UNIQA Insurance Group AG

Group Embedded Value 2017

Supplementary information on Group Embedded Value results for 2017

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1 Introduction

The market consistent embedded value (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 December 31, 2017. 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© ("MCEV Principles") published in June 2008 and last amended in April 2016 and the corresponding Guidance. In particular, it:

- provides for the cost of all significant financial options and guarantees and
- takes non-hedgeable risks into account for the main Life & Health businesses via the after-tax Solvency II risk margin.

The MCEV Principles permit alignment of MCEV reporting with the methodology for Solvency II. As permitted in the MCEV Principles, there is no further allowance for the frictional cost of required capital due to the adoption of the Solvency II risk margin.

UNIQA Insurance Group AG last disclosed information on the group embedded value (GEV) for the business year 2016 in April 2017.
The GEV includes the MCEV of the covered businesses (as defined below), and the Group's Property & 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 and Central and Eastern Europe (CEE). The CEE region also includes the Life company in Russia. The Life operations in Croatia (UNIQA Osiguranje d.d.) were added to the scope of the covered business in 2017. Otherwise, there were no other 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 in 2017 and 2016:

Region	Country	Company	Segment	2017	2016
	Austria	UNIQA Insurance Group AG	Group	✓	✓
Austria	Austria	UNIQA Österreich Versicherungen AG	Life	✓	✓
	Austria	UNIQA Österreich Versicherungen AG	Health	✓	✓
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	✓	✓
	Croatia	UNIQA osiguranje d.d.	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 2017 results

The GEV comprises 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 & 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
- After-tax Solvency II risk margin

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 2017 was positively influenced by operating earnings.

The following table shows the GEV results for the year ending December 31, 2017 and December 31, 2016.

Group embedded value in EUR millions	Life & Health[1]		Property & Casualty[2]		Total		Change over period
	2017	2016 restated	2017	2016 restated	2017	2016 restated	
Free surplus	976	925					
Required capital	107	114					
Adjusted net asset value	1,082	1,039	1,792	1,922	2,874	2,961	-3%
Present value of future profits	2,997	2,700	n/a	n/a	2,997	2,700	11%
Cost of options and guarantees	-360	-310	n/a	n/a	-360	-310	16%
After-tax Solvency II risk margin	-370	-370	n/a	n/a	-370	-370	0%
Value of business in-force	2,266	2,020	n/a	n/a	2,266	2,020	12%
GEV / MCEV	3,348	3,059	1,792	1,922	5,140	4,981	3%

Table 2: GEV

The GEV as at December 31, 2016 has been restated to take into account the inclusion of the Croatian Life operations in the covered business as well as the adoption of the after-tax Solvency II risk margin. Additionally, the GEV as at December 31, 2016 has been restated to set the minimum level of required capital for each business unit as its subscribed capital, since the subscribed capital cannot be distributed to shareholders.

The required capital aligns with the Group's internal limit system and is shown net of the value of inforce business and subordinated debt. The required capital for MCEV is defined as the assets needed in excess of the assets already backing the reserves of the covered business and therefore, differs significantly from the solvency capital requirement as defined under Solvency II.

The development of the required capital and free surplus are detailed in the analysis of change in Section 2.4.

[1] 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.
[2] Includes the ANAV for the Life & Health businesses excluded from the scope of the MCEV calculations.

Operating MCEV earnings had a positive effect on the GEV. The main driver of the operating earnings was a strong New Business Value and modelling changes for the Austrian Health business. The assumption changes reflect the latest experience analyses. Details can be seen in section 2.4. The VIF increased to EUR 2,266mn (+12%) and the overall GEV to EUR 5,140mn (+3%).

2.2 Return on GEV

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

Return on group embedded value in EUR millions	2017	2016
GEV as at 31 December previous year, reported	5,068	4,725
GEV as at 31 December previous year, restated	4,981	4,725
Opening adjustments	-146	-152
GEV as at 31 December previous year, restated and adjusted	4,835	4,574
Return on GEV	305	441
as a %	6.3%	9.6%
GEV as at 31 December, before closing adjustments	5,140	5,015
Closing adjustments	0	53
GEV as at 31 December	5,140	5,068

Table 3: Return on group 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.

In 2016, the closing adjustments include the impact of the sale of the Italian business on the GEV.

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 2017 minus the new business strain, TVFOG and after-tax Solvency II risk margin. 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 2017 has been calculated for the covered business in 2017.

