UNIQA Insurance Group AG

Group Embedded Value 2014

Supplementary information on Group Embedded Value results for 2014

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1 Introduction

The Market Consistent Embedded Value (or “MCEV”) of UNIQA Insurance Group AG (“UNIQA Group” or “Group” or “UNIQA”) represents the shareholders’ economic value of the in-force Life & Health business as at 31 December 2014. 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 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 Insurance Group AG last disclosed information on the Group Embedded Value (GEV) for the business year 2013 in April 2014.
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, Italy and Central and Eastern Europe (CEE). The CEE region also includes the life company in Russia. There we no changes to the scope of the covered business compared to the previous reporting year.
The following table shows the covered businesses for which a MCEV has been calculated:

Region	Country	Company	Segment
	Austria	UNIQA Insurance Group AG	Group
Austria	Austria	UNIQA Österreich Versicherungen AG	Life
	Austria	UNIQA Österreich Versicherungen AG	Health
	Austria	Raiffeisen Versicherung AG	Life
	Austria	FINANCE LIFE Lebensversicherung AG	Life
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
	Russia	Raiffeisen Life Insurance Company LLC,	Life

Table 1: Covered businesses

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.

2 Summary of 2014 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 (P&C) 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 (TVFOG) 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 2014 was negatively affected by economic developments, offset to a large extent by solid operating earnings.

The following tables show the GEV results for the year ending December 31, 2014 and the restated GEV results for the year ending December 31, 2013. 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 EUR millions	Life & Health[2]		Property & Casualty[3]		Total		Change over period
	2014	2013	2014	2013 *)	2014	2013 *)	
Free surplus	481	337					
Required capital	543	656					
Adjusted Net Asset Value	1,024	993	1,597	1,515	2,621	2,509	4%
Present value of future profits	2,090	2,128	n/a	n/a	2,090	2,128	-2%
Cost of options and guarantees	-307	-219	n/a	n/a	-307	-219	41%
Frictional Cost of required capital	-52	-81	n/a	n/a	-52	-81	-36%
Cost of residual non-hedgeable risk	-150	-120	n/a	n/a	-150	-120	25%
Value of business in-force	1,580	1,709	n/a	n/a	1,580	1,709	-8%
GEV / MCEV	2,604	2,702	1,597	1,515	4,201	4,217	0%

*) restated

Table 2: GEV before minorities

[2] The MCEV has not been calculated for all the Life & Health businesses in the Group. The ANAV for the Life & Health businesses excluded from the scope of the MCEV calculations is shown under the column Property & Casualty.
[3] Includes the ANAV for the Life & Health businesses excluded from the scope of the MCEV calculations (less than 1.0% of the Austrian – and less than 9.5% of the Italian and CEE – Life & Health businesses based on earned premium for 2014).

The GEV results after minority interests are shown in the following table. As at December 31, 2014 the minority interests in the GEV are EUR 26mn.

Group Embedded Value after minorities, in EUR millions	Life & Health		Property & Casualty		Total		Change over period
	2014	2013	2014	2013 *)	2014	2013 *)	
Free surplus	482	334					
Required capital	538	652					
Adjusted Net Asset Value	1,019	986	1,581	1,503	2,601	2,489	4%
Present value of future profits	2,081	2,120	n/a	n/a	2,081	2,120	-2%
Cost of options and guarantees	-305	-217	n/a	n/a	-305	-217	41%
Frictional Cost of required capital	-52	-81	n/a	n/a	-52	-81	-36%
Cost of residual non-hedgeable risk	-150	-119	n/a	n/a	-150	-119	25%
Value of business in-force	1,574	1,703	n/a	n/a	1,574	1,703	-8%
GEV / MCEV	2,593	2,689	1,581	1,503	4,175	4,192	0%

*) restated

Table 3: GEV after minorities

The GEV as at December 31, 2013 has been restated. The restatement only impacts the ANAV in the P&C segment. This is to reflect changes also made to UNIQA primary consolidated IFRS statements as at December 31, 2013. No restatement of the L&H segment was made.

Required Capital and Free Surplus for the Life & Health Business 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.

Operating MCEV earnings had a positive effect on the GEV. The main drivers of the operating earnings were the expected existing business contribution, lower expense assumptions due to a successful cost management program, conversions of in force business to products with lower guaranteed interest rates for health business, premium adjustments and new business value. Details can be seen in section 2.4. The VIF decreased to EUR 1,574mn and the overall GEV to EUR 4,175mn after minorities.

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 – Group after minorities, in EUR millions	2014	2013
GEV as at 31 December previous year, reported	4,217	2,876
GEV as at 31 December previous year, restated	4,192	2,900
Opening Adjustments	-115	-73
GEV as at 31 December previous year, restated and adjusted	4,076	2,826
Return on GEV	98	666
as a %	2.4%	23.6%
GEV as at 31 December, before closing adjustments	4,175	3,492
Closing Adjustments	0	725
GEV as at 31 December	4,175	4,217

Table 4: Return on embedded value

The opening adjustments in the restated and adjusted figures in the table above remove the dividends paid in the reporting year as well as allowing for foreign exchange rate changes.

There were no closing adjustments in 2014.

2.3 New business value

The new business value (NBV) is calculated as the present value of future profits (PVFP) for the new business sold in 2014 minus the new business strain, TVFOG, 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 2014 has been calculated for the covered business in 2014.

