



UNIQA Insurance Group AG

Economic Capital and Embedded Value 2016

21 April 2017
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- Overall positive development for the Group's economic position based on strong operating earnings
- Sale of Italian business reflected in Economic Capital and Embedded Value
- Strong Economic Capital position as at year-end 2016
 - Economic Capital Ratio (ECR-ratio) increased to 215% (2015: 182%)
 - Market risk further reduced (64% of total ECR, 2015: 66%)
- Group Embedded Value (GEV) and New Business Value (NBV) further improved
 - GEV increased to EUR 5,068mn (+7%) driven by strong operating earnings
 - Improved New Business Margin of 4.3% increases NBV to EUR 93mn (excluding Italy)

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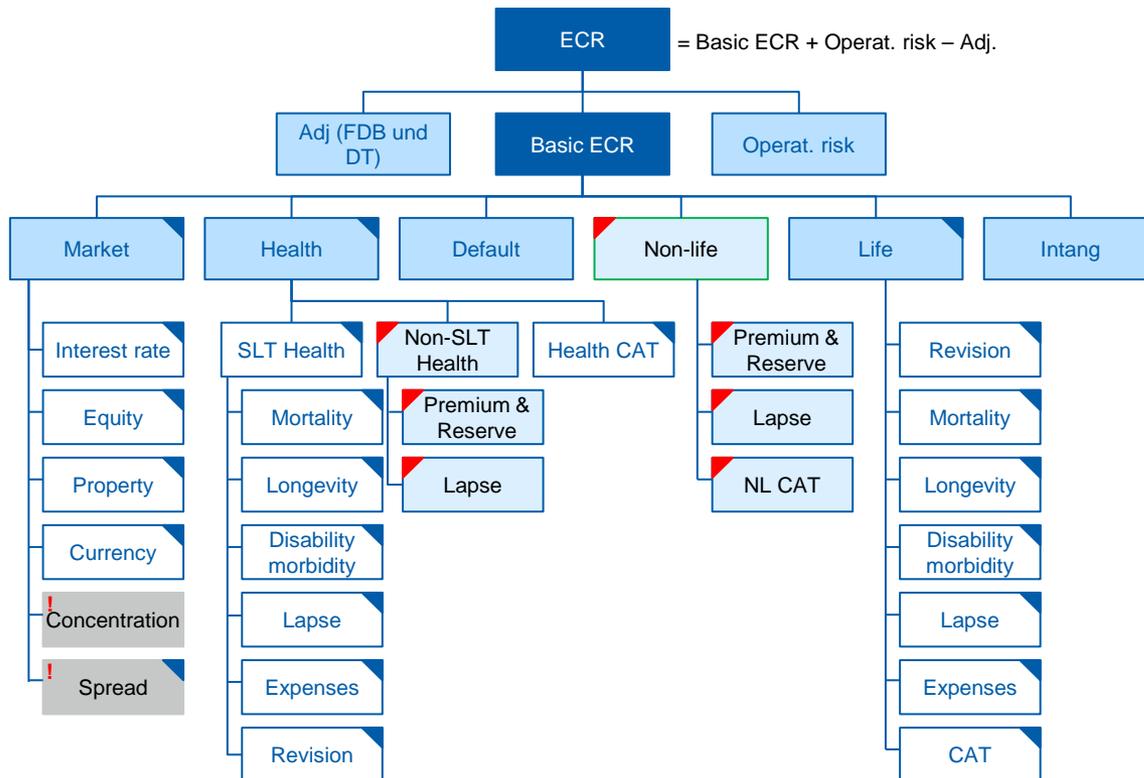
Glossary & Disclaimer

- Disclosure of Economic Capital Model (ECM) results:
 - UNIQA discloses ECM results 2016 on the basis of the underlying and published methodology of the Group Economic Capital Model
 - Economic capital is a key figure for steering the UNIQA Group
 - UNIQA discloses the own funds and Economic Capital Requirement (ECR) details by risk classes
 - All figures are disclosed after the risk absorbing effects of future discretionary benefits

- Independent review of methodology, assumptions and calculations for economic capital calculation by B&W Deloitte GmbH

- Important valuation principles for the available own funds
 - Valuation of assets and liabilities based on EC Delegated Acts
 - Goodwill is set to zero according to EC specifications (EUR 295mn)
 - Market value of properties and loans replace the IFRS values
 - Participations are valued at market price as of 31.12.2016
 - Technical provisions and reinsurance recoverables are valued on a discounted best estimate basis

UNIQA Group's economic capital model



- ! Calculated according to UNIQA internal economic methodology
- ▾ Allowance for the risk absorbing effect of Future Discretionary Benefits (FDB)
- ▴ Calculated with partial internal model

Model details

- Based on SII standard approach
- Spread risk and concentration risk are valued on the basis of an internal approach
- The underwriting risk of non-life is valued on the basis of UNIQA's partial internal model
- Correlation assumptions equal to standard formula – this does not apply to the partial internal model where internal coefficients are used
- Underlying risk measure: 99.5% VaR (Value at Risk) over a 1-year time horizon