New business value in EUR millions	2017	2016 restated	change in 2017
New business value	99	84	18.8%
Annual premium equivalent (APE)	191	200	
New business margin (as % APE)	52.1%	41.9%	
Present value of new business premiums (PVNBP)	2,199	2,173	
New business margin (% of PVNBP)	4.5%	3.9%	

Table 4: New business value

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

Analysis of change for new business in EUR millions	Value of New Business	Present Value of NB Premiums	New Business Margin
Opening NBV as at 31 December 2016, reported	93	2,156	4.3%
Methodology changes	-9	0	-0.4%
Expanded scope	0	18	0.0%
Opening NBV as at 31 December 2016, restated	84	2,173	3.9%
Foreign exchange variances	0	4	0.0%
Acquired / divested business	0	0	0.0%
Adjusted opening NBV as at 31 December 2016	84	2,178	3.8%
Modelling changes	-1	7	-0.1%
Business mix change	4	0	0.2%
Portfolio change	16	-63	0.9%
Assumption changes	-3	76	-0.3%
Closing NBV as at 31 December 2017	99	2,199	4.5%

Table 5: Analysis of change for new business

The methodology changes reflect the impact of adopting the after-tax Solvency II risk margin and the change to the minimum level of required capital.

The expanded scope denotes the inclusion of the Croatian Life operations in the scope of the covered business.

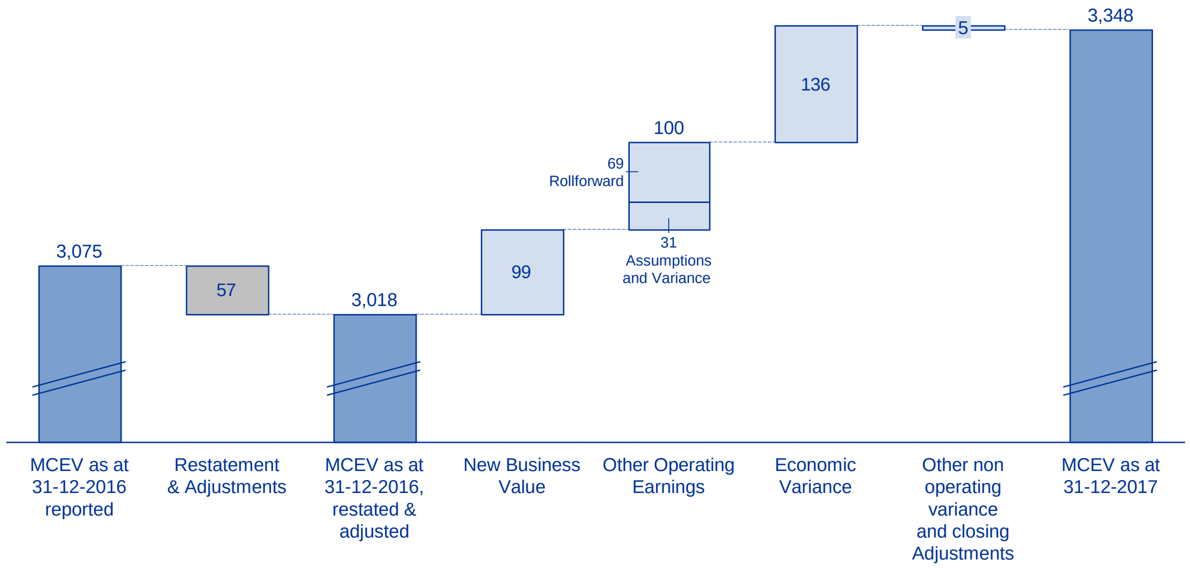
The business mix change covers the local business mix. It excludes the improvement of new business margins within lines of business due to new product introductions in 2017, which are covered in the portfolio change.

The main driver of the change in NBV is portfolio changes, especially from high sales for a personal loan product with strong margins in Russia. This was offset by negative assumption change impacts in Slovakia and Hungary due to higher expense assumptions.

In total, the new business margin, as a percentage of PVNBP, increased to 4.5%. 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. This is followed by a table showing the detailed analysis of change.



Analysis of change in EUR millions	Free surplus	Required capital	VIF	MCEV
Opening MCEV as at 31 December 2016, reported	941	27	2,107	3,075
Opening MCEV as at 31 December 2016, restated	925	114	2,020	3,059
Capital and dividend flows	-48	0	0	-48
Foreign exchange variances	2	1	5	7
Acquired / divested businesses	0	0	0	0
Opening adjustments	-47	1	5	-41
Adjusted opening MCEV as at 31 December 2016	878	114	2,025	3,018
New business value	-57	0	157	99
Expected existing business contribution *(reference rate)*	-1	1	2	2
Expected existing business contribution *(in excess of ref. rate)*	7	0	60	67
Transfer from VIF and required capital to free surplus	140	-11	-129	0
Experience variances	-33	5	7	-20
Assumption changes	-3	3	-91	-91
Other operating variance	12	-10	140	142
Operating MCEV earnings	66	-12	145	200
Economic variances	31	8	97	136
Other non operating variance	0	-4	-1	-5
Total MCEV earnings	97	-8	241	330
Closing adjustments	0	0	0	0
Closing MCEV as at 31 December 2017	976	107	2,266	3,348

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

Key elements of the opening 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 the CZK currency compared to EUR.