New Business Value after minorities, in EUR millions	2014	2013	change in 2014
New business value	53	58	-7.9%
Annual premium equivalent (APE)	285	257	
New business margin (as % APE)	18.7%	22.5%	
Present value of new business premiums (PVNBP)	3,210	2,638	
New business margin (% of PVNBP)	1.7%	2.2%	

Table 5: New business value

The change in new business volume and new business margins are analysed in the table below.

Analysis of Change New Business – Group after minorities, in EUR millions	Value of New Business	Present Value of NB Premiums	New Business Margin
Opening NBV as at 31 December 2013, reported	58	2,638	2.2%
Methodology Changes	0	0	0.0%
Expanded Scope	0	0	0.0%
Opening NBV as at 31 December 2013, restated	58	2,638	2.2%
Foreign Exchange Variances	-3	-36	-0.1%
Acquired / Divested Business	0	0	0.0%
Adjusted Opening NBV as at 31 December 2013	55	2,602	2.1%
Modelling Changes	9	-9	0.3%
Business Volume Change	8	319	0.0%
Business Mix Change	-3	0	-0.1%
Assumption Changes	-15	299	-0.7%
Closing NBV as at 31 December 2014	53	3,210	1.7%

Table 6: Analysis of change for new business

There was no restatement of NBV 2013.

The main source of foreign exchange variance is the change of RUB currency compared to the EUR.

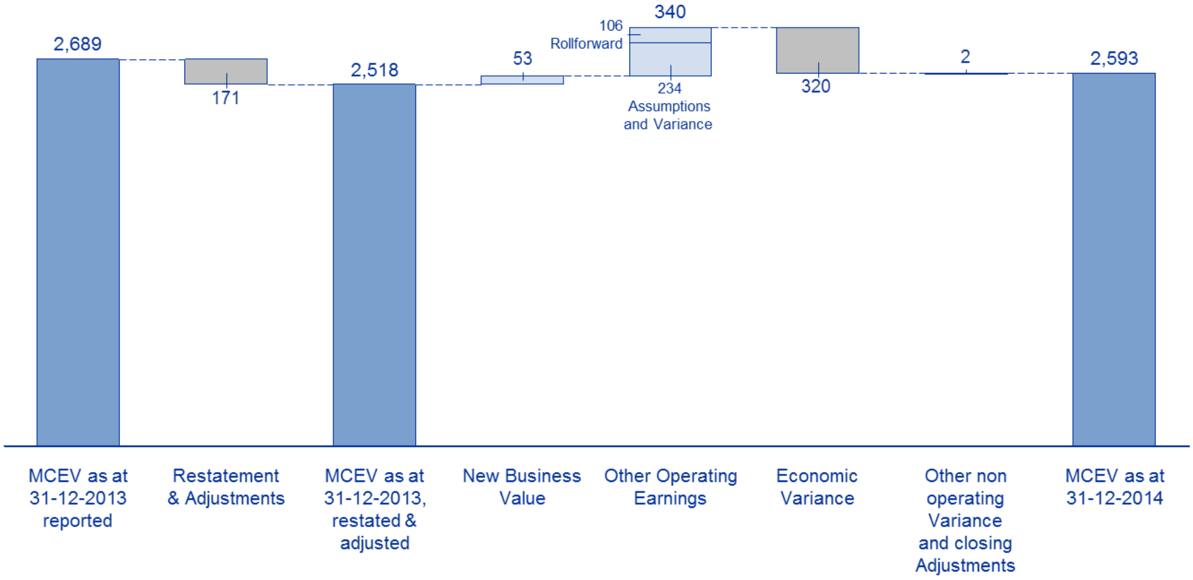
Modelling changes stem mainly from the region Austria, where the modelling of claims reserves in health business has been improved and from the region Italy where a more accurate allocation of investment returns between new and in force business has been applied.

The main drivers of change in New Business Value are due to the Assumption Changes (mainly economic assumptions), which decreased the value by EUR 15mn. Overall, the New Business Margin, as a percentage of PVNBP, decreased to 1.7%.

The new business volumes and margins by region are shown in section 3.

2.4 Analysis of change

The following chart shows the analysis of change for the covered Life & Health businesses after minority interests. This is followed by a table showing the detailed analysis of change.



Analysis of Change – Group after minorities, in EUR millions	Free Surplus	Required Capital	VIF	MCEV
Opening MCEV as at 31 December 2013, reported	334	652	1,703	2,689
Opening MCEV as at 31 December 2013, restated	334	652	1,703	2,689
Capital and Dividend Flows	-159	0	0	-159
Foreign Exchange Variances	-2	-2	-7	-12
Acquired/Divested Businesses	0	0	0	0
Opening adjustments	-161	-2	-7	-171
Adjusted Opening MCEV as at 31 December 2013	173	649	1,695	2,518
New business value	-86	41	98	53
Expected existing business contribution *(reference rate)*	4	0	56	59
Expected existing business contribution *(in excess of ref. rate)*	5	0	42	47
Transfer from VIF and required capital to free surplus	171	-36	-134	0
Experience variances	-15	-8	112	89
Assumption changes	-2	3	196	197
Other operating variance	101	-106	-46	-52
Operating MCEV earnings	177	-107	323	393
Economic variances	128	-4	-444	-320
Other non operating variance	0	0	0	0
Total MCEV earnings	306	-112	-121	73
Closing Adjustments	2	0	0	2
Closing MCEV as at 31 December 2014	482	538	1,574	2,593

Table 7: Analysis of change (Life & Health business)

Key elements of the restatement and initial adjustments:

- The capital and dividend flows reflect the net effect of dividends from and capital flows to the covered businesses.
- The foreign exchange variance mainly stems from the change of RUB currency compared to EUR.
- No businesses were acquired or divested in 2014 within covered businesses for which a MCEV has been calculated.