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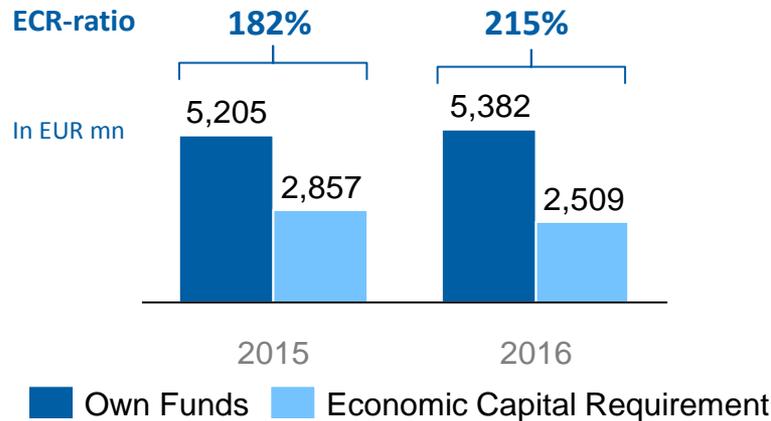
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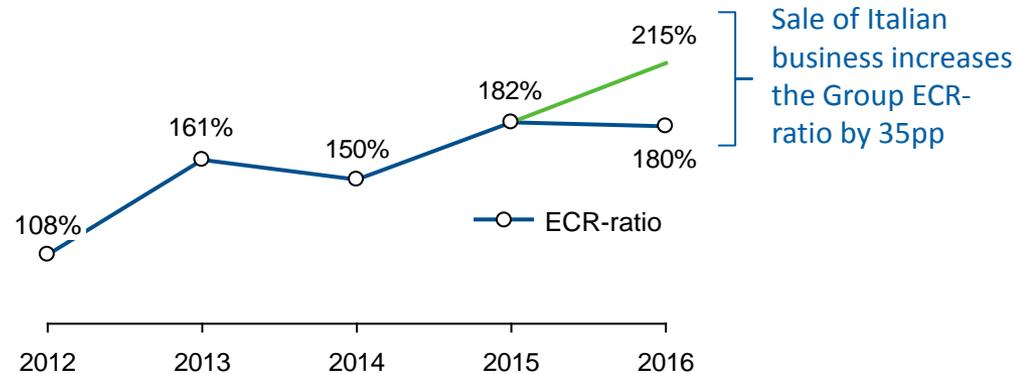
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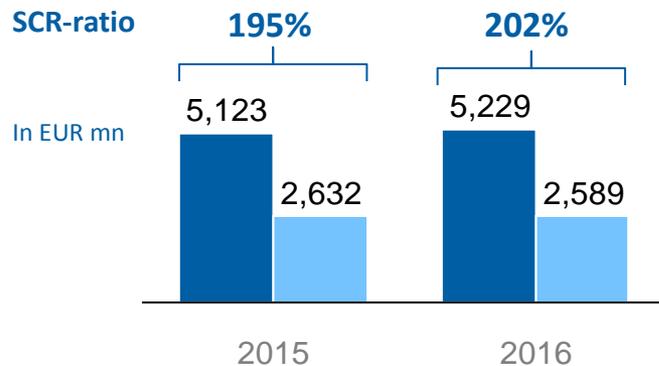
Economic capital position



Development of ECR-ratio



Preliminary Regulatory SII capital position²



Measures used

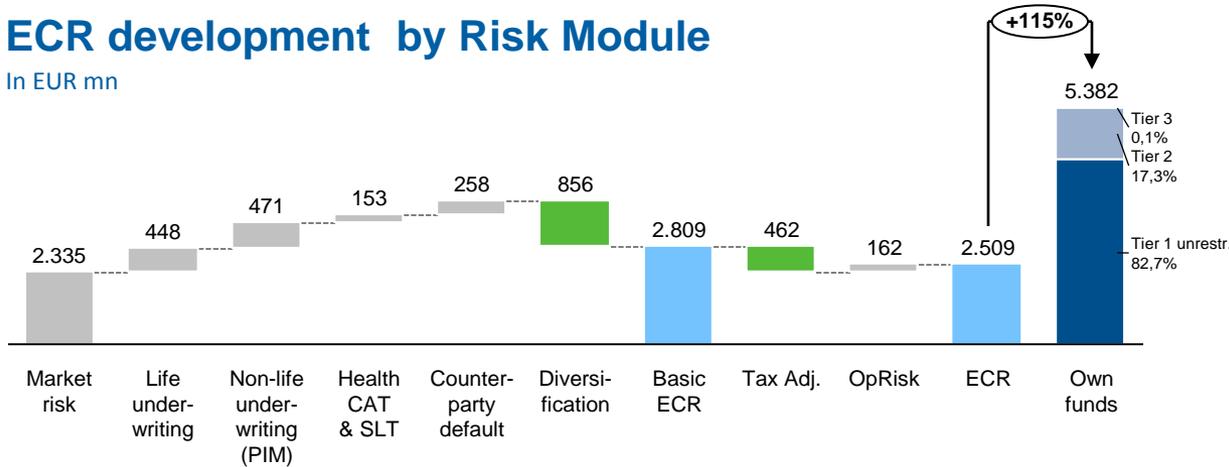
	ECR	SCR
Internal Model	Yes, P&C business	No
Sovereign Risk Charge	Yes (full loading)	No
Volatility Adjustments	Yes (static)	Yes (static)
Transitionals ¹	No	No
Matching Adjustment	No	No
Italian Subsidiaries	excluded	included

¹ Applies to major transitionals on interest rate or technical provision

² Audit on Solvency Financial Condition Report (SFCR) ongoing

ECR development by Risk Module

In EUR mn



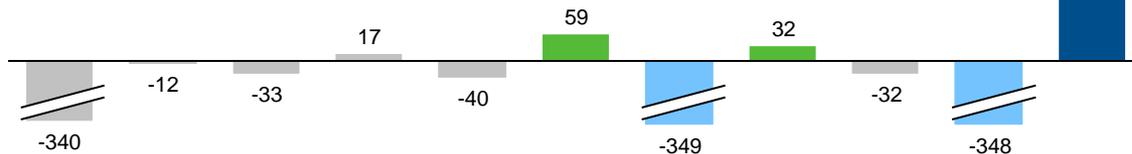
ECR strongly reduced

- Reduction in almost all risk modules, driven by sale of Italian business
- Strongest reduction in Market Risk due to risk charge on government bonds
- Improved diversification effect