Key elements of the operating MCEV earnings:

- The **NBV** written in the year 2017 is EUR 99mn. The negative impact on free surplus is due to the non-deferral of acquisition expenses. Due to the high profitability of the New Business, no additional Required Capital is currently needed under Solvency II for New Business written.
- The **expected existing business contribution on the basis of the reference rates** is EUR 2mn. 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 67mn. This step shows the impact of management's expectation of the additional investment earnings in 2017 above the reference rates.
- **Transfer from VIF and required capital to free surplus** reduces the VIF by EUR 129mn, the expected net profit projected for 2017 from the existing business in-force. RC decreases as the additional capital required for the increase 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 -20mn. This step measures the deviations between the expected and actual operating assumptions (e.g. lapse assumptions). Details are included in section 3 in the regional analysis.
- **Assumption changes** have a negative impact (EUR -91mn) on the operating earnings. This item covers all operating assumption changes. The major assumption changes include updated expense assumptions for the Austrian Life and Health businesses.

Other operating variance covers all operating changes not covered in the other items and is in total EUR 142mn. This positive effect is driven by modelling changes, including the introduction of a stochastic model to value the time value of options and guarantees with a corresponding refinement to the profit sharing management rules for the Austrian Health business. A stochastic evaluation is becoming more relevant for the Austrian Health business due to a growth of new business with profit sharing. With the modelling changes completed in 2017, UNIQA is now well advanced in the development of the Partial Internal Model (PIM) for Market Risk.

Key elements of the non operating MCEV earnings:

- The **economic variance** covers impacts arising from the development of the financial markets. The main impact in 2017 is from higher interest rates in the Eurozone. In 2017 UNIQA changed the provider for the Economic Scenario Generator from Conning to Moody's Analytics. As part of this process, there was also a change made from Black volatilities to normal volatilities.
- The **other non operating variance** is EUR -5mn, which includes the impact of changes in the local regulatory/tax environments.

2.5 VIF maturity profile

The table below shows the emergence of VIF as at December 31, 2017 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 and the after-tax Solvency II risk margin.

VIF maturity profile in EUR millions	**Free cashflows**	**in %**
year 1-5	612	27%
year 6-10	454	20%
year 11-15	271	12%
year 16-20	126	6%
year 21-25	160	7%
year 26-30	171	8%
year 31-35	144	6%
later than 35 years	329	15%
Total VIF	2,266	100.0%

Table 7: VIF maturity profile

The table shows that 27% of the VIF as at December 31, 2017 emerges in the first 5 years of projection and 47% of the VIF emerges in the first 10 years.

The VIF as at December 31, 2017 emerging after 35 years mainly results from the long-term Austrian business, in particular the Health business.

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, 2017 to changing various assumptions.

Sensitivities in EUR millions	Change in embedded value		Change in new business value	
Base value	3,348	100%	99	100%
MCEV change by economic factors				
Risk free yield curve -50bp	-180	-5%	-6	-6%
Risk free yield curve +50bp	133	4%	2	2%
Equity and property market values -10%	-126	-4%	0	0%
Equity and property implied volatilities +25%	-28	-1%	-1	-1%
Swaption implied volatilities +25%	-77	-2%	-6	-6%
MCEV change by non-economic factors				
Maintenance expenses -10%	70	2%	5	5%
Lapse rates -10%	97	3%	12	12%
Mortality for assurances -5%	54	2%	3	3%
Mortality for annuities -5%	-6	0%	0	0%
Required capital set to solvency capital requirement	0	0%	0	0%
Additional sensitivity				
No liquidity premium	-33	-1%	-1	-1%

Table 8: Sensitivities for the MCEV and NBV

Economic sensitivities:

- **Increase / Decrease of 50bps to risk free yield curve**
  In previous reporting, UNIQA presented the sensitivity of its MCEV results to a 100bp change to the risk free yield curve. Given the persistency of the current low-yield interest rate environment, UNIQA has elected instead to present the sensitivity of its MCEV results to a 50bp change to the risk free yield curve.
  This sensitivity shows the impact of an immediate parallel shift in reference rates, accompanied by consequent movements of all 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. Where a reference rate is negative, it is assumed to remain unchanged in the interest rate down sensitivity.
  The asymmetric effect of a parallel shift in both directions is caused by traditional life and health businesses, which are the major part of the covered business. For traditional life business the surpluses are shared with policyholders but losses are borne fully by the shareholder due to the existence of guarantees. For Austrian health business the asymmetric effect becomes more relevant for new business with profit sharing.

  The decrease of 50bps to the risk free yield curve reduces the MCEV by EUR -180mn or -5%.