Key elements of the operating MCEV earnings:

- The **NBV** as at point of sale written in the year 2014 is EUR 53mn. The negative impact on free surplus is due to the non-deferral of acquisition expenses.
- The **expected existing business contribution on the basis of the reference rates** is EUR 59mn. This reflects the unwinding at the reference rate for the VIF and the return on the ANAV at the reference rate after tax. This step also includes the release of the TVFOG for the first year of the projection.
- The impact of the **expected existing business contribution in excess of reference rates** is EUR 47mn. This step shows the impact of management's expectation of the additional investment earnings in 2014 above the reference rates.
- **Transfer from VIF and required capital to free surplus** reduces the VIF by EUR 134mn, the expected net profit projected for 2014 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 89mn. 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 197mn) on the operating earnings. This item covers all operating assumption changes. The major assumption change reflects the positive development of expenses for the Austrian Life & Health businesses. An additional positive impact comes from improved lapse assumptions for the Austrian life business. For the health business in Austria the conversions of in force business to lower guaranteed interest and premium adjustments both had positive impacts.

Other operating variance covers all operating changes not covered in the other items and is in total EUR -52mn. This mainly reflects modelling improvements of claims reserves in the Austrian health business.

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 2014 are due to the decrease in interest rates and higher implied volatilities.
- The **Other non operating variance** was less than EUR 1mn.

The **closing adjustments** were EUR 2mn. These were net capital and dividend flows within the Group.

2.5 VIF Maturity Profile

The table below shows the emergence of VIF as at December 31, 2014 split in 5-year-buckets, for the first 35 years of the projection. The VIF is after allowance for time value of financial options and guarantees, frictional cost of required capital and cost of residual non-hedgeable risks.

VIF Maturity Profile – Group after minorities, in EUR millions	**Free Cashflows**	**in %**
year 1-5	485	31%
year 6-10	398	25%
year 11-15	213	14%
year 16-20	110	7%
year 21-25	83	5%
year 26-30	64	4%
year 31-35	63	4%
later than 35 years	157	10%
Total VIF	1,574	100.0%

Table 8: VIF Maturity profile

The table shows that 31% of VIF as at December 31, 2014 emerges in the first 5 years of projection and 56% of VIF 2014 in the first 10 years.

The VIF as at December 31, 2014 emerging after 35 years mainly result from the long term Austrian business, in particular the health business.

The modelling of the Austrian health business has been improved to more accurately reflect the timing of the investment returns and hence the emergence of profits. This change influences the timing of the emergence of profits, which occur earlier compared to December 31, 2013, and has no impact on the VIF in total.

2.6 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 behavior 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, 2014 to changing various assumptions.

Sensitivities after minorities, in EUR millions	Change in embedded value		Change in new business value	
Base value	2,593	100%	53	100%
EV change by economic factors				
Risk free yield curve -100bp	-508	-20%	-42	-78%
Risk free yield curve +100bp	229	9%	14	25%
Equity and property market values -10%	-151	-6%	0	0%
Equity and property implied volatilities +25%	-17	-1%	-1	-2%
Swaption implied volatilities +25%	-83	-3%	-9	-18%
EV change by non-economic factors				
Maintenance expenses -10%	60	2%	9	16%
Lapse rates -10%	36	1%	7	14%
Mortality for assurances -5%	39	2%	5	10%
Mortality for annuities -5%	-8	0%	0	0%
Required Capital equal to local solvency capital	10	0%	0	1%
Additional sensitivity				
No Liquidity Premium	-169	-7%	-12	-22%

Table 9: 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 parallel shift is applied only up until the last liquid point (LLP). From this point the extrapolation is made to the Ultimate Forward Rate (UFR), which remains unchanged in the sensitivity.
  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.
  The decrease of 100bps to the risk free yield curve reduces the MCEV by EUR -508mn or -20% (-10% in 2013). The increase in this sensitivity compared to 2013 is due to the lower interest rates.

- **Decrease of 10% in equity and property market values (at the valuation date)**
  The MCEV decreases by EUR -151mn or -6%. There is no effect on the 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 TVFOG. The change in TVFOG is an increase of EUR 17mn or 6%. In total this sensitivity is not significant (-0.7% 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 TVFOG. The change in TVFOG is an increase of EUR 83mn or 27% (in total this reduces the MCEV by 3%).

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 60mn or 2%. 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 36mn or 1%.

- **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 39mn or 2%.

- **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 8mn or -0.3%.

- **Required capital set equal to local solvency capital requirement**
  This sensitivity is driven by the Austrian business as only UNIQA Österreich Versicherungen AG has RC higher than 100% of statutory solvency requirement. There is an increase in the MCEV caused by the lower FCRC due to the reduced RC.

Additional sensitivities:

- As UNIQA used a liquidity premium in determining the reference rates as at December 31, 2014, an additional sensitivity is disclosed to show the impact of removing the liquidity premium.

2.7 Implied discount rate and internal rate of return

The Implied Discount Rate (IDR) is the risk discount rate under a Traditional Embedded Value approach that reproduces the VIF determined using stochastic techniques from a deterministic projection of statutory distributable earnings (profit less movement in required capital) in an illustrative management case scenario.

