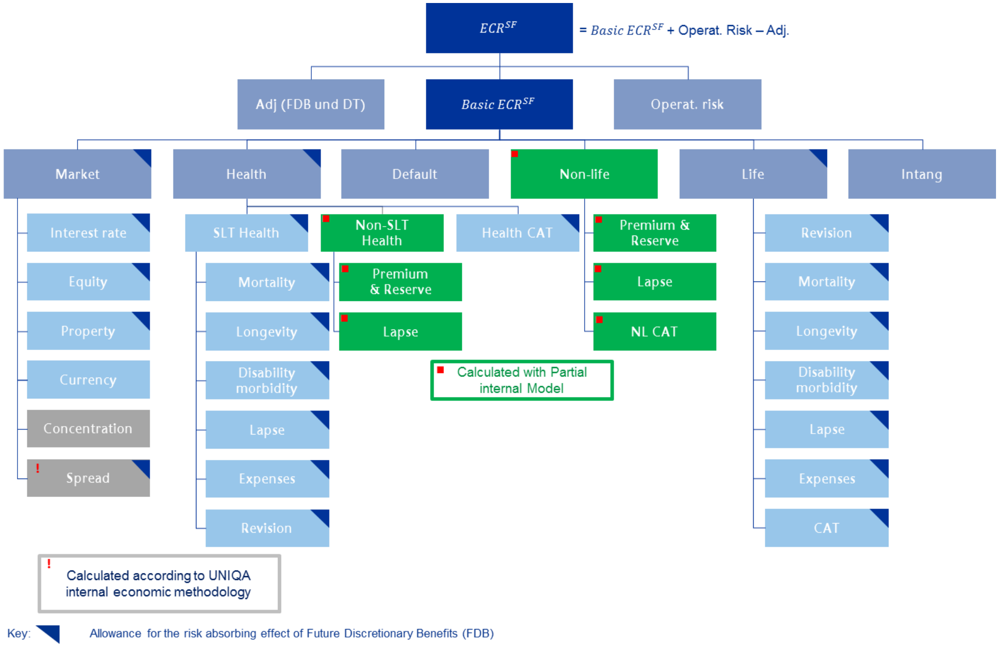
Methodology

UNIQA Group economic capital model is based on

- Solvency 2 standard approach
- Spread risk and concentration risk are valued on the basis of an internal approach (government bonds and ABS are treated like corporate bonds)
- Valuation of underwriting risk non-life (and health similar to non-life) on the basis of a partial internal model
- Correlation assumptions equal to standard formula

- Underlying risk measure: 99,5% VaR
(VaR: Value at Risk) over a 1-year time horizon
- Valuation of assets and liabilities based on EIOPA´s LTGA technical specifications

All figures are disclosed after the risk absorbing effects of future discretionary benefits



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Methodology

Important valuation principles

- Goodwill is set to zero according to EIOPA´s specifications (471,78 €m)
- Market value of properties and loans replace the IFRS values
- Participations are valued at market price as of 31st dec 2013
- Technical provisions and reinsurance recoverables are valued on a discounted best estimate basis, best estimate assumptions are reviewed

Reference Rates

- Reference rates are based on swap rates 31st Dec 2013, including a liquidity premium. The liquidity premium is derived from observable market.

Liquidity premium in bp

	EUR	CZ/HU/PL	RUB
Base premium – 100%	39	14	0
Participating life business 65%	25	9	0
Unit and index linked business 0%	0	0	
Health business 65%	25		
NON-Life business 65%	25		

Reference rates for most important *currencies*

Reference rates[a]	EUR 2013	EUR 2012	CZK 2013	CZK 2012	HUF 2013	HUF 2012	PLN 2013	PLN 2012	RUB 2013	RUB 2012
1 year	0.30%	0.23%	0.26%	0.29%	2.89%	5.11%	2.65%	3.33%	6.87%	7.29%
5 years	1.16%	0.67%	1.17%	0.70%	4.04%	5.00%	3.63%	3.25%	7.13%	7.33%
10 years	2.12%	1.50%	2.02%	1.29%	5.31%	5.40%	4.20%	3.49%	7.71%	8.00%
15 years	2.61%	1.99%	2.52%	1.74%	5.36%	5.17%	4.32%	3.65%	8.35%	8.01%
20 years	2.75%	2.16%	2.82%	2.21%	5.05%	4.92%	4.35%	3.78%	8.60%	7.53%
25 years	2.84%	2.45%	3.04%	2.59%	4.87%	4.77%	4.35%	3.86%	8.39%	7.08%

a) excluding liquidity premium

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UNIQA Group Risk Strategy

UNIQA 2.0 risk strategy core dimensions

CAPITAL

- UNIQA Group ECR quota target: 150%
- UNIQA Group ECR quota target long term: 170%
- S&P - Rating: A - AA

RISK PROFILE

Target risk profile

- Increase of proportion for underwriting risks due to profitable growth
- Relative reduction of market risk share

RISK PREFERENCES

MARKET & CREDIT RISK

- Strict limitation
- Liability driven investment approach / ALM

UNDERWRITING RISK

- Seek for biometric risk
- Seek for profitable retail & corporate business
- Well balanced mix unit linked and traditional life