- **Decrease of 10% in equity and property market values (at the valuation date)**
  The MCEV decreases by EUR -126mn or -4%.

- **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 28mn or 8%. In total, this sensitivity reduces the MCEV by -1%.

- **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 77mn or 21% (in total this reduces the MCEV by -2%).

Non-economic sensitivities:

- **10% decrease in maintenance expenses**
  The impact of a 10% decrease in the projected expenses is an increase in MCEV of EUR 70mn 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 97mn or 3%.

- **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 54mn 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 -6mn or -0.2%.

- **Required capital set to solvency capital requirement**
  This sensitivity is no longer relevant due to the harmonization with Solvency II reporting (cost of capital approach with the Solvency II risk margin).

Additional sensitivities:

- As UNIQA used a liquidity premium in determining the reference rates, 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 from a deterministic projection of distributable statutory earnings (profit less movement in required capital) in a best estimate 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, property and corporate spreads (AAA) were 4.9%, 3.8% and 0.3%, respectively.

The IDR and IRR as at December 31, 2017 are shown in the table below.

Implied discount rate and internal rate of return in %	Total
Implied discount rate (in-force business)	5.47%
Internal rate of return (new business)	17.83%

Table 9: 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	2017	2016
Consolidated IFRS equity	3,193	3,213
Goodwill and value of in-force business for MCEV companies	-41	-40
Differences in valuation of assets and liabilities	-263	-284
Adjusted net asset value before minority interests	2,890	2,888
Minority interests	-16	-26
Adjusted net asset value after minority interests, before closing adjustments	2,874	2,862
Closing adjustments	0	99
Adjusted net asset value after minority interests	2,874	2,961

Table 10: Reconciliation of IFRS equity to ANAV

The December 31, 2016 figures were not restated.

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 assets 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 on 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. In 2017, as part of the harmonization of MCEV and Solvency II methodologies, the subordinated debt has been valued using the principles outlined under Solvency II.

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

The closing adjustments in 2016 include the impact of the sale of the Italian business.

3 Regional analysis of MCEV

3.1 Overview

The following table shows the MCEV for the Life & Health business split by regions. More detailed analyses for each region can be found in the following sections (3.2 and 3.3).

The regions are defined as follows:

- **Austria**
  The business in this region includes the Life & Health business of UNIQA Österreich Versicherungen AG.

- **Central Eastern Europe**
  The CEE region contains the Life companies in the Czech Republic, Hungary, Poland, Russia, Slovakia and Croatia.

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

MCEV 2017 by region in EUR millions	2017			2016 restated		
	Austria	**CEE**	**Total**	**Austria**	**CEE**	**Total**
Free surplus	876	100	976	847	78	925
Required capital	38	69	107	38	76	114
Adjusted net asset value	913	169	1,082	884	154	1,039
Present value of future profits	2,767	229	2,997	2,488	212	2,700
Cost of options and guarantees	-342	-18	-360	-293	-17	-310
After-tax Solvency II risk margin	-338	-33	-370	-341	-29	-370
Value of business in-force	2,088	179	2,266	1,854	166	2,020
Life & Health MCEV	3,001	347	3,348	2,738	321	3,059
as a % of total Life & Health MCEV	89.6%	10.4%	100.0%	89.5%	10.5%	100.0%

Table 11: Market consistent embedded value by region

The 2016 MCEV has been restated to take into account the inclusion of the Croatian Life operations in the covered business as well as the adoption of the after-tax Solvency II risk margin. Additionally, the 2016 MCEV has been restated to set the minimum level of required capital for each company as its subscribed capital, since the subscribed capital cannot be distributed to shareholders.

The VIF increased in Austria and in CEE to a total of EUR 2,266mn (2016 restated: EUR 2,020mn). The total Life & Health MCEV increased to EUR 3,348mn or 9%. As shown in section 2.4, the total Life & Health MCEV earnings were EUR 330mn or +10.9%.

The following table shows the NBV 2017 and 2016 for the Life & Health business split by regions.

New business value by region in EUR millions	Austria	CEE	Total
Value of new business 2017	76	24	99
Annual premium equivalent	114	77	191
New business margin (as % APE)	66.1%	31.2%	52.1%
Present value of new business premiums	1,777	421	2,199
New business margin (% of PVNBP)	4.3%	5.7%	4.5%
Value of new business 2016 (restated)	69	15	84
Annual premium equivalent	129	71	200
New business margin (as % APE)	53.6%	20.5%	41.9%
Present value of new business premiums	1,834	339	2,173
New business margin (% of PVNBP)	3.8%	4.3%	3.9%

Table 12: New business value by region

Overall there was a slight decrease in new business volumes in terms of annual premium equivalent. The overall new business margin increased to 4.5%.

