IFRS 9/17 Teach-In

March 7th, 2023

Kurt Svoboda, CFO/CRO
Petra Umbrich, Head of Group Finance
Roman Schneider, Head of Group Actuarial

IFRS 9/17: new accounting era will not change UNIQA's underlying business

Objectives of the standard setter:

- **Achieve consistency in accounting**
  for insurance contracts and investments in order to solve IAS 39/IFRS 9 accounting mismatches
- **Enhance comparability of reporting**
  of the whole industry by eliminating shortcomings of previous accounting regimes
- **Increase transparency for investors**
  by disclosing future profit margins, as well as separate valuation and presentation of onerous contracts

No expected impact on:

- Business strategy
- Dividend policy
- Strong capital position under Solvency II
- Reserving strategy

Agenda

01 IFRS 9/17 principles

02 Balance sheet, income statement and KPIs under IFRS 17

03 IFRS 17 impact on UNIQA

04 Summary & next steps

TOP 1

IFRS 9/17 principles

IFRS 9 transition indicates higher volatility in the investment result

Income & expense of financial investments under IFRS 9

OCI

- Valuation of Bonds (SPPI-passed)
- Valuation of Equities & Participations with OCI-Option

P&L

- Ordinary Income from all assets
- Valuation of Bonds (SPPI-failed)
- Valuation of Equity Investments (without OCI-Option)
- Valuation of Fund Investments
- Valuation of Derivatives
- Expected Credit Loss of Bonds
- FX-Valuation

Impact on UNIQA

- Small increase in total book value of financial assets & total equity due to fair value re-measurement
- Small Expected Credit Loss at transition due to high overall credit quality of bonds
- Higher future P&L volatility within Investment Result due to increased share of P&L investments (esp. Fund Investments)
- Smaller future realized gains/losses due to increased share of P&L investments & application of OCI-Option to equities (no recycling permitted)

IFRS 9 increases share of investments valued through P&L

Increase in total financial investments due to fair value re-measurement

Financial Investments

IAS 39				IFRS 9
Deposits Loans Bonds reclassified to Loans and receivables	2%	**Amortized Cost**	2%	Deposits Loans
Bonds Equity Shares Participations Funds: Equity, Private Equity, Fixed Income, Infrastructure	97%	**Fair Value OCI**	80%	Bonds (SPPI-passed) OCI-Option: Equity Shares, Participations
Derivatives Structured Bonds and Funds	1%	**Fair Value P&L**	18%	Bonds (SPPI-failed) Equity: Shares, Participations Funds: Equity, Private Equity, Fixed Income, Infrastructure Derivatives

*Net of adjustments for scope & presentation under IFRS 9 (Policy Loans, Investment Contracts)

Majority of Bonds & Loans are „plain-vanilla“ and pass the SPPI-Test
Funds generally do not pass the SPPI-Test due to their contractual nature

UNIQA applies all three IFRS 17 measurement models

Reflecting underlying business specifics of each portfolio

General Measurement Model (GMM)

- General measurement model
- Applicable to all contracts **without “direct profit participation features“**

Variable Fee Approach (VFA)

- Modification of GMM with regards to profit recognition to reduce volatility
- Applicable to all contracts **with “direct profit participation features“**

Premium Allocation Approach (PAA)

- Simplified approach, high comparability to IFRS 4 regulations
- Applicable to short-term business