The Internal Rate of Return (IRR) is the risk discount rate which gives a zero value of new business under a Traditional Embedded Value approach.

Real world assumptions have been used in the calculations of the IDR and IRR. These have been derived from an internal assessment of risk premiums, measured as the expected excess return over 10-year risk free rates. The risk premiums for equities and property were 7.8% and 4.1%, respectively.

The IDR and IRR as at December 31, 2014 are shown in the table below.

Implied Discount Rate and Internal Rate of Return after minorities, in %	**Total**
Implied Discount Rate (in force business)	6.03%
Internal Rate of Return (new business)	9.71%

Table 10: Implied discount rate and internal rate of return

2.8 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 EUR millions	2014	2013 *)
Consolidated IFRS equity	3,102.4	2,785.1
Goodwill and value of business in force for MCEV companies	-159.3	-162.3
Differences in valuation of assets and liabilities	-322.4	-114.3
Adjusted net asset value before minority interest	2,620.7	2,508.5
Minority interests	-20.0	-19.5
Adjusted net asset value after minority interest	2,600.7	2,489.0

*) restated

Table 11: Reconciliation of IFRS equity

The December 31, 2013 figures have been restated to be in line with changes made to the values as at December 31, 2013 in UNIQA's consolidated IFRS statements for 2014.

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".

"Differences in the valuation of asset and liabilities" also include the unrealised gains or losses on assets that are not shown at market value in the consolidated IFRS balance sheet. This relates to unrealised gains or losses property and loans. For consistency between covered and non-covered business, all unrealised gains or losses on property and loans are included. Further differences are due to equity holdings for which the market value - as disclosed in the statutory annual reports of the Group's subsidiaries - differs from the IFRS balance sheet values, 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 after 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**
  The business in this region includes the Life & Health business of UNIQA Österreich Versicherungen AG, the life business of Raiffeisen Versicherung AG and FinanceLife Lebensversicherung 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, Russia 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 2014 by Region after minorities, in EUR millions	2014				2013			
	Austria	Italy	CEE	Total	Austria	Italy	CEE	Total
Free surplus	422	43	17	482	264	33	38	334
Required capital	425	77	36	538	551	63	37	652
Adjusted Net Asset Value	847	119	54	1,019	815	96	75	986
Present value of future profits	1,839	73	169	2,081	1,894	79	147	2,120
Cost of options and guarantees	-265	-36	-4	-305	-168	-43	-6	-217
Frictional Cost of required capital	-47	-4	-1	-52	-75	-5	-2	-81
Cost of residual non-hedgeable risk	-137	-7	-6	-150	-110	-4	-5	-119
Value of business in-force	1,390	26	157	1,574	1,541	27	134	1,703
Life & Health MCEV	2,237	146	211	2,593	2,356	123	210	2,689
as a % of total Life & Health MCEV	86.3%	5.6%	8.1%	100.0%	87.6%	4.6%	7.8%	100.0%

Table 12: Market Consistent Embedded Value by region

The VIF decreases for Austria and Italy where the life businesses are mainly traditional business. For CEE the VIF increases due to a higher portion of unit linked and other business where the profitability is less sensitive to the level of interest rates.
In total the VIF decreased to EUR 1,574mn (2013: EUR 1,703mn). The total Life & Health MCEV decreased to EUR 2,593mn or -0.4%. As shown in section 2.4 the total Life & Health MCEV earnings were 2.9%.

The following table shows the NBV 2014 and 2013 for the Life & Health business split by regions after minority interests.

New Business Value by Region after minorities, in EUR millions	Austria	Italy	CEE	Total
Value of new business 2014	30	6	18	53
Annual premium equivalent (APE)	136	91	58	285
New business margin (as % APE)	22.0%	6.0%	30.8%	18.7%
Present value of new business premiums (PVNBP)	1,937	973	300	3,210
New business margin (% of PVNBP)	1.5%	0.6%	5.9%	1.7%
Value of new business 2013	32	4	22	58
Annual premium equivalent (APE)	118	70	70	257
New business margin (as % APE)	27.1%	5.7%	31.6%	22.5%
Present value of new business premiums (PVNBP)	1,653	603	382	2,638
New business margin (% of PVNBP)	1.9%	0.7%	5.8%	2.2%

Table 13: New business value by region

Overall there was an increase in new business volumes in terms of Annual Premium Equivalent, driven by the positive development for the regions Austria and Italy. The overall new business margin decreased to 1.7%.

In Austria, the decrease in New Business margin from 1.9% to 1.5% is mainly driven by the lower levels of market interest rates.

Also in Italy, the main driver for the decrease in New Business margin from 0.7% to 0.6% is the reduction in interest rates. This is offset to a large extent by modelling changes allowing for a more accurate allocation of investment return between new and in force business.

The new business value for the region CEE decreased compared to 2013 due to lower new business volume.

The implied discount rate (IDR) and the internal rate of return (IRR) are calculated from cash flows based on real world assumptions.

Implied Discount Rate and Internal Rate of Return after minorities, in %	Austria	Italy	CEE	Total
Implied Discount Rate (in force business)	6.28%	3.19%	2.95%	6.03%
Internal Rate of Return (new business)	9.33%	6.43%	20.71%	9.71%

Table 14: Implied Discount Rate and Internal Rate of Return by region

Real world assumptions have been used in the calculations of the IDR and IRR. These have been derived from an internal assessment of risk premiums, measured as the expected excess return over 10-year risk free rates. The risk premiums for equities and property were 7.8% and 4.1%, respectively.