3.2 Austria

Positive other operating variance and economic variance were the main drivers of the development in MCEV in 2017, offset by negative assumption changes. The total MCEV earnings were EUR 298mn in 2017. The MCEV for the Austrian Life & Health business increased from EUR 2,738mn in 2016 (restated) to EUR 3,001mn in 2017. The NBV increased from EUR 69mn in 2016 (restated) to EUR 76mn in 2017.

3.2.1 Analysis of change

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

Analysis of change – Austria in EUR millions	Free surplus	Required capital	VIF	MCEV
Opening MCEV as at 31 December 2016, reported	884	0	1,922	2,806
Opening MCEV as at 31 December 2016, restated	847	38	1,854	2,738
Capital and dividend flows	-35	0	0	-35
Foreign exchange variances	0	0	0	0
Acquired / divested businesses	0	0	0	0
Opening adjustments	-35	0	0	-35
Adjusted opening MCEV as at 31 December 2016	811	38	1,854	2,703
New business value	-47	0	123	76
Expected existing business contribution *(reference rate)*	-1	0	-1	-2
Expected existing business contribution *(in excess of ref. rate)*	6	0	57	63
Transfer from VIF and required capital to free surplus	109	0	-109	0
Experience variances	-31	0	0	-31
Assumption changes	0	0	-84	-84
Other operating variance	0	0	141	141
Operating MCEV earnings	36	0	127	162
Economic variances	29	0	110	139
Other non operating variance	0	0	-3	-3
Total MCEV earnings	64	0	234	298
Closing adjustments	0	0	0	0
Closing MCEV as at 31 December 2017	876	38	2,088	3,001

Table 13: Analysis of change – Austria

The NBV for the Austrian Life & Health business is EUR 76mn, allowing for a new business strain of EUR 47mn.

Operating MCEV earnings in total developed positively (EUR 162mn). The main contributions to this were modelling changes (included in other operating variance): in 2017, modelling changes were carried out to the Austrian Health model to introduce a stochastic model to value the time value of options and guarantees and to refine the profit sharing management rules.

Assumption changes resulted in a negative effect of EUR -84mn on the MCEV, driven by updated expense assumptions for the Life and Health businesses.

The economic variance of EUR 139mn in MCEV was mainly due to the impact of the increase in interest rates. The economic variance also includes the impact of the change in provider for the Economic Scenario Generator from Conning to Moody's Analytics.

3.2.2 Analysis of change for new business

The following table analyses the increase in profitability of the Austrian Life & Health new business in 2017.

Analysis of change for new business – Austria in EUR millions	Value of new business	Present value of NB premiums	New business margin
Opening NBV as at 31 December 2016, reported	75	1,834	4.1%
Methodology changes	-6	0	-0.3%
Expanded scope	0	0	0.0%
Opening NBV as at 31 December 2016, restated	69	1,834	3.8%
Foreign exchange variances	0	0	0.0%
Acquired / divested business	0	0	0.0%
Adjusted opening NBV as at 31 December 2016	69	1,834	3.8%
Modelling changes	-1	5	0.0%
Business mix change	3	0	0.2%
Portfolio change	3	-127	0.5%
Assumption changes	1	65	-0.1%
Closing NBV as at 31 December 2017	76	1,777	4.3%

Table 14: Analysis of change for new business - Austria

The methodology changes reflect the impact of adopting the after-tax Solvency II risk margin.

The main drivers of the change in New Business Value are the sale of more profitable products for the Life business overall and a lower commission strain for the traditional Life business. Assumption changes have a small impact of EUR 1mn on NBV.

3.2.3 Sensitivities

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

Sensitivities – Austria in EUR millions	**Change in embedded value**		**Change in new business value**	
Base value	3,001	100%	76	100%
MCEV change by economic factors				
Risk free yield curve -50bp	-173	-6%	-6	-8%
Risk free yield curve +50bp	128	4%	1	2%
Equity and property market values -10%	-123	-4%	0	0%
Equity and property implied volatilities +25%	-27	-1%	-1	-2%
Swaption implied volatilities +25%	-75	-3%	-7	-9%
MCEV change by non-economic factors				
Maintenance expenses -10%	53	2%	3	4%
Lapse rates -10%	87	3%	10	13%
Mortality for assurances -5%	47	2%	1	2%
Mortality for annuities -5%	-6	0%	0	0%
Required capital set to solvency capital requirement	0	0%	0	0%
Additional sensitivity				
No liquidity premium	-31	-1%	0	0%

Table 15: Sensitivities – Austria

The sensitivities to reference rates have the strongest impact on the MCEV. The asymmetric effect on the embedded value is caused by traditional life and health businesses (with profit participation) where profits are shared with the policyholder but losses are borne by the shareholder due to the existence of guarantees. The downward shift of the risk free yield curve of 50bps results in a decrease of MCEV by EUR -173mn or -6%.