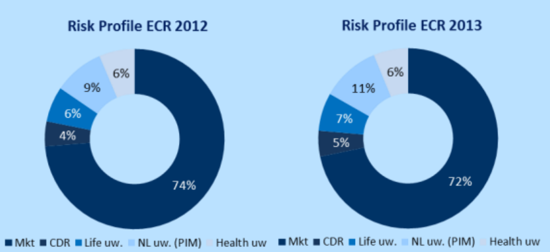
RISK GOVERNANCE

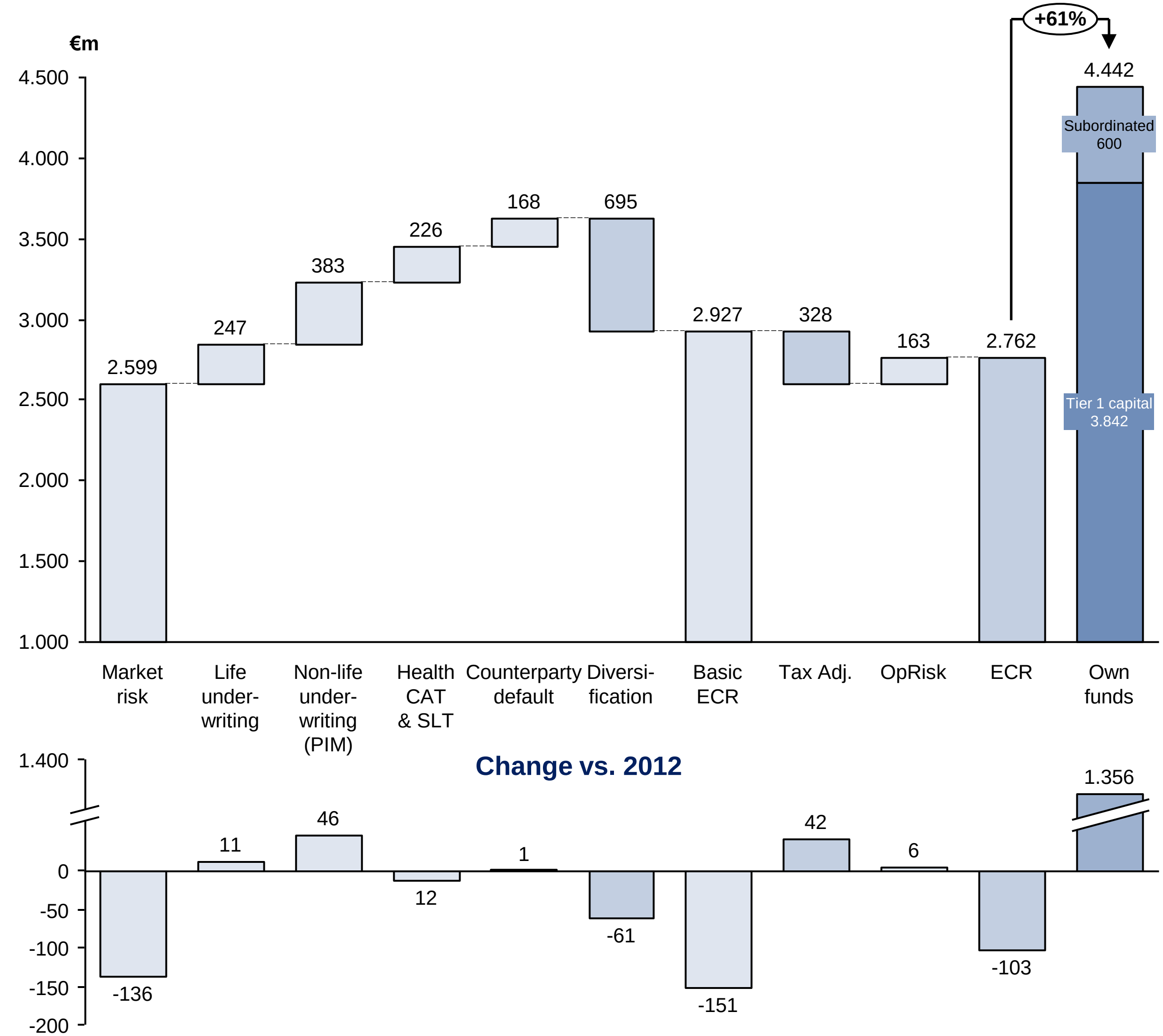
- Clear risk governance framework
- Clear risk management processes
- Strong compliance framework

Summary of 2013 results

Sufficient and stable capital basis for UNIQA 2.0 ambitions

- **ECR-Quota increased from 108% in 2012 to 161% in 2013**
- **ECR decrease by 103 €m**
  - Market risk: Decrease due to risk reducing measures (private equity and hedge funds and ALM)
- **Increase of own funds**
  - 725 Mio. (net of costs) Re-IPO
  - 150 Mio. additional subordinated liabilities
  - 366 Mio.€ less net technical provisions due to economic valuation principles compared to 2012
    - Mainly due to higher interest rates