3.2 Austria

The positive operative earnings outweighed the negative economic variance in 2014. The total MCEV earnings were EUR 32mn in 2014. The MCEV for the Austrian Life & Health business decreased from EUR 2,356mn in 2013 to EUR 2,237mn in 2014. The NBV decreased from EUR 32mn in 2013 to EUR 30mn in 2014.

3.2.1 Analysis of change

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

Analysis of Change – Austria after minorities, in EUR millions	Free Surplus	Required Capital	VIF	MCEV
Opening MCEV as at 31 December 2013, reported	264	551	1,541	2,356
Opening MCEV as at 31 December 2013, restated	264	551	1,541	2,356
Capital and Dividend Flows	-151	0	0	-151
Foreign Exchange Variances	0	0	0	0
Acquired/Divested Businesses	0	0	0	0
Opening adjustments	-151	0	0	-151
Adjusted Opening MCEV as at 31 December 2013	113	551	1,541	2,205
New business value	-48	13	65	30
Expected existing business contribution *(reference rate)*	3	0	42	44
Expected existing business contribution *(in excess of ref. rate)*	5	0	43	47
Transfer from VIF and required capital to free surplus	144	-30	-114	0
Experience variances	-23	-3	86	61
Assumption changes	-3	3	175	175
Other operating variance	106	-106	-45	-45
Operating MCEV earnings	184	-122	250	312
Economic variances	123	-4	-401	-282
Other non operating variance	2	0	0	2
Total MCEV earnings	309	-126	-151	32
Closing Adjustments	0	0	0	0
Closing MCEV as at 31 December 2014	422	425	1,390	2,237

Table 15: Analysis of change – Austria

NBV for Austrian Life & Health business is EUR 30mn, allowing for a new business strain of EUR 35mn.

Operating MCEV earnings in total developed positively (EUR 312mn). The main contributions to this are the assumption changes which reflect the positive development of expenses in both the Life & Health business of UNIQA Österreich Versicherungen AG. An additional positive impact came from improved lapse assumptions for the Austrian life business. For the health business in Austria the conversions of in force business to lower guaranteed interest and premium adjustments both had positive impacts.

The decrease in interest rates and increase in interest rate volatilities led to an economic variance of EUR -282mn in the MCEV.

The Other non operating variance is the impact caused by changes in valuation reserves.

3.2.2 Analysis of change for new business

The following table analyses the increase in profitability of the Austrian Life & Health new business 2014 after minority interests.

Analysis of Change New Business – Austria after minorities, in EUR millions	**Value of New Business**	**Present Value of NB Premiums**	**New Business Margin**
Opening NBV as at 31 December 2013, reported	32	1,653	1.9%
Methodology Changes	0	0	0.0%
Expanded Scope	0	0	0.0%
Opening NBV as at 31 December 2013, restated	32	1,653	1.9%
Foreign Exchange Variances	0	0	0.0%
Acquired / Divested Business	0	0	0.0%
Adjusted Opening NBV as at 31 December 2013	32	1,653	1.9%
Modelling Changes	5	-14	0.4%
Business Volume Change	4	174	0.0%
Business Mix Change	0	0	0.0%
Assumption Changes	-11	125	-0.7%
Closing NBV as at 31 December 2014	30	1,937	1.5%

Table 16: Analysis of change for new business - Austria

Modelling changes stem mainly from Austrian health business where the modelling of claims reserves in health business has been improved. The main drivers of change in New Business Value are due to assumption changes, in particular lower interest rates, which have a negative impact of EUR 11mn on NBV. This is partly offset by modelling changes and change in business volume.

The increase of PVNBP corresponds to the higher new business volume reflected in the annual premium equivalent measure and the lower interest rates for discounting.

3.2.3 Sensitivities

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

Sensitivities – Austria after minorities, in EUR millions	Change in embedded value		Change in new business value	
Base value	2,237	100%	30	100%
EV change by economic factors				
Risk free yield curve -100bp	-449	-20%	-29	-96%
Risk free yield curve +100bp	240	11%	16	54%
Equity and property market values -10%	-146	-7%	0	0%
Equity and property implied volatilities +25%	-14	-1%	0	-1%
Swaption implied volatilities +25%	-65	-3%	-7	-23%
EV change by non-economic factors				
Maintenance expenses -10%	44	2%	6	19%
Lapse rates -10%	36	2%	6	20%
Mortality for assurances -5%	33	1%	3	10%
Mortality for annuities -5%	-8	0%	0	-1%
Required Capital equal to local solvency capital	10	0%	0	1%
Additional sensitivity				
No Liquidity Premium	-145	-7%	-2	-6%

Table 17: Sensitivities – Austria

The sensitivities to reference rates have the strongest impact on the MCEV. The main drivers for the increase in sensitivity are lower interest rates and higher implied volatilities. 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 downward shift of the risk free yield curve of 100bps results in a decrease of MCEV by EUR 449mn or –20%.

A decrease of 10% in maintenance expenses has the strongest impact among the non-economic sensitivities and increases the MCEV by EUR 44mn or 2%.

The Required Capital for UNIQA Österreich Versicherungen 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 10mn.