A 10% reduction in the lapse rates has the strongest impact among the non-economic sensitivities and increases the MCEV by EUR 87mn or 3%.

3.3 Central Eastern Europe

The Life & Health MCEV for CEE increased from EUR 321mn (restated) to EUR 347mn, including a NBV of EUR 24mn. In the 2016 restatement, the inclusion of the Croatian Life operations in the scope of the covered business resulted in an MCEV increase of EUR 66mn.

3.3.1 Analysis of change

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

Analysis of change – CEE in EUR millions	Free surplus	Required capital	VIF	MCEV
Opening MCEV as at 31 December 2016, reported	57	27	185	269
Opening MCEV as at 31 December 2016, restated	78	76	166	321
Capital and dividend flows	-13	0	0	-13
Foreign exchange variances	2	1	5	7
Acquired / divested businesses	0	0	0	0
Opening adjustments	-11	1	5	-6
Adjusted opening MCEV as at 31 December 2016	67	77	171	315
New business value	-9	0	34	24
Expected existing business contribution *(reference rate)*	1	1	3	4
Expected existing business contribution *(in excess of ref. rate)*	1	0	3	4
Transfer from VIF and required capital to free surplus	31	-11	-20	0
Experience variances	-2	5	7	11
Assumption changes	-3	3	-6	-6
Other operating variance	12	-10	-2	1
Operating MCEV earnings	31	-12	18	37
Economic variances	2	8	-13	-3
Other non operating variance	0	-4	2	-2
Total MCEV earnings	33	-8	8	33
Closing adjustments	0	0	0	0
Closing MCEV as at 31 December 2017	100	69	179	347

Table 16: Analysis of change – CEE

Operating MCEV earnings are EUR 37mn, including a new business value of EUR 24mn. New business is the most significant driver in the change in MCEV since the previous year, particularly in Russia, where a personal loan product with strong margins experienced high sales volumes in 2017.

The economic variance amounts to EUR -3mn, due to a general decrease in interest rates in the region. The other non operating variance amounts to EUR -2mn.

In total, the MCEV of the CEE countries increases to EUR 347mn. The total MCEV return for the CEE Life business is 10% (as measured relative to the adjusted opening MCEV as at December 31, 2016).

3.3.2 Analysis of change for new business

The following table analyses the development in profitability of the CEE Life new business in 2017.

Analysis of change for new business – CEE in EUR millions	Value of new business	Present value of NB premiums	New business margin
Opening NBV as at 31 December 2016, reported	17	322	5.4%
Methodology changes	-3	0	-0.8%
Expanded scope	0	18	-0.3%
Opening NBV as at 31 December 2016, restated	15	339	4.3%
Foreign exchange variances	0	4	-0.1%
Acquired / divested business	0	0	0.0%
Adjusted opening NBV as at 31 December 2016	14	344	4.2%
Modelling changes	-1	3	-0.3%
Business mix change	1	0	0.2%
Portfolio change	13	64	2.5%
Assumption changes	-3	11	-0.9%
Closing NBV as at 31 December 2017	24	421	5.7%

Table 17: Analysis of change for new business – CEE

The methodology changes reflect the impact of adopting the after-tax Solvency II risk margin.

The expanded scope denotes the inclusion of the Croatian Life operations in the scope of the covered business.

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

The main driver of the change in New Business Value is the aforementioned high sales volumes in 2017 for the Russian personal loan product, which is shown above in portfolio changes. This product’s new business margin is based on premiums net of commissions to be in line with its reporting under local Russian GAAP.

The assumption changes row comprises all changes in assumptions and product profitability compared to those used for the adjusted opening new business margins and has a negative impact of EUR -3mn on NBV, driven by higher expense assumptions for the Life operations in Slovakia and Hungary.

3.3.3 Sensitivities

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

Sensitivities – CEE in EUR millions	**Change in embedded value**		**Change in new business value**	
Base value	347	100%	24	100%
MCEV change by economic factors				
Risk free yield curve -50bp	-7	-2%	0	2%
Risk free yield curve +50bp	5	1%	1	4%
Equity and property market values -10%	-4	-1%	0	0%
Equity and property implied volatilities +25%	-1	0%	1	3%
Swaption implied volatilities +25%	-2	-1%	1	2%
MCEV change by non-economic factors				
Maintenance expenses -10%	17	5%	2	8%
Lapse rates -10%	10	3%	2	8%
Mortality for assurances -5%	7	2%	1	5%
Mortality for annuities -5%	0	0%	0	1%
Required capital set to solvency capital requirement	0	0%	0	0%
Additional sensitivity				
No liquidity premium	-2	-1%	-1	-3%

Table 18: Sensitivities – CEE

4 Methodology

The GEV is the total of the adjusted net asset value and, in respect of the covered in-force business, the present value of future profits of in-force business less the value of financial options and guarantees and the after-tax Solvency II risk margin. The adoption of the Solvency II risk margin reflects UNIQA's continued efforts to harmonize its MCEV and Solvency II reporting.