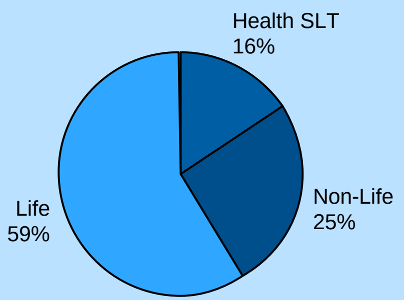


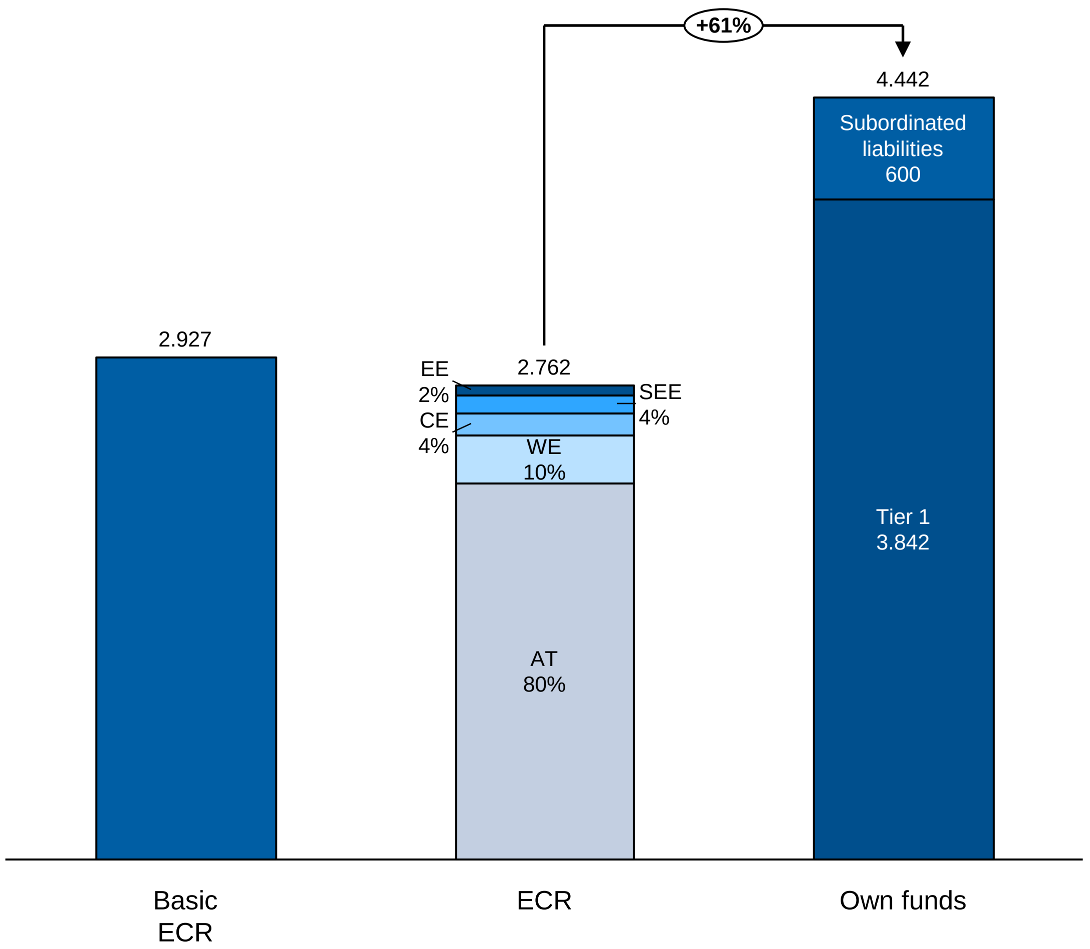


Summary of 2013 results

Sufficient and stable capital basis for UNIQA 2.0 ambitions

- Capital requirement consumption driven by
  - 80% of ECR is utilized for the Austrian business due to the strong life and health long term business
  - 59% of the capital requirement is utilized for life business (risks induced by life business including market risk) of UNIQA Group





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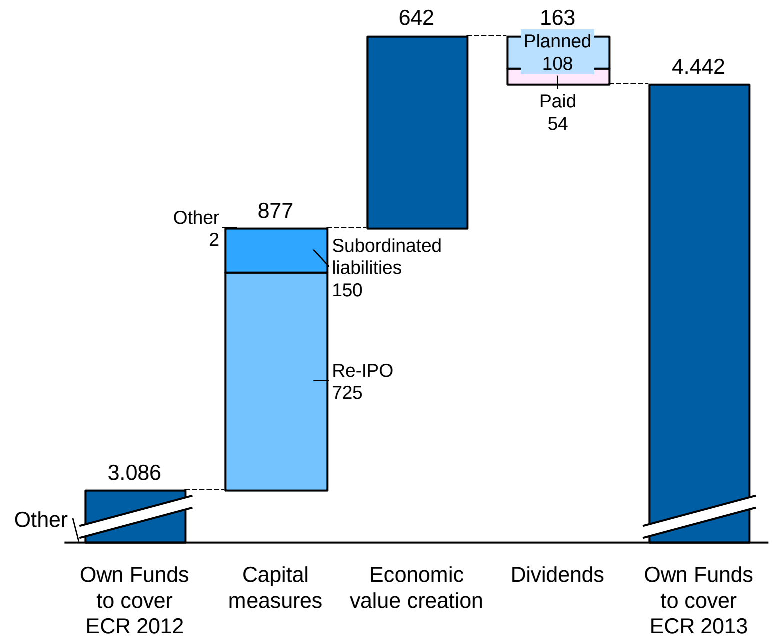
Own funds 2013 and development

Own funds development

Own funds increased from
3.086 Mio.€ (2012) to 4.442 Mio.€

Major reasons for increase

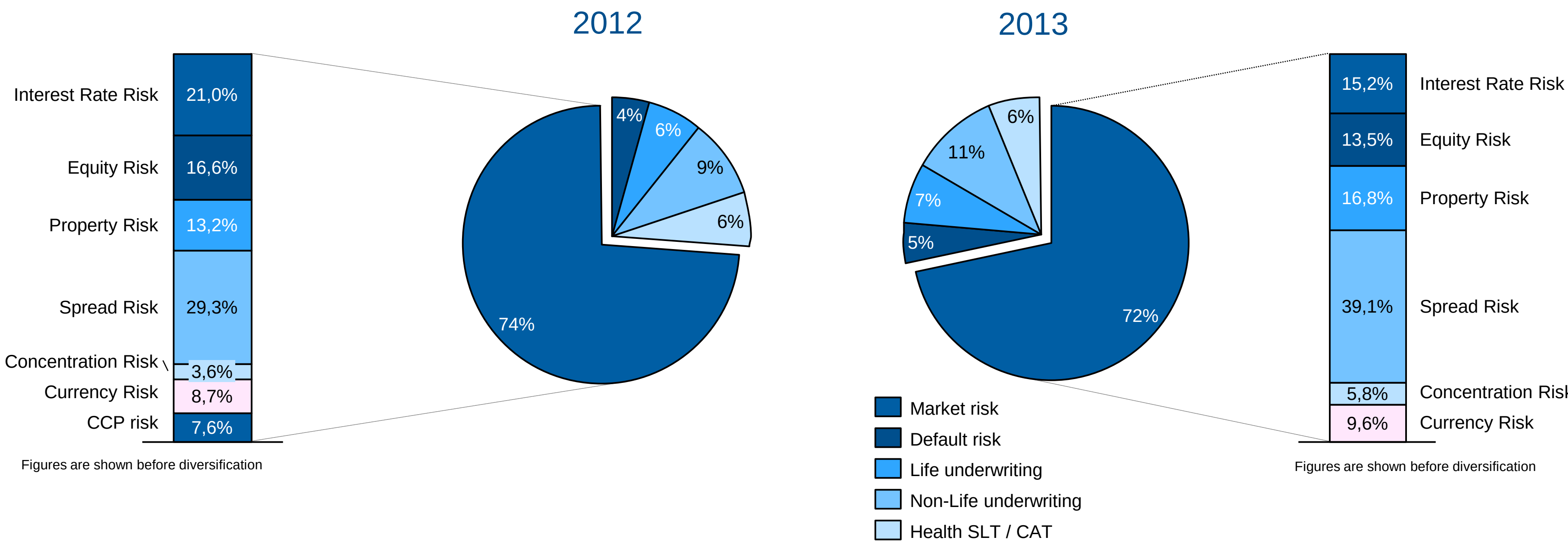
- Capital measure (REIPO) + 725 €m
- Replacement of subordinated liabilities + 150 €m
- Economic value creation + 642 €m
  - Premiums, claims and costs on a paid basis
  - Investment income
  - Revaluation of property, participations and loans
  - Revaluation of technical provisions
  - Net of reinsurance and of deferred taxes