3.3 Italy

The Life & Health MCEV for Italy increased from EUR 123mn to EUR 146mn, including a NBV of EUR 6mn. The development was mainly driven by positive experience variance and assumption changes.

3.3.1 Analysis of change

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

Analysis of Change – Italy after minorities, in EUR millions	Free Surplus	Required Capital	VIF	MCEV
Opening MCEV as at 31 December 2013, reported	33	63	27	123
Opening MCEV as at 31 December 2013, restated	33	63	27	123
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 2013	33	63	27	123
New business value	-27	22	11	6
Expected existing business contribution *(reference rate)*	0	0	11	12
Expected existing business contribution *(in excess of ref. rate)*	0	0	-3	-2
Transfer from VIF and required capital to free surplus	5	-3	-2	0
Experience variances	10	-6	23	27
Assumption changes	0	0	11	11
Other operating variance	0	0	-4	-4
Operating MCEV earnings	-11	13	47	48
Economic variances	19	0	-48	-29
Other non operating variance	0	0	0	0
Total MCEV earnings	7	13	-1	20
Closing Adjustments	3	0	0	3
Closing MCEV as at 31 December 2014	43	77	26	146

Table 18: Analysis of change - Italy

Operating MCEV earnings are EUR 48mn. The largest contributors to this are the expected existing business contribution of EUR 12mn and the experience variance of EUR 27mn reflecting improved lapse assumptions.

Economic variance of EUR -29mn, mainly as a result of lower interest rates, leads to an overall MCEV for the Italian Life & Health business of EUR 146mn.

3.3.2 Analysis of change for new business

The following table analyses the decrease in profitability of the Italian Life & Health new business 2014 after minority interests.

Analysis of Change New Business – Italy after minorities, in EUR millions	Value of New Business	Present Value of NB Premiums	New Business Margin
Opening NBV as at 31 December 2013, reported	4	603	0.7%
Methodology Changes	0	0	0.0%
Expanded Scope	0	0	0.0%
Opening NBV as at 31 December 2013, restated	4	603	0.7%
Foreign Exchange Variances	0	0	0.0%
Acquired / Divested Business	0	0	0.0%
Adjusted Opening NBV as at 31 December 2013	4	603	0.7%
Modelling Changes	3	1	0.5%
Business Volume Change	3	223	0.0%
Business Mix Change	1	0	0.2%
Assumption Changes	-6	146	-0.8%
Closing NBV as at 31 December 2014	6	973	0.6%

Table 19: Analysis of change for new business – Italy

The change in business volume increases the present value of new business premiums by EUR 223mn. The change in business mix increases the NBV by EUR 1mn.

The line assumption changes comprises all changes in assumptions and in the product profitability compared to those used for the adjusted opening new business margins (per line of business) and has a negative impact of EUR -6mn on NBV.

3.3.3 Sensitivities

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

Sensitivities – Italy after minorities, in EUR millions	Change in embedded value		Change in new business value	
Base value	146	100%	6	100%
EV change by economic factors				
Risk free yield curve -100bp	-64	-44%	-12	-214%
Risk free yield curve +100bp	-3	-2%	-2	-45%
Equity and property market values -10%	-4	-3%	0	0%
Equity and property implied volatilities +25%	-3	-2%	-1	-13%
Swaption implied volatilities +25%	-16	-11%	-2	-41%
EV change by non-economic factors				
Maintenance expenses -10%	5	3%	1	12%
Lapse rates -10%	-9	-7%	0	-6%
Mortality for assurances -5%	0	0%	1	18%
Mortality for annuities -5%	0	0%	0	0%
Required Capital equal to local solvency capital	0	0%	0	0%
Additional sensitivity				
No Liquidity Premium	-21	-15%	-10	-174%

Table 20: Sensitivities – Italy

3.4 Central Eastern Europe (CEE)

The Life & Health MCEV for CEE increased from EUR 210mn to EUR 211mn, including a NBV of EUR 18mn.

3.4.1 Analysis of change

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

Analysis of Change – CEE after minorities, in EUR millions	Free Surplus	Required Capital	VIF	MCEV
Opening MCEV as at 31 December 2013, reported	38	37	134	210
Opening MCEV as at 31 December 2013, restated	38	37	134	210
Capital and Dividend Flows	-8	0	0	-8
Foreign Exchange Variances	-2	-2	-7	-12
Acquired/Divested Businesses	0	0	0	0
Opening adjustments	-10	-2	-7	-19
Adjusted Opening MCEV as at 31 December 2013	28	35	127	190
New business value	-11	6	23	18
Expected existing business contribution *(reference rate)*	1	0	2	3
Expected existing business contribution *(in excess of ref. rate)*	0	0	1	2
Transfer from VIF and required capital to free surplus	21	-4	-17	0
Experience variances	-2	1	3	1
Assumption changes	1	0	10	11
Other operating variance	-4	-1	3	-2
Operating MCEV earnings	5	2	26	33
Economic variances	-13	0	5	-9
Other non operating variance	-2	0	0	-3
Total MCEV earnings	-10	1	30	21
Closing Adjustments	0	0	0	0
Closing MCEV as at 31 December 2014	17	36	157	211

Table 21: Analysis of change – CEE

Operating MCEV earnings are EUR 33mn, including a new business value of EUR 18mn.

The economic variance amounts to EUR -9mn. This negative impact relates mainly to the Russian life business.

In total, the MCEV of the CEE countries increases to EUR 211mn. The total MCEV return for the CEE Life business was 11% (as measured relative to the adjusted opening MCEV as at December 31, 2013).