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; and the Life business written in the Czech Republic, Hungary, Slovakia, Poland, Russia and Croatia. The Life operations in Croatia (UNIQA Osiguranje d.d.) were added to the scope of the covered business in 2017.

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 & 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.

The differences between the IFRS balance sheet values and the disclosed market values as at December 31, 2016 and December 31, 2017 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.

In 2017, as part of the harmonization of MCEV and Solvency II methodologies, the subordinated debt has been valued using the principles outlined under Solvency II.

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 derived from the solvency capital requirement under the Solvency II regime for each company. The rating requirement on a business unit level is aligned with the Group limit system annually within UNIQA's risk management process. The required capital is defined as 135% (in Austria) or 125% (in the CEE region) of the

Solvency II capital requirement less the VIF (based on Solvency II consistent assumptions). The rating requirement for the required capital was the same in the previous year's report. The required capital is shown net of available subordinated debt.

The required capital for MCEV is defined as the assets needed in excess of the assets already backing the reserves of the covered business and therefore differs significantly from solvency capital requirement as defined under Solvency II. The minimum level of required capital for each business unit is set as its subscribed capital, since the subscribed capital cannot be distributed to shareholders.

The required capital for the covered business was EUR 114mn at December 31, 2016 (restated) and EUR 107mn at December 31, 2017. The required capital definition for MCEV allows for diversification between covered business within the same company (e.g. between life and health businesses). The required capital definition does not allow for diversification between separate legal entities.

4.3 Value of in-force business and time value of financial options and guarantees

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

As permitted by the MCEV Principles issued in April 2016, UNIQA has elected to align its contract boundaries for MCEV reporting with the contract boundaries required under Solvency II. Note that Solvency II contract boundaries are not applied for certain Non-Life rider coverages in the Czech Republic and Slovakia, in order to provide a more realistic representation of the shareholder value for those particular coverages.

The PVFP for the life and 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, 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 the Moody's Analytics Economic Scenario Generator. In previous MCEV reporting, UNIQA's economic scenarios were based on the GEMS tool (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, Russia and Croatia account for less than 5.0% of the total Group reserves at December 31, 2017. Due to the level of materiality, the TVFOGs for the conventional life products for these three 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 After-tax Solvency II risk margin

The Solvency II risk margin 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 Solvency II risk margin is calculated in accordance with the standard formula outlined in the European Commission's *Commission Delegated Regulation (EU) 2015/35* as of October 10, 2014. Since the risk margin under Solvency II is calculated before tax, it is adjusted to present an after-tax value for MCEV reporting purposes.

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 cost of capital factor is 6%, in accordance with the Solvency II requirements.

4.5 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. As permitted by the MCEV Principles issued in April 2016, UNIQA has elected to align its contract boundaries for MCEV reporting with the contract boundaries required under Solvency II. Note that Solvency II contract boundaries are not applied for certain Non-Life rider coverages in the Czech Republic and Slovakia, in order to provide a more realistic representation of the shareholder value for those particular coverages.

5 Assumptions

5.1 Economic assumptions

The calculations are based on economic market conditions as at December 31, 2017.

The reference interest rates are taken from EIOPA as published on January 9, 2018. These rates are based on swap rates or government yields with the following adjustments.

- A credit risk adjustment is deducted from the swap rates (the parameters are shown in Table 21).
- An extrapolation is carried out for the period beyond that for which liquid assets are available in the financial markets. For EUR the market is considered to be deep and liquid for durations up to 20 years and the extrapolation is applied from this point onwards (the parameters for the other currencies are shown in Table 21).
- The liquidity premium is added to the deep and liquid part only and is equal to the volatility adjustment as defined for Solvency II.
- The Smith-Wilson technique is used to extrapolate the reference rates to the ultimate forward rate of 4.2% for EUR. 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 21.

The following tables show the main economic assumptions for the MCEV calculations. Table 19 lists the reference rates (excluding liquidity premiums) as at December 31, 2017 and December 31, 2016.

	EUR		CZK		HUF		PLN		RUB		HRK	
Reference rates	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
1 year	-0.36%	-0.30%	0.98%	0.06%	0.01%	0.26%	1.40%	1.48%	7.47%	10.12%	0.20%	0.74%
5 years	0.21%	-0.02%	1.53%	0.41%	1.08%	1.69%	2.57%	2.84%	7.21%	8.74%	1.36%	2.37%
10 years	0.80%	0.57%	1.76%	0.77%	2.06%	3.03%	3.21%	3.55%	7.19%	8.22%	2.38%	2.97%
15 years	1.18%	0.96%	1.95%	1.01%	2.97%	3.74%	3.27%	3.79%	6.93%	7.70%	2.75%	3.17%
20 years	1.36%	1.12%	2.21%	1.33%	3.49%	4.09%	3.37%	3.90%	6.58%	7.19%	3.00%	3.33%
25 years	1.65%	1.42%	2.47%	1.71%	3.74%	4.22%	3.48%	3.97%	6.26%	6.76%	3.18%	3.45%