Position	Total
IFRS total equity	**2.790**
- Goodwill	-472
- Value of business in force	-38
- Intangible assets	-24
- Deferred acquisition costs	-928
+ Revaluation (after deferred taxes)	2.627
Revaluation of assets	833
Revaluation of net technical provisions	1.794
+ Subordinated liabilities	600
- Foreseeable dividends	-108
- Capping of minority interests	-5
Economic own funds to cover ECR	**4.442**

The overall risk profile of UNIQA Group

planned measures show the proposed effect



Figures are shown before diversification

Figures are shown before diversification

- Reduction of market risk in overall UNIQA Group risk profile from 74% to 72%
- Increase of non-life risk absolute and also in proportion (11%) due to slight increase of NAT-CAT exposure
- Increased fixed income exposure leads to higher spread risk and also lower interest rate risk

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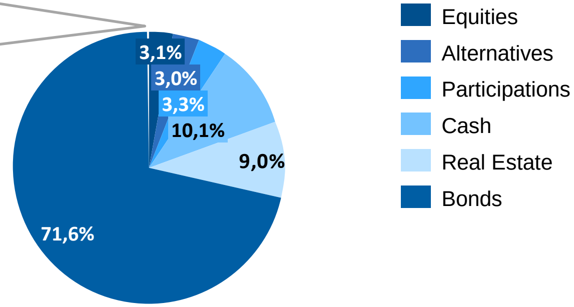
UNIQA Group Market risk profile

Liability driven investment approach

Asset Allocation

2012

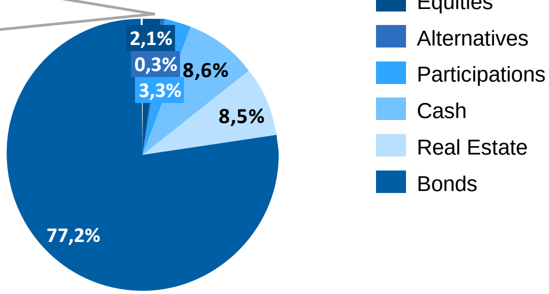
Equities, participations & alternatives: 9.4%



Total investments €21.2bn

2013

Equities, participations & alternatives: 5.7%

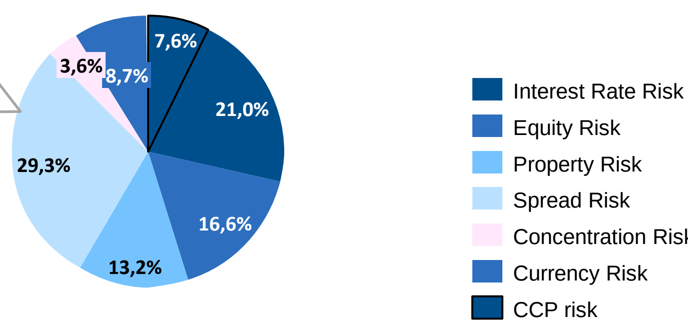


Total investments €22bn

Market Risk

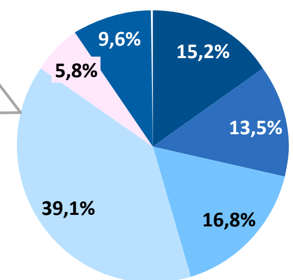
2012

Total market risk €2.74bn including diversification



2013

Total market risk €2.6bn including diversification



- Bond increase driven by purchases of government bonds leads to increase of spread risk but also decrease of interest rate risk
- Counter-cyclical premium risk: not considered in 2013 due to new EIOPA specifications
- Alternatives: de-risking – reduction of hedge funds and private equity, leads to decrease of equity risk

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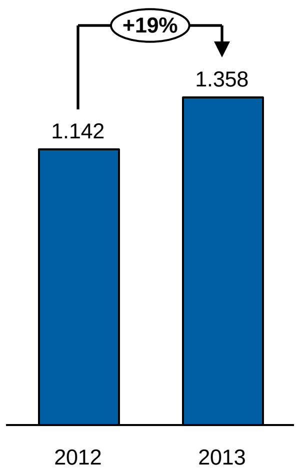
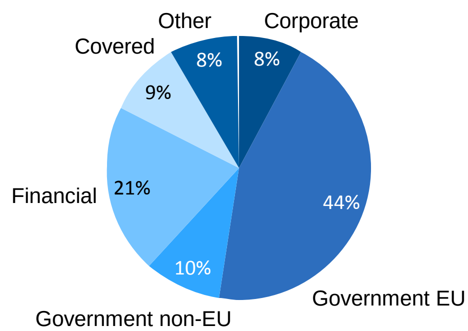
Market risk profile
Spread Risk