3.4.2 Analysis of change for new business

The following table analyses the development in profitability of the CEE Life new business 2014 after minority interests.

Analysis of Change New Business – CEE after minorities, in EUR millions	Value of New Business	Present Value of NB Premiums	New Business Margin
Opening NBV as at 31 December 2013, reported	22	382	5.8%
Methodology Changes	0	0	0.0%
Expanded Scope	0	0	0.0%
Opening NBV as at 31 December 2013, restated	22	382	5.8%
Foreign Exchange Variances	-3	-36	-0.3%
Acquired / Divested Business	0	0	0.0%
Adjusted Opening NBV as at 31 December 2013	19	346	5.4%
Modelling Changes	0	4	0.0%
Business Volume Change	-4	-78	0.0%
Business Mix Change	1	0	0.5%
Assumption Changes	2	28	0.0%
Closing NBV as at 31 December 2014	18	300	5.9%

Table 22: Analysis of change for new business – CEE

Foreign exchange variances comprise the impact of changes of CZK, HUF, PLN and RUB currencies compared to the EUR.

The change in business volume decreases the present value of new business premiums by EUR 78mn. The main impact originates from Poland with lower sales in unit linked single premium contracts. The change in business mix had a positive impact of EUR 1mn on NBV, attributable mainly to the Czech Republic business.

The line assumption changes comprises all changes in assumptions and in the product profitability compared to those used for the adjusted opening new business margins (per line of business) and has a positive impact of EUR 2mn on NBV.

3.4.3 Sensitivities

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

Sensitivities – CEE after minorities, in EUR millions	Change in embedded value		Change in new business value	
Base value	211	100%	18	100%
EV change by economic factors				
Risk free yield curve -100bp	4	2%	-1	-5%
Risk free yield curve +100bp	-8	-4%	0	-1%
Equity and property market values -10%	-1	0%	0	0%
Equity and property implied volatilities +25%	0	0%	0	-1%
Swaption implied volatilities +25%	-1	-1%	0	-2%
EV change by non-economic factors				
Maintenance expenses -10%	11	5%	2	13%
Lapse rates -10%	10	5%	2	10%
Mortality for assurances -5%	7	3%	1	8%
Mortality for annuities -5%	0	0%	0	0%
Required Capital equal to local solvency capital	0	0%	0	0%
Additional sensitivity				
No Liquidity Premium	-2	-1%	0	-2%

Table 23: Sensitivities – CEE

The sensitivity of the MCEV and NBV to economic factors is significantly lower than both the Austrian and Italian Life and Health businesses.

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 – UNIQA Österreich Versicherungen AG, Raiffeisen Versicherung AG and FinanceLife Lebensversicherung 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, Poland and Russia.

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 unrealised 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 unrealised capital gains not included in the IFRS equity.

UNIQA Österreich Versicherungen AG (UAT) 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 UAT, Health) on the basis of the statutory balance sheets. It is possible to transfer assets between the operating segments at book value.

The differences between the IFRS balance sheet values and the disclosed market values as at December 31, 2013 and December 31, 2014 after adjusting for minority interests and deferred tax are included either in the ANAV or the VIF. Where these differences are included in the VIF, allowance is made for profit sharing.

4.2.1 Free Surplus

Free Surplus is defined as the 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 Österreich Versicherungen 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 543.1mn at December 31, 2014 and EUR 656.4mn at December 31, 2013 (before minorities). 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 TVFOGs are valued explicitly for the conventional life products in Austria, Italy, Czech Republic, Hungary and Slovakia 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 treasury yields, corporate spreads, corporate migrations, equities and inflation.

UNIQA produces the economic scenarios centrally using GEMS (provided by Conning). The risk-neutral economic scenarios 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 life business in Poland and Russia account for less than 1.0% of the total Group reserves. Due to the level of materiality, the TVFOGs for the conventional life products for these two companies in CEE are estimated using prudent internal 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, using risk-free 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. The net of tax charge for the cost of capital is 2% for the calculation of the CRNHR.

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

5.1 Economic assumptions

The calculations are based on economic market conditions as at December 31, 2014.

The derivation of the reference interest rates is in line with the CFO Forum MCEV Principles and with recent EIOPA developments.

Reference interest rates are based on Swap Rates or Governmental Yields with the following adjustments.

- A Credit Risk Adjustment is deducted from the swap rates (the parameters are shown in Table 26), which is calculated according to the EIOPA paper “Consultation Paper on the risk free interest rate term structure”.
- An extrapolation is carried out for the period beyond that for which liquid assets are available in the financial markets. For EUR UNIQA considers the market to be deep and liquid for durations up to 20 years and the extrapolation is applied from this point onwards (the parameter for the other currencies are shown in Table 26).
- The Liquidity Premium is added to the deep and liquid part only.
- UNIQA uses the Smith-Wilson technique to extrapolate the reference rates to the ultimate forward rate of 4.2% for EUR (the parameters for other currencies are shown in Table 26). The parameters are determined such that the ultimate forward rate is reached within 40 years for EUR (the parameters for other currencies are shown in Table 26).

The EUR Liquidity Premium shown in Table 25 is determined by the “direct approach” of the 50/40 proxy formula: max[0, 50% (corporate spread over swap – 40bp)] + 10bp. The 10bp are the correction for the previous Credit Risk Adjustment. The following Liquidity Premium buckets have been applied in 2014 and 2013:

- 0% for unit/index-linked business
- 65% for other business

For CZK, HUF and PLN 35% of the EUR premium was assumed.