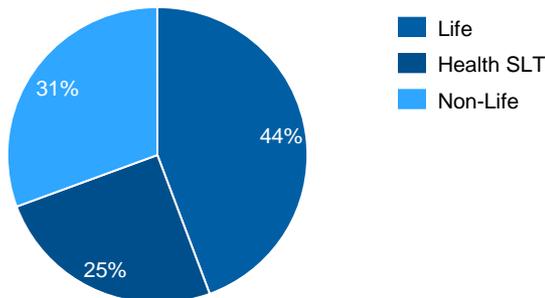
Eligible own funds further increased

- Strong operating earnings in Life and Health more than compensate for reduction of EUR 250mn in Tier1 restricted capital and negative economic variance from lower interest rates

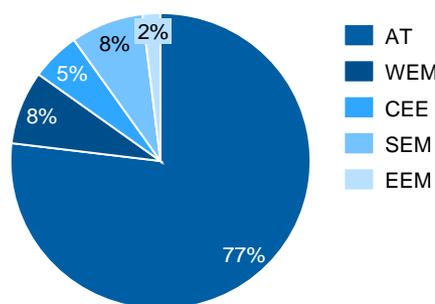
Change vs. 2015



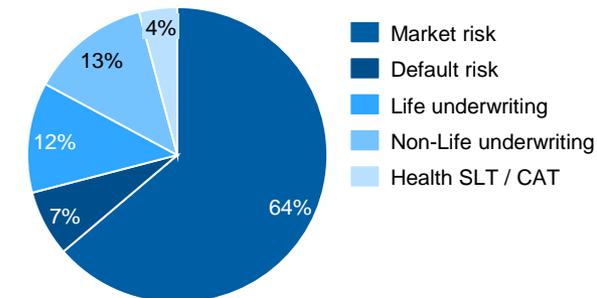
ECR split by LoB



ECR split by Region¹



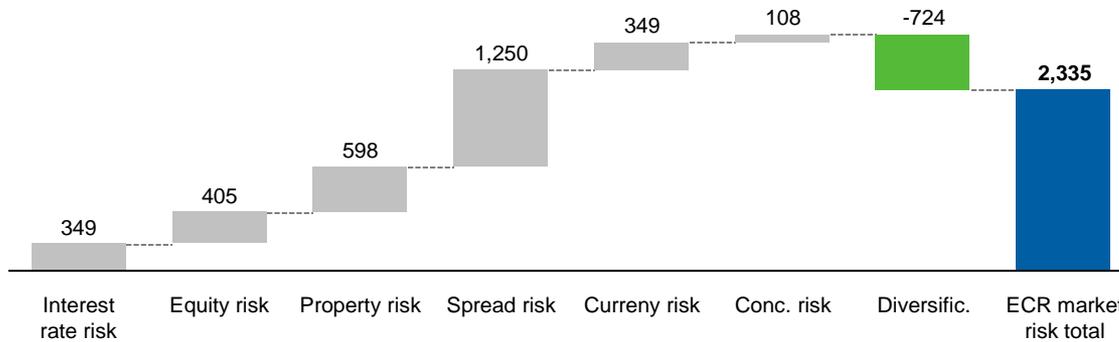
ECR split by Risk Module



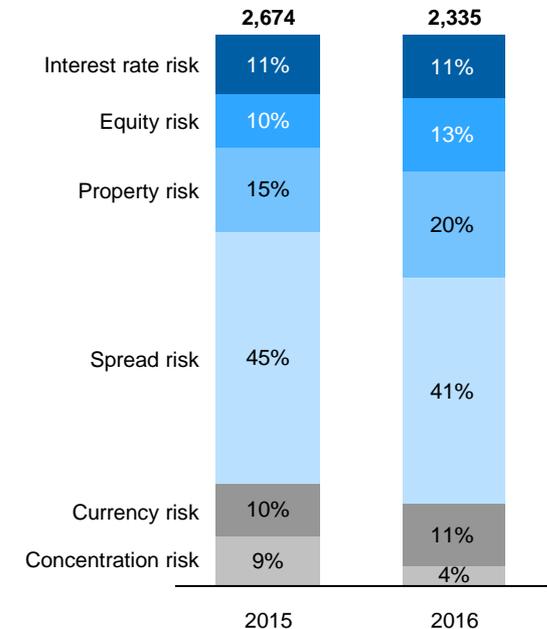
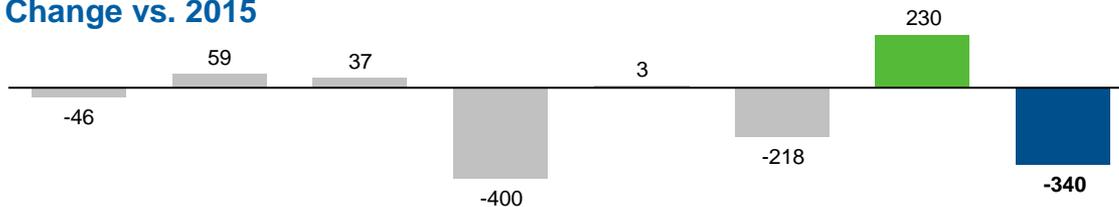
¹ Region WEM includes internal risk transfer to UNIQA Re and business in Liechtenstein