ECR spread risk development



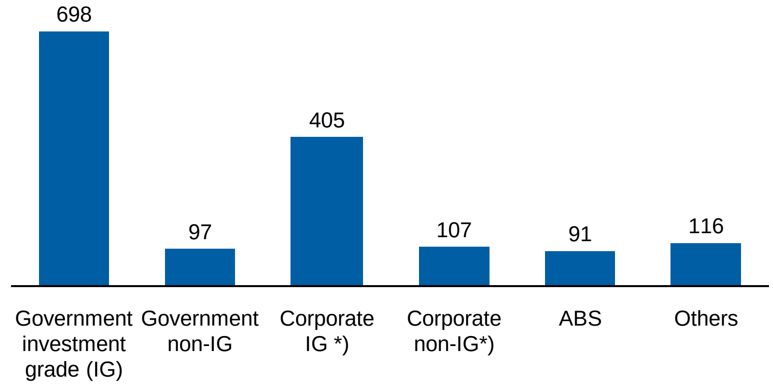
Fixed income portfolio 2013



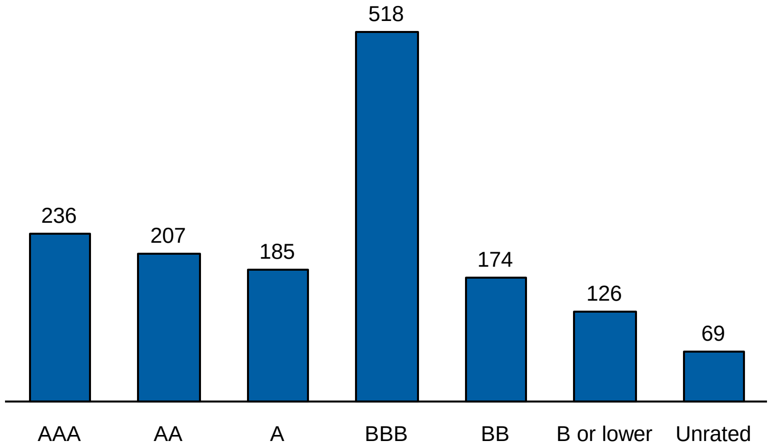
Total fixed income €17.0b

ECR spread risk composition 2013

By issuer type (€m)



By rating (€m)



- Increase in ECR spread risk mainly due to increase in government bond exposure and corporate bonds; only partly compensated by redemptions in ABS
- High capital requirement in BBB mainly due to Italian government bond exposure
- ECR spread risk depends on duration and rating

*) including covered and financials

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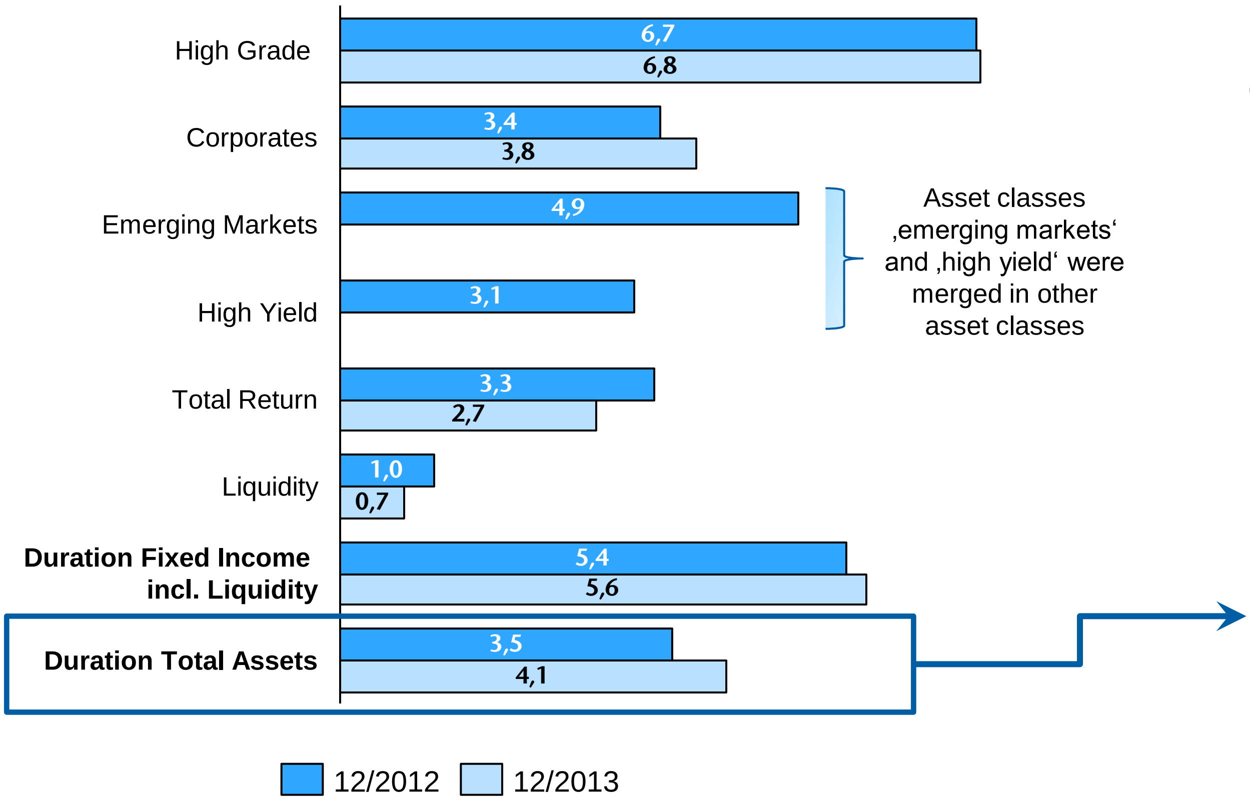
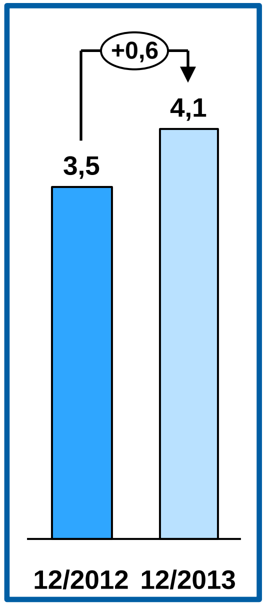
ALM and interest rate risk reduction

Increase of asset duration leads to…

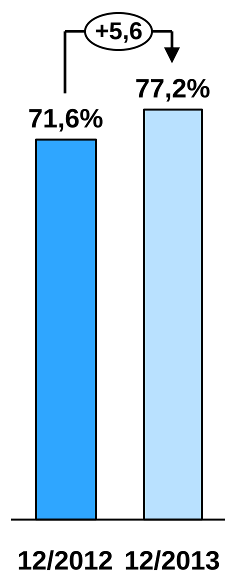
Modified duration UNIQA Group(a)