The following tables show the main economic assumptions for the MCEV calculations. Table 24 lists the reference rates (excluding liquidity premiums) as at December 31, 2014 and December 31, 2013.

	EUR		CZK		HUF		PLN		RUB	
Reference Rates	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1 year	0.06%	0.30%	0.18%	0.26%	1.67%	2.89%	1.71%	2.65%	20.35%	6.87%
5 years	0.26%	1.16%	0.42%	1.17%	3.04%	4.04%	2.07%	3.63%	12.23%	7.13%
10 years	0.72%	2.12%	0.76%	2.02%	3.61%	5.31%	2.41%	4.20%	10.61%	7.71%
15 years	1.09%	2.61%	1.09%	2.52%	3.89%	5.36%	2.65%	4.32%	8.85%	8.35%
20 years	1.28%	2.75%	1.50%	2.82%	4.00%	5.05%	2.87%	4.35%	7.83%	8.60%
25 years	1.58%	2.84%	1.90%	3.04%	4.05%	4.87%	3.06%	4.35%	7.17%	8.39%

Table 24: Reference Rates

	Liquidity Premium 2014 (100%)	Liquidity Premium 2013 (100%)
EUR	34bp	39bp
CZK / HUF / PLN	12bp	14bp
RUB	0bp	0bp

Table 25: Liquidity Premium

	Credit Risk Adjustment	Starting Point of Extrapolation	Convergence Period	Ultimate Forward Rate
EUR	10	20	40	4.20%
CZK	11	15	40	4.20%
HUF	10	15	40	4.20%
PLN	10	15	40	4.20%
RUB	35	10	40	4.20%

Table 26: Reference Rates Credit Risk Adjustment / Extrapolation

Swaption and equity option implied volatilities (at the money) are shown in the following tables.

Swaption Implied Volatilities				
EUR	2014		2013	
Expiry \ Swap Tenor	10	20	10	20
10	39.54%	29.02%	23.07%	22.56%
15	30.23%	22.82%	23.29%	20.73%
20	22.26%	18.99%	21.64%	19.20%

Table 27: Swaption Implied Volatilities

Equity Option Implied Volatilities		
EUR	2014	2013
5 years	21.13%	19.92%
10 years	22.39%	20.50%

Table 28: Equity Option Implied Volatilities

UNIQA models corporate credit spreads with a reduced form model. The credit spreads per rating and maturity and corresponding transition probabilities are calibrated to spreads as observed in the market.

Inflation is linked to interest rates and calibrated to meet an expected long time horizon of 2%.

For Health business the expense and medical inflation are both set at 2%.

	Exchange rate		Tax rate	
	2014	2013	2014	2013
UNIQA Austria	-	-	25.00%	25.00%
UNIQA Italy	-	-	33.72%	34.32%
UNIQA CZ	27.74	27.43	19.00%	19.00%
UNIQA HU	315.54	297.04	19.00% + 2.3% *)	19.00% + 2.3% *)
UNIQA SK	-	-	22.00%	22.00%
UNIQA PL	4.27	4.15	19.00%	19.00%
Raiffeisen Russia	72.34	45.32	20.00%	20.00%

*) Municipal Tax & innovation fee

Table 29: 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. In line with the Group's strategy for life business in Austria, it has been assumed that 85% of future surpluses will be used for profit sharing. 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. For the Russian life business the assumed profit participation is defined as 80% of the difference between the projected investment returns. For the Italian life business, profit sharing is product specific but in total around 80% of net investment income.

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.

6 Independent Opinion

Herrn
Mag. Kurt Svoboda
Mitglied des Vorstands
UNIQA Insurance Group AG
Untere Donaustraße 21
1029 Wien
Österreich

10th April 2015

Dear Herr Mag. Svoboda,

Independent Opinion on Review of Embedded Value results of UNIQA Insurance Group AG as at 31 December 2014

Based on the engagement letter, B&W Deloitte GmbH has been engaged to review the Group Embedded Value (GEV) of UNIQA Insurance Group AG, Wien, ("the Group" or "UNIQA") as at 31 December 2014 as stipulated in the accompanying document "Group Embedded Value 2014" (the "Statements"). The Statements comprise:

- the Market Consistent Embedded Values of the main Life and Health insurance businesses in Austria, Italy, the Czech Republic, Slovakia, Hungary, Poland and Russia as at 31 December 2014 and 31 December 2013 together with the value of new business generated, the sensitivities and the earnings analyses during the year 2014;
- the Adjusted Net Asset Values as at 31 December 2014 and 31 December 2013 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 Management 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. The ANAV allows for additional value arising from the difference between the market value and value in the Group's IFRS accounts for assets not valued at market value in the Groups consolidated IFRS accounts (for example for property and loans). The ANAV for the businesses excluded from the scope of the MCEV calculations have also been excluded from the scope of our review.

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.

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.
Implied Discount Rate (IDR)	IDR is the discount rate at which the present value of net cash flows (based on risk free rates plus a risk premium) equals the value of in force business using the market consistent valuation approach.
Internal Rate of Return (IRR)	IRR is a discount rate at which the present value of net cash flows (based on risk free rates plus a risk premium), is equal to zero.
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 ANAV 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 the reporting year 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").
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 30: Glossary and abbreviations

Table of Figures