Table 19: Reference rates

	Liquidity premium 2017 (100%) in bp	Liquidity premium 2016 (100%) in bp
EUR	6	20
CZK	6	2
HUF	3	26
PLN	17	26
RUB	0	0
HRK	6	15

Table 20: Liquidity premium

In Croatia, HRK discount rates without the liquidity premium are used to value Euro-denominated contracts, in accordance with the specifications under Solvency II of the national regulator.

	Credit risk adjustment	Starting point of extrapolation	Convergence period	Ultimate forward rate
EUR	10	20	40	4.20%
CZK	10	15	45	4.20%
HUF	10	15	45	4.20%
PLN	10	10	50	4.20%
RUB	33	10	50	4.20%
HRK	10	9	51	4.20%

Table 21: Reference rates credit risk adjustment / extrapolation

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

ATM Swaption implied volatilities						
EUR	2017 Normal Volatilities in bp		2016 Normal Volatilities in bp		2016 Black Volatilities	
Expiry \ swap tenor	5	10	5	10	5	10
5	61.89	62.24	69.25	74.07	55.88%	50.93%
10	66.21	64.69	73.28	73.26	42.86%	44.97%

Table 22: Swaption implied volatilities

ATM Equity option implied volatilities		
EUR	2017	2016
5 years	19.64%	21.62%
10 years	21.50%	23.07%

Table 23: Equity option implied volatilities

UNIQA models corporate credit spreads with a reduced form model. The credit spreads per rating and maturity 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	
	2017	2016	2017	2016
Austria	-	-	25.00%	25.00%
Czech Republic	25.54	27.02	19.00%	19.00%
Hungary	310.33	309.83	9.00%	9.00%
Slovakia	-	-	21.00%	22.00%
Poland	4.18	4.41	19.00%	19.00%
Russia	69.39	64.30	20.00%	20.00%
Croatia	7.44	n/a	18.00%	n/a

Table 24: 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 and in line with minimum profit sharing regulations for with-profits Health business, is assumed to be used to reduce the level of future premium adjustments.

The assumed profit participation for the Life businesses in the Czech Republic, Hungary, Slovakia and Croatia 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.

Actuarial assumptions such as mortality and morbidity rates, surrender and annuity take-up rates have been included on the basis of the management board’s 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

The Directors
UNIQA Insurance Group AG
Untere Donaustraße 21
1029 Vienna
Austria

10th April 2018

Dear Mr. Svoboda,

Review of the group embedded value results of UNIQA Insurance Group AG as at 31 December 2017

Based on the engagement letter, B&W Deloitte GmbH has been engaged to review the group embedded value (GEV) of UNIQA Insurance Group AG, Vienna, ("the Group" or "UNIQA") as at 31 December 2017 as stipulated in the accompanying document "Group Embedded Value 2017" (the "Statements"). The Statements comprise:

- the market consistent embedded values (MCEV) of the main Life & Health insurance businesses in Austria, Italy, the Czech Republic, Slovakia, Hungary, Poland, Russia and Croatia as at 31 December 2017 and 31 December 2016 together with the value of new business generated, the sensitivities and the earnings analyses during the year 2017;
- the adjusted net asset values (ANAV) as at 31 December 2017 and 31 December 2016 for the Property & Casualty insurance businesses and the Life & Health insurance businesses excluded from the scope of the MCEV calculations.

The management board 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 April 2016.

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 for the main Life & Health businesses and also the calculations made by the Group in relation to the group embedded value. The ANAVs 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 Group's consolidated IFRS accounts (for example for property and loans). The value of sub ordinated debt was calculated consistently to the methodology defined under Solvency II. 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 management board 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 management board as a body. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Group's management board 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

(Daniel Thompson) (Bharat Bhayani)

7 Disclaimer

Cautionary statement regarding forward-looking information

This supplementary disclosure of the Group Embedded Value 2017 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).
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.
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, plus present value of future profits, less time value of financial options and guarantees, less after-tax Solvency II risk margin.
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 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.
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.
Solvency II risk margin	As defined by the standard formula in the European Commission's *Commission Delegated Regulation (EU) 2015/35* as of October 10, 2014.
Time value of financial options and guarantees (TVFOG)	This is defined as the difference between the PVFP and the stochastic value of in-force business (or "Stochastic VIF").
Value of in-force business (VIF)	The value of in-force business 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, less time value of financial options and guarantees, less after-tax Solvency II risk margin.

Table 25: Glossary and abbreviations

Table of Figures