Development mod. duration total assets



Development bond exposure



ALM to be continued → on-going increase in

- **asset duration and**
- **overall bond exposure**

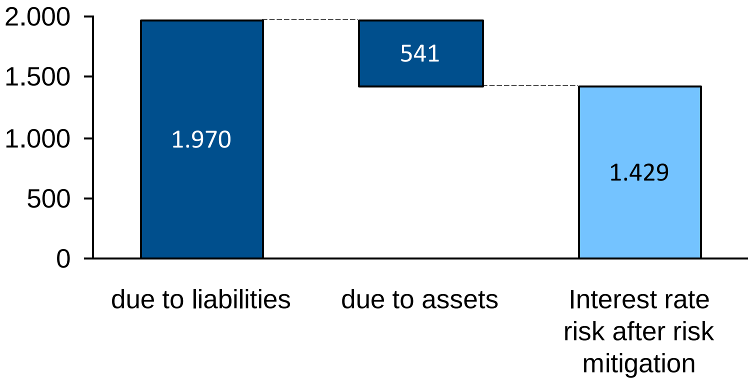
in order to reduce duration gap and interest rate risk

(a) excl. structured products and ABS, Liquidity only term deposits considered

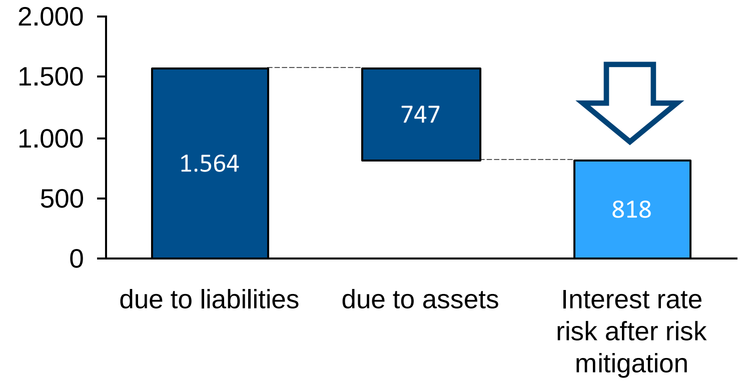
ALM and interest rate risk reduction

…reduction of interest rate risk

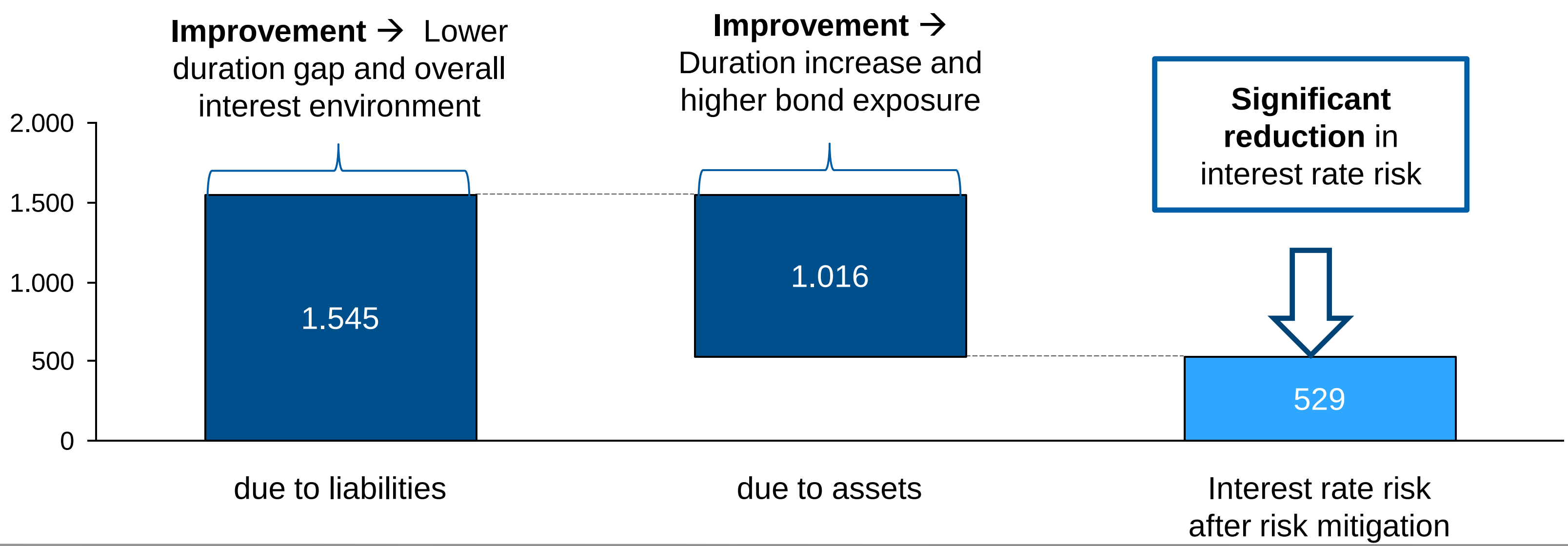
12/2011



12/2012



12/2013



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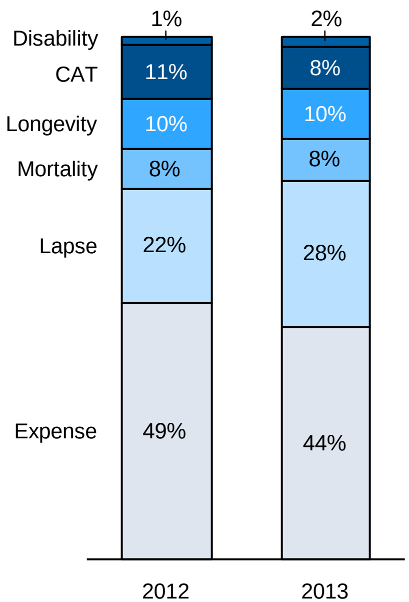
UNIQA Group underwriting risk profile