ECR market risk profile and development

In EUR mn



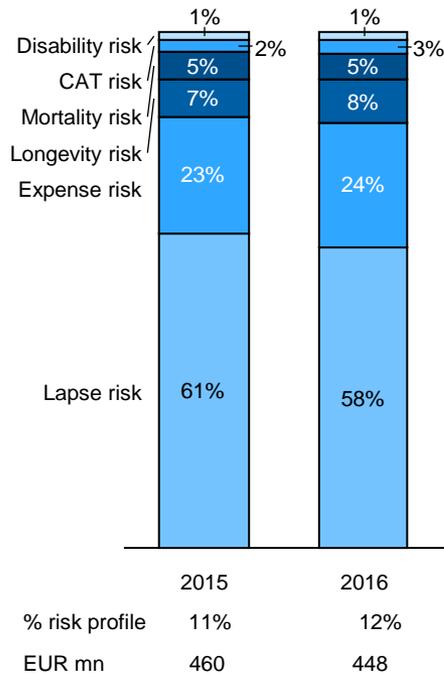
Change vs. 2015



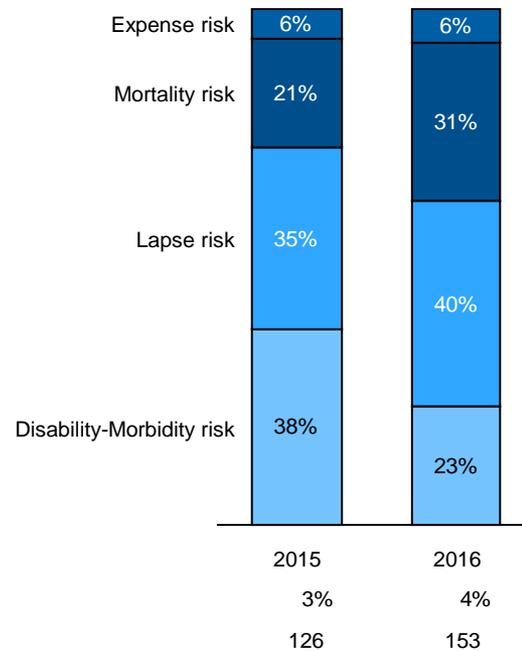
Market risk declined substantially

- Risk reduction was driven by the sale of the Italian insurance business, which had a particularly strong effect on spread and concentration risks, declining to 41% and 4% respectively as percentages of the overall market risk share.
- Italian government bonds were the main driver of concentration risk in 2015 (2016: Austrian government bonds).
- Equity risk increased primarily due to the strong share price performance of Strabag.
- Apart from the sale of the Italian companies, the call of two long dated callable bonds was also a significant factor in reducing spread risk (roughly a EUR 150mn risk reduction).

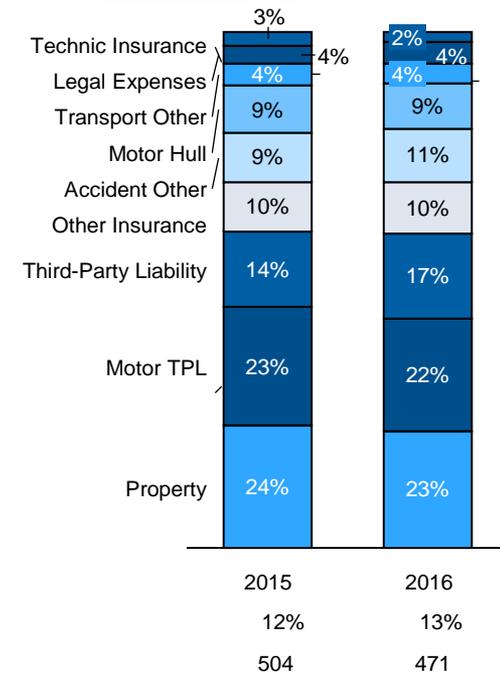
Life underwriting risk



Health underwriting risk



Non-life underwriting risk



Key underwriting risks

- Biometric risks still have minor relevance
- Lapse risk remains key issue for life underwriting risk (less surrenders of contracts with high guarantees in decrease scenario)

Measures

- Ongoing In force management initiative
- Further expense monitoring and cost optimization

Key underwriting risks

- Mass lapse scenario: lapsing of highly profitable business
- Mortality: mortality rates update increases risk
- Morbidity: improved claims ratios decrease risk

Measures

- Premium adjustments in case of negative performance
- Strict profitability monitoring of portfolio

Key underwriting risks

- Motor TPL and Property share decrease because of sale of Italian business; vice versa, the relative share in remaining lines of business is increasing

Measures

- Optimization of pricing processes
- Focus on anti-fraud measures
- Orientation on profitable lines of business