Option

Share of IFRS 17 insurance liabilities

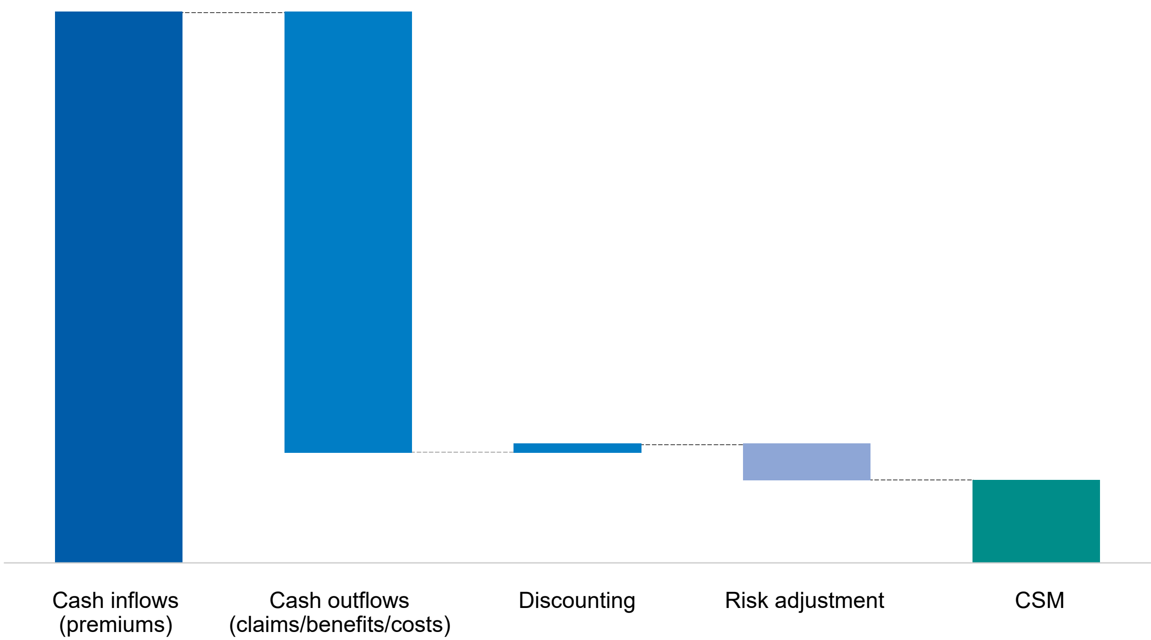
GMM	VFA	PAA
8%	81%	11%
Main areas of application: Long-term P&C business, Life business without profit participation	**Main areas of application:** Health business and Life business with profit participation, mutualization applied in UAT; index/unit-linked business;	**Main areas of application:** short-term P&C business, reinsurance

Derivation of the Contractual Service Margin (CSM) at initial recognition of the contract

Keep in mind!

If the expected cash outflows exceed the expected cash inflows, no CSM is generated and a loss is booked directly through the P&L.

Expected cash flows at initial contract recognition



TOP 2

Balance sheet, income statement and KPIs under IFRS 17

IFRS 17 introduces new positions on the balance sheet

Assets

Financial instruments measured at:

- Fair value (P&L)
- Fair value (OCI)
- Amortized Costs

Other assets

Equity and Liabilities

- Equity (incl. OCI)
- Liability for remaining coverage (LRC)
  - Present value of future cash flows (PVFCF)
  - Risk adjustment (RA)
  - Contractual service margin (CSM)
- Liability for Incurred Claims (LIC)
- Other liabilities

Estimation of all future cash flows within the boundary of each contract; future cash flows are adjusted for the time value of money (discounting); IFRS 17 yield curves are aligned with EIOPA Solvency II rates ("bottom-up approach" applied)

Explicit estimate of the effects of uncertainty regarding the amount and timing of future cash flows:
- for life and health PICs*, a Cost of Capital Approach is used to calculate the Risk Adjustment based on risk modules stemming from SII calculations
- for non-life PICs*, the Risk Adjustment is calculated using a quantile approach based on simulations out of the partial internal model

Quantifies the future profit (in excess of the Risk Adjustment) the insurer expects to earn as it fulfils the contract –> elimination of gain at inception

Equivalent of Claim or Loss Reserves (IBNR, outstanding claims, IBNER, etc.): the liability equals the probability-weighted expected cash outflows plus explicit adjustment for risk allowing for the time value of money.

*PICs = Portfolios of Insurance Contracts

Under IFRS 17, certain P&L information is already available at the beginning of the period

Balance Sheet per 01.01.20X0

Assets

Equity

Present Value of Future Cash Flows (PVFCF)

Risk Adjustment (RA)

Contractual Service Margin (CSM)

Liability for Incurred Claims (LIC)

Income statement

Release of expected claims and costs

Release of risk adjustment

Release of CSM

Insurance revenue

Insurance service expenses

Reinsurance result

Insurance service result

Net investment result (IFRS 9)

Insurance finance income / expenses

Other non-technical result

Earnings before taxes

Release of expected claims and directly attributable costs expected for the reporting period. For contracts measured with PAA, the insurance revenue is the amount of premiums paid to an insurer. Values are excluding any investment components.

Insurance Service Expenses will be recognized when they are incurred and not when they are paid. They consist of:

- Incurred claims (excluding repayments of investment components)
- Amortization of insurance acquisition cash flows
- Changes of LIC (past services)
- Changes in fulfilment cash flows that relate to future services, but which do not adjust the Contract Service Margin (i.e. losses on onerous groups of contracts and reversals of such losses)

Results of reinsurance are shown separately