Life underwriting risk



% risk profile	6%	7%

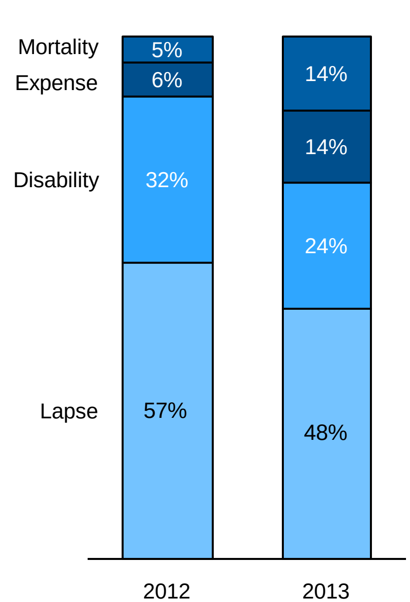
Key underwriting risks

- Lapse risk (28%): lapse of profitable life business in mass lapse scenario
- Expense risk (44%): Increase of maintenance expenses
- Biometric risks have minor relevance

Measures

- Clear expense monitoring and cost optimization
- In force management

Health underwriting risk



6%	6%

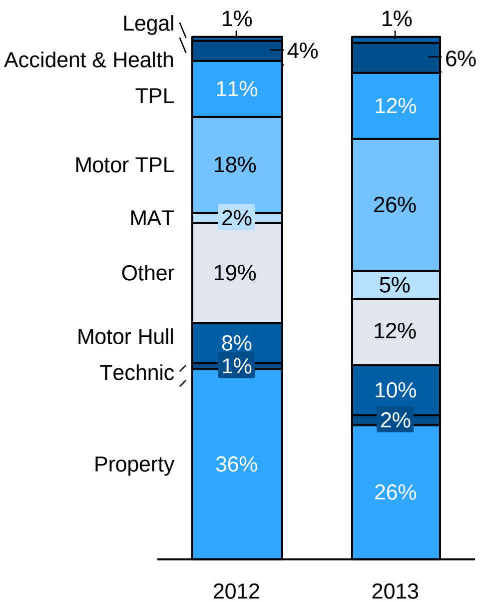
Key underwriting risks

- Mass lapse scenario is dominating: lapsing of profitable business
- Variance of disability (premium insufficiency because of variance in calculation assumptions)
- Loss of business

Measures

- Premium adaptions in case of underrating
- Strict profitability monitoring of portfolio

Non life underwriting risk



9%	11%

Key underwriting risks

- Lines with the highest risk burden are the ones with CAT losses (Property and Other)
- Second highest risk is Motor TPL with overwhelming reserve risk (e.g. negative developments in UPL)
- Change in allocation method, therefore more capital allocation in NON-CAT LOBS

Measures

- Motor initiative (pricing and portfolio shift)

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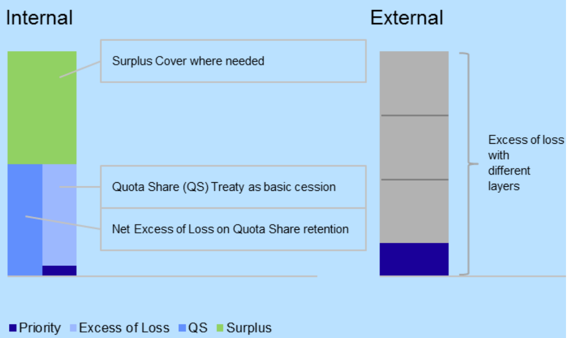
Risk Mitigation through reinsurance

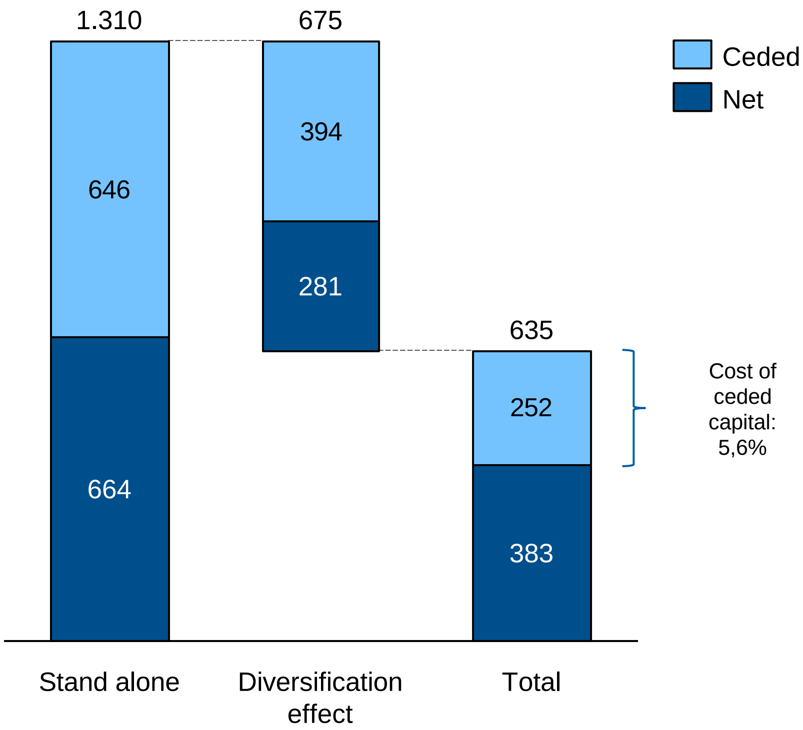
Effective reinsurance program

- Diversification amounts of 51,6%
- CAT XL is the most efficient coverage and the main driver of the capital release in property lines covering CAT and motor hull.
- Among standard XL contracts, technic insurance can be characterized by the highest efficiency. Remaining XL treaties influence the risk capital moderately
- The costs of ceded capital for UNIQA Group amounts of around 5,6%