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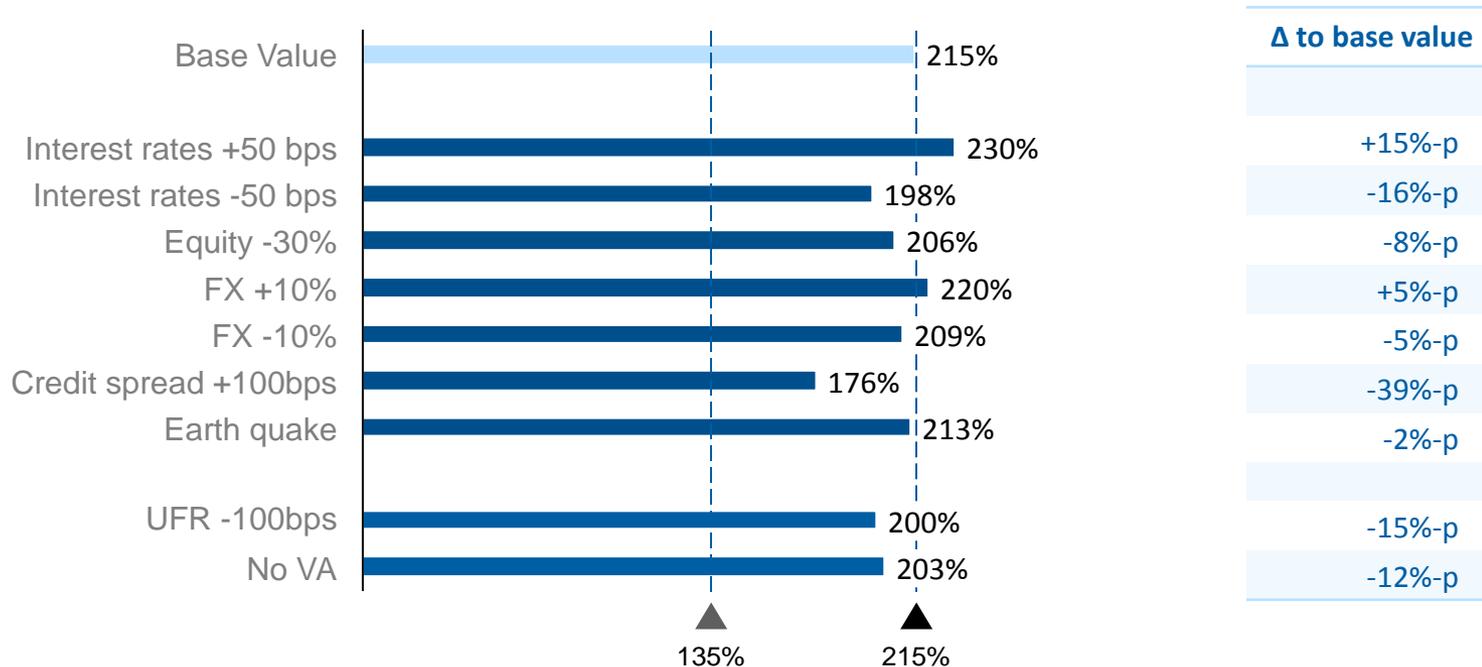
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Impact of sensitivities on ECR-ratio

Change in ECR-ratio



- **Interest rate sensitivities:** stress applied to non negative, liquid part of the curve only, extrapolation to UFR 4.2%
- **Equity sensitivity:** a general decrease of 30% in the value of all equities.
- **Currency sensitivities:** a rise/fall of exchange rates by 10% uniformly across all currencies.
- **Credit spread sensitivity:** a widening of credit spreads by 100bps, no dynamic increase of volatility adjustment assumed.
- **Nat-Cat sensitivity:** assumed earthquake with epicentre in Austria and return period of 250 years.
- **UFR sensitivity:** UFR set to 3.2%. Estimated impact on ECR quota with UFR set to 4.05%: -2%-p and with UFR set to 3.65%: -8%-p
- **No VA sensitivity:** yield curve without volatility adjustment.

IFRS reconciliation (EUR mn)

Position	2016	2015
IFRS total equity	3,213	3,175
- Goodwill	-295	-429
- Intangible assets and VBI	-62	-63
- Deferred acquisition costs (DAC)	-1,135	-980
+ Revaluation (after deferred taxes)	2,919	2,566
<i>Revaluation of assets</i>	<i>1,266</i>	<i>851</i>
<i>Revaluation of technical provisions</i>	<i>1,653</i>	<i>1,714</i>
+ Subordinated liabilities	929	1,096
- Foreseeable dividends	-151	-145
- Capping of minority interests	-36	-14
Economic own funds to cover ECR	5,382	5,205

IFRS reconciliation

- Goodwill, value of business in force, deferred acquisition costs and intangible assets are valued at zero according to Solvency II.
- Other revalued assets include property (appraisal value instead of amortized cost), participations (market value instead of IFRS book value) and loans.
- Gross technical provisions and the reinsurer's share of the technical provisions are revalued to discounted best estimate reserves.
- Subordinated liabilities are subject to eligibility restrictions, depending on their quality ("Tiering"). All of UNIQA's subordinated liabilities are included in eligible own funds.
- Foreseeable dividends have to be subtracted from eligible own funds according to Solvency II.

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- Disclosure of Group Embedded Value (GEV) results:
 - UNIQA discloses GEV results 2016 on the basis of the Market Consistent Embedded Value (MCEV) principles
 - Includes MCEV using bottom-up, market consistent methodology for main Life and Health businesses
 - Split by the regions Austria and CEE (including Russia)

- Adjusted Net Asset Value (ANAV) for Property and Casualty, Life and Health businesses excluded from scope of MCEV on the basis of adjusted IFRS equity
 - A closing adjustment was made to the ANAV to reflect the sale of the Italian business

- GEV allows for consolidation adjustments and minority interests and is defined as:
 - Adjusted net asset value for Property and Casualty, Life and Health businesses excluded from scope of MCEV calculations
 - Plus MCEV

- Independent review of methodology, assumptions and calculations for MCEV and calculations for GEV by B&W Deloitte GmbH