Basic structure for assumed and retroceded reinsurances



Diversification reduces ECR for NatCat exposure



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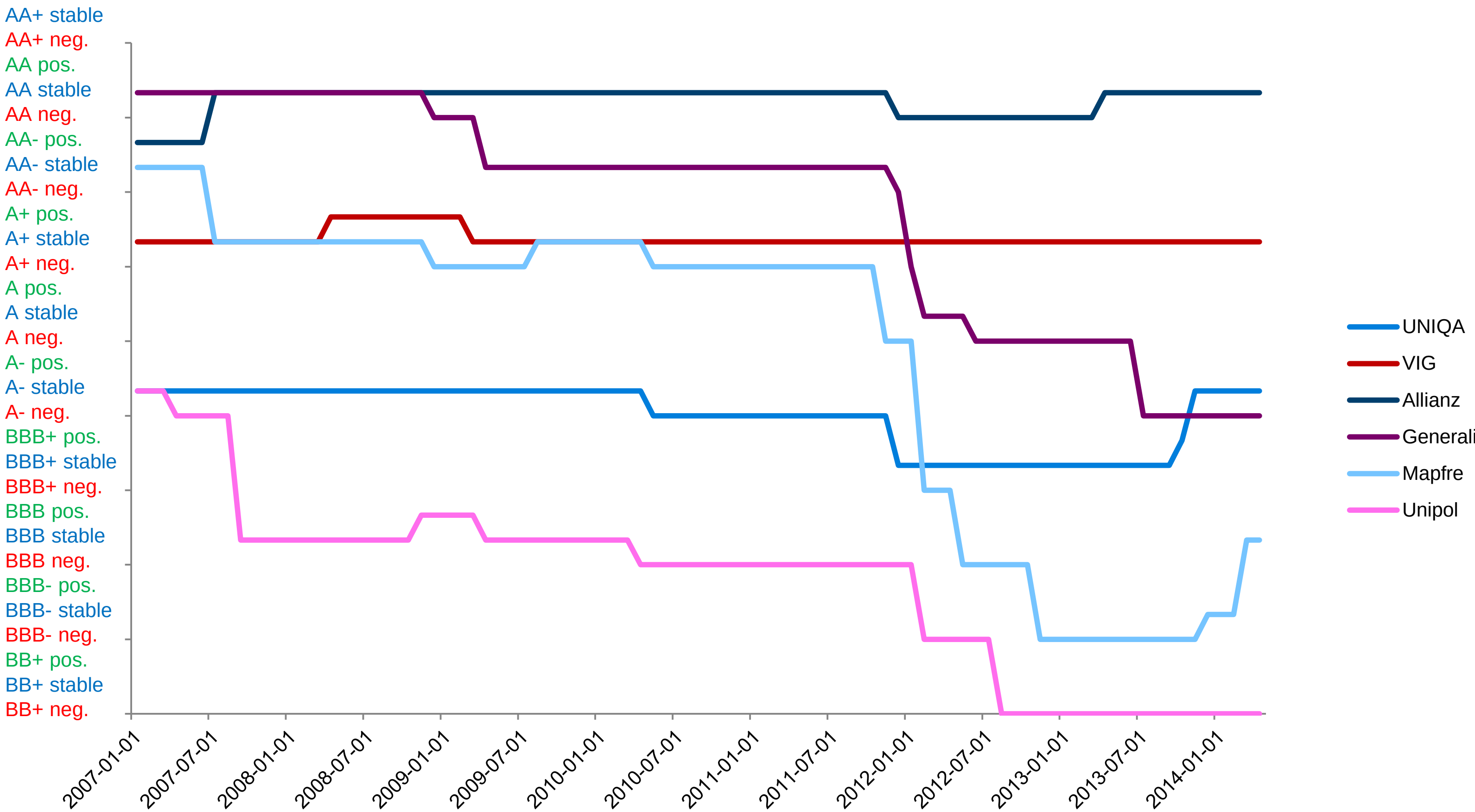
Rating development UNIQA vs peers

Still rated below despite solid capitalization

Overview of S&P financial strength ratings and outlooks over the course of time



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Appendix
Economic assumptions 2013

- ECM calculations use reference rates based on swap rates as at 31 December 2013 including a liquidity premium. The liquidity premium is derived from observable market data and based on the approach used for internal risk capital calculations. The derivation
- The 2013 calibration of the economic scenarios is based on implied volatilities

Reference rates[a]	EUR		CZK		HUF		PLN		RUB	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
1 year	0.30%	0.23%	0.26%	0.29%	2.89%	5.11%	2.65%	3.33%	6.87%	7.29%
5 years	1.16%	0.67%	1.17%	0.70%	4.04%	5.00%	3.63%	3.25%	7.13%	7.33%
10 years	2.12%	1.50%	2.02%	1.29%	5.31%	5.40%	4.20%	3.49%	7.71%	8.00%
15 years	2.61%	1.99%	2.52%	1.74%	5.36%	5.17%	4.32%	3.65%	8.35%	8.01%
20 years	2.75%	2.16%	2.82%	2.21%	5.05%	4.92%	4.35%	3.78%	8.60%	7.53%
25 years	2.84%	2.45%	3.04%	2.59%	4.87%	4.77%	4.35%	3.86%	8.39%	7.08%

(a) Excluding liquidity premium

	Liquidity premium in bp		
	EUR	CZ/HU/PL	RUB
Base premium – 100%	39	14	0
Participating life business – 65%	25	9	0
Unit and index linked business – 0%	0	0	
Health business – 65%	25		
NON – Life business – 65%			

	Exchange rate		Tax rate	
	2013	2012	2013	2012
UNIQA Austria	–	–	25.00%	25.00%
UNIQA Italy	–	–	34.32%	34.32%
UNIQA CZ	27.43	25.15	19.00%	19.00%
UNIQA HU	297.04	292.30	19,00% + 2,3%[a]	19,00% + 2,3%[a]
UNIQA SK	-	-	22.00%	19.00%
UNIQA PL	4.15	4.07	19.00%	19.00%
Raiffeisen Russia	45.32	40.33	20.00%	20.00%

(a) Muncipal tax and innovation fee

Other economic assumptions (EUR)		
	2013	2012[a]
Interest rate volatility[b]	23.07%	24.93%
Equity volatility[c]	20.5%	25.98%
Expense/medical inflation	2%/2%	2%/2%

(a) after restatement
(b) 10 to 10 implied swaption volatility
(c) 10 years

Disclaimer

Cautionary statement regarding forward looking statements

- This presentation 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