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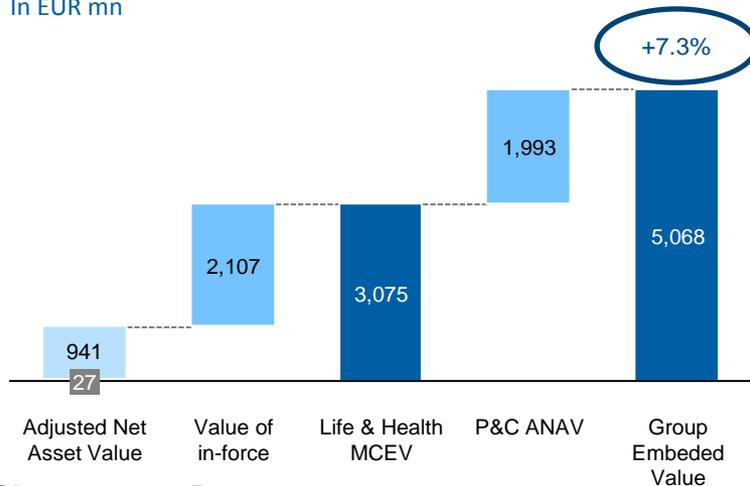
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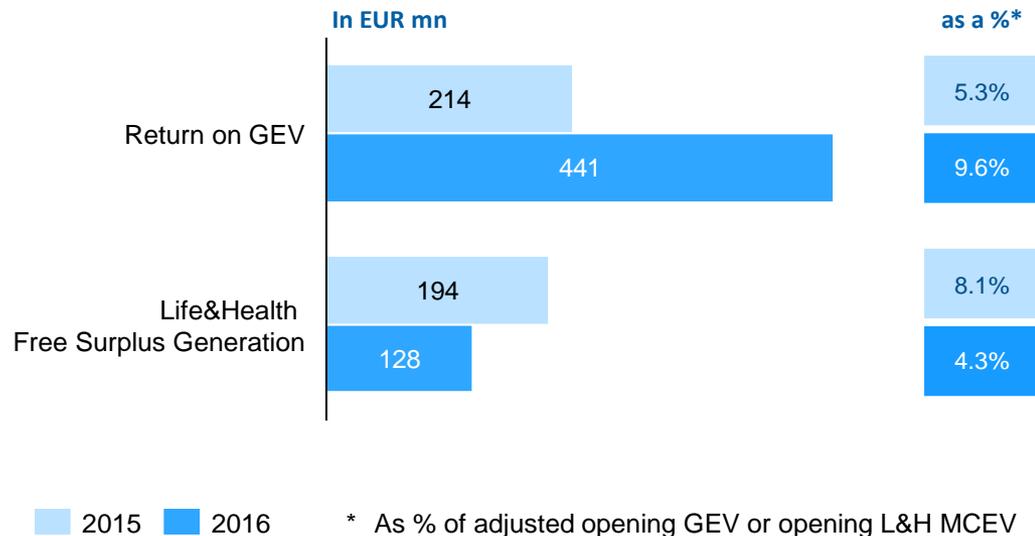
Group Embedded Value 2016

In EUR mn



+7.3%

MCEV Performance



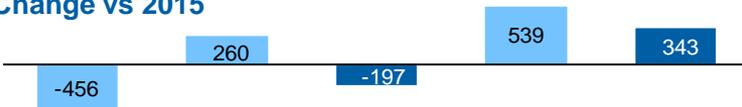
In EUR mn

as a %*

2015 2016

* As % of adjusted opening GEV or opening L&H MCEV

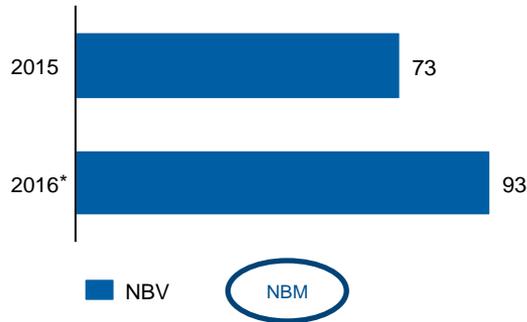
Change vs 2015



- GEV changed by +7.3% to EUR 5,068mn
- Value increase mainly driven by increases in the value of in-force business
- Lower Life & Health MCEV due to the sale of the Italian business and the reallocation of participations from covered to non-covered business in Austria
- Increase in VIF is mainly driven by development in Austria due to lower mortality assumptions for the Term life business as well as lower claims ratio and updated lapse assumptions for the health business
- Return on GEV amounts to EUR 441mn or 9.6%

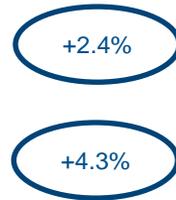
New Business Value

In EUR mn



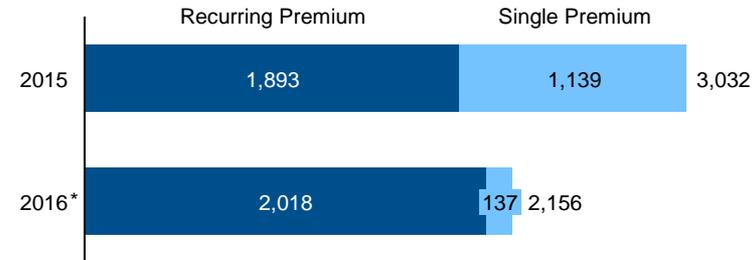
New Business Margin

As a % of PVNBP



Present Value of NB Premiums

In EUR mn



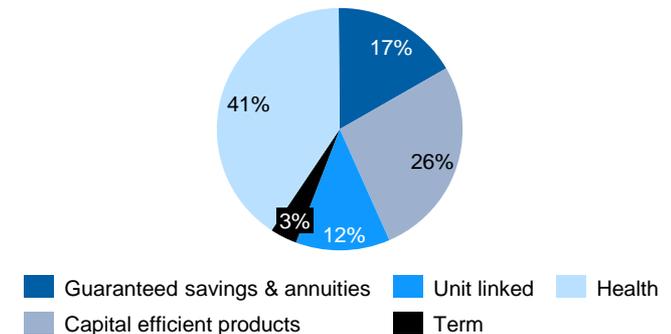
* Excludes Italy

Split by region

In EUR mn

	2016			2015			
	Austria	CEE	Total	Austria	CEE	Italy	Total
NBV	75	17	93	38	16	19	73
PVNBP	1,834	322	2,156	1,825	272	936	3,032
% of PVNBP	4.1%	5.4%	4.3%	2.1%	6.0%	2.0%	2.4%

PVNBP split by LoB



- Positive development in Austria from lower mortality assumptions for the Term life business and further development of the capital efficient product approach
- Lower PVNBP compared to 2015 due to sale of the Italian business

Group Embedded Value

Life & health analysis of change

Restatement and opening adjustments include:

- Capital and dividend flows (EUR -128mn)
- Foreign exchange variance (EUR 6mn)
- Merger of Austrian business (EUR -5mn)

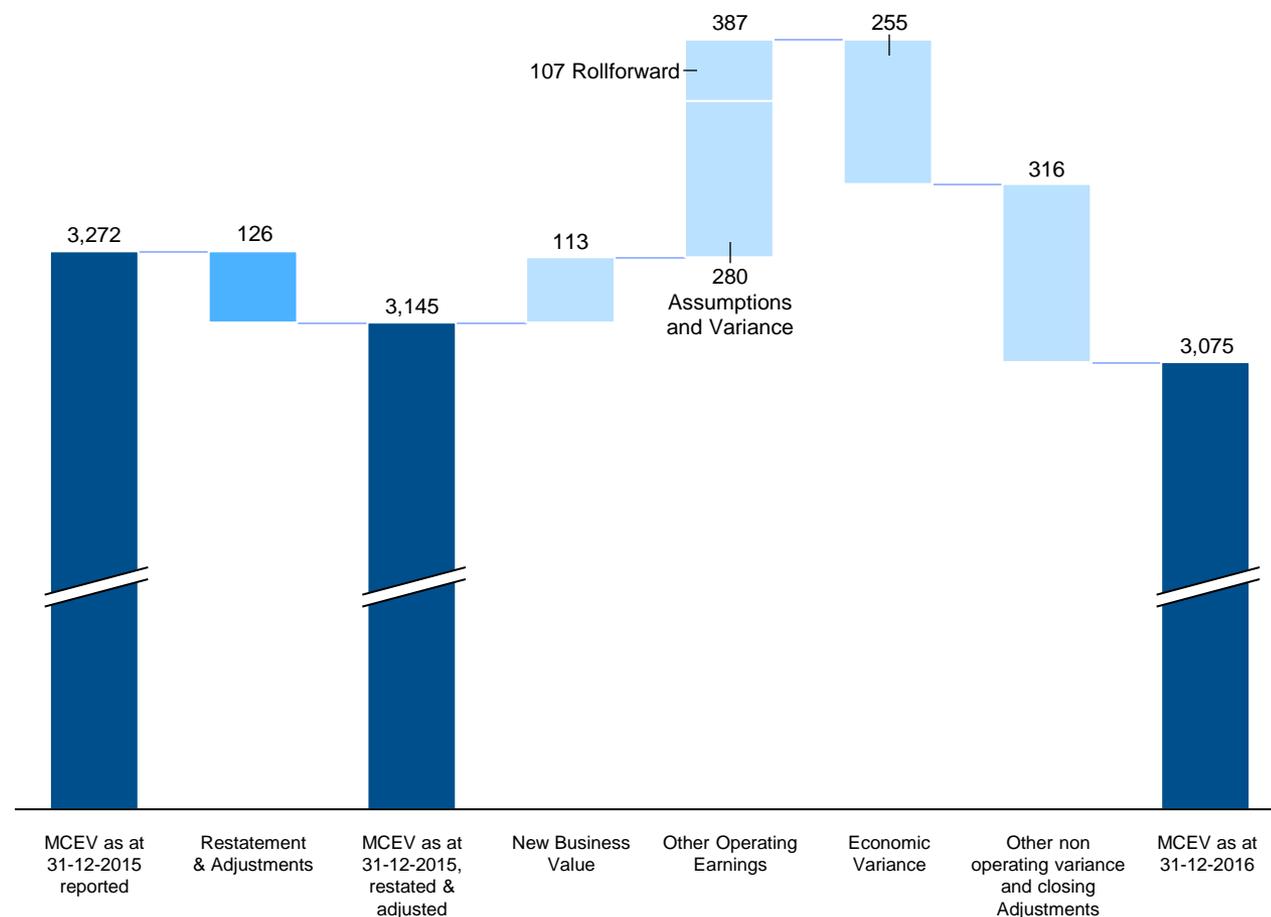
Ongoing positive development of operating earnings resulted in an increase of EUR 387mn

- Lower Term mortality assumptions for life Austria
- Lower claims ratio and updated lapse assumptions for health Austria

Negative economic variance due to lower interest rates in Eurozone

Closing adjustments include:

- the sale of the Italian business
- the reallocation of Austrian participations from covered to non-covered business



Free surplus	494	-99	394	-92	968	-223	-106	941
Required capital	931	-25	906	36	-933	184	-165	27
Value of in-force business	1,847	-2	1,845	169	352	-215	-45	2,107
GEV / MCEV	3,272	-126	3,145	113	387	-255	-316	3,075

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- Interest rate sensitivity similar to prior year
- Estimated impact on EV from UFR down to 4.05%: -26mn
- Estimated impact on EV from UFR down to 3.65%: -96mn
- Non-economic sensitivities remain at less material level compared to changes in economic factors

in EUR mn	Change in Embedded Value				Change in New Business Value			
	2016 *		2015		2016 *		2015	
Base value	3,075	100%	3,272	100%	93	100%	73	100%
EV change by economic factors								
Risk free yield curve -100bp	-317	-10%	-316	-10%	-4	-4%	-7	-9%
Risk free yield curve -50bp	-89	-3%	-134	-4%	n/a	n/a	-4	-5%
Risk free yield curve +50bp	32	1%	92	3%	n/a	n/a	-1	-2%
Risk free yield curve +100bp	90	3%	141	4%	-15	-16%	-6	-9%
Equity and property market values -10%	-124	-4%	-129	-4%	0	0%	0	0%
Equity and property implied volatilities +25%	-11	0%	-2	0%	-1	-1%	0	0%
Swaption implied volatilities +25%	-33	-1%	-105	-3%	-4	-4%	-15	-21%
EV change by non-economic factors								
Maintenance expenses -10%	58	2%	70	2%	6	7%	7	10%
Lapse rates -10%	67	2%	74	2%	13	14%	13	18%
Mortality for assurances -5%	40	1%	65	2%	3	4%	5	6%
Mortality for annuities -5%	-10	0%	-6	0%	0	0%	0	0%
Additional sensitivity								
Removal of liquidity premium	-84	-3%	-151	-5%	n/a	n/a	-2	-2%
UFR = 3.2%	-175	-6%	-176	-5%	-10	-11%	-14	-19%

* Excludes Italy

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- Consistent assumptions for MCEV and ECR valuation
- Reference rates based on swap rates as at 31 December 2016 including a liquidity premium (volatility adjustment). The liquidity premium is derived from observable market data and based on the approach used for internal risk capital calculations
- The 2016 calibration of the economic scenarios is based on (log normal) implied volatilities

Reference rates ^(a)	EUR		CZK		HUF		PLN		RUB	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
1 year	-0.30%	-0.16%	0.06%	0.18%	0.26%	1.03%	1.48%	1.41%	10.12%	11.25%
5 years	-0.02%	0.23%	0.41%	0.55%	1.69%	2.61%	2.84%	2.18%	8.74%	10.10%
10 years	0.57%	0.92%	0.77%	0.92%	3.03%	3.41%	3.55%	2.99%	8.22%	9.82%
15 years	0.96%	1.34%	1.01%	1.26%	3.74%	4.07%	3.79%	3.47%	7.70%	8.69%
20 years	1.12%	1.53%	1.33%	1.66%	4.09%	4.36%	3.90%	3.69%	7.19%	7.90%
25 years	1.42%	1.80%	1.71%	2.02%	4.22%	4.45%	3.97%	3.82%	6.76%	7.32%

Liquidity premium in bp	EUR	CZ	HU	PL	RUB
Base premium – 100%	20	2	26	26	0
Participating life business – 65%	13	1	17	17	0
Unit and index linked business – 65%	13	1	17	17	
Health business – 65%	13				

(a) Excluding liquidity premium

Exchange rates and tax rates	Exchange rate		Tax rate	
	2016	2015	2016	2015
UNIQA Austria	-	-	25.00%	25.00%
UNIQA Italy	-	-	30.82%	34.32%
UNIQA CZ	27.02	27.02	19.00%	19.00%
UNIQA HU	309.83	315.98	9.00%	19.00% + 2.3% ^(a)
UNIQA SK	-	-	22.00%	22.00%
UNIQA PL	4.41	4.26	19.00%	19.00%
Raiffeisen Russia	64.30	80.67	20.00%	20.00%

(a) Municipal tax and innovation fee

Other economic assumptions (EUR)	2016	2015
Interest rate volatility ^(a)	44.97%	33.83%
Equity volatility ^(b)	23.07%	23.62%
Expense/medical inflation	2%/2%	2%/2%

(a) 10 to 10 implied swaption volatility
(b) 10 years

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ABS	Asset Backed Securities
ALM	Asset Liability Management
ANAV	Adjusted Net Asset Value
CAT	Catastrophe Risk
CDR	Counterparty Default Risk
EC	European Commission
ECM	Economic Capital Model: UNIQA's approach for calculating a SCR based on the standard approach with deviation of the technical specifications in respect of the treatment of EU government bonds and Asset Backed Securities and with inclusion of PIM
ECR	Economic Capital Requirement: risk capital requirement resulting from the Economic Capital Model
EV, GEV	Embedded Value, Group Embedded Value
FS	Free Surplus
Health SLT	Health Similar to Life Techniques (long term health business)
IFRS	International Financial Reporting Standards: set of accounting standards, developed and maintained by the International Financial Reporting Standards Board (IASB) with the intention of assuring standardisation of financial statements across the market
IRR	Internal Rate of Return
MAT	Marine, Aviation, Transport
MCEV	Market Consistent Embedded Value: measure of the consolidated value of shareholders' interests in the covered business
NB-RC	New Business Required Capital
PIM	Partial Internal Model (UNIQA's internal model for the calculation of the non-life and health NSLT underwriting risk)
Regions	AT – Austrian Operating Companies, WEM - Western European Markets (Liechtenstein, Italy, Switzerland), CEE – Central Eastern Europe (Slovakia, Czech Republic, Hungary, Poland), SEE – Southern Eastern Europe (Croatia, Serbia, Bosnia, Bulgaria), EEM – Eastern Emerging Markets (Romania, Russia, Ukraine)
S&P	Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial
VaR	Value at Risk: risk measure used within UNIQA's partial internal model for deriving the capital requirement for the non-life and health NSLT underwriting risk
VIF	Value of in-force business
VNB	New Business Value

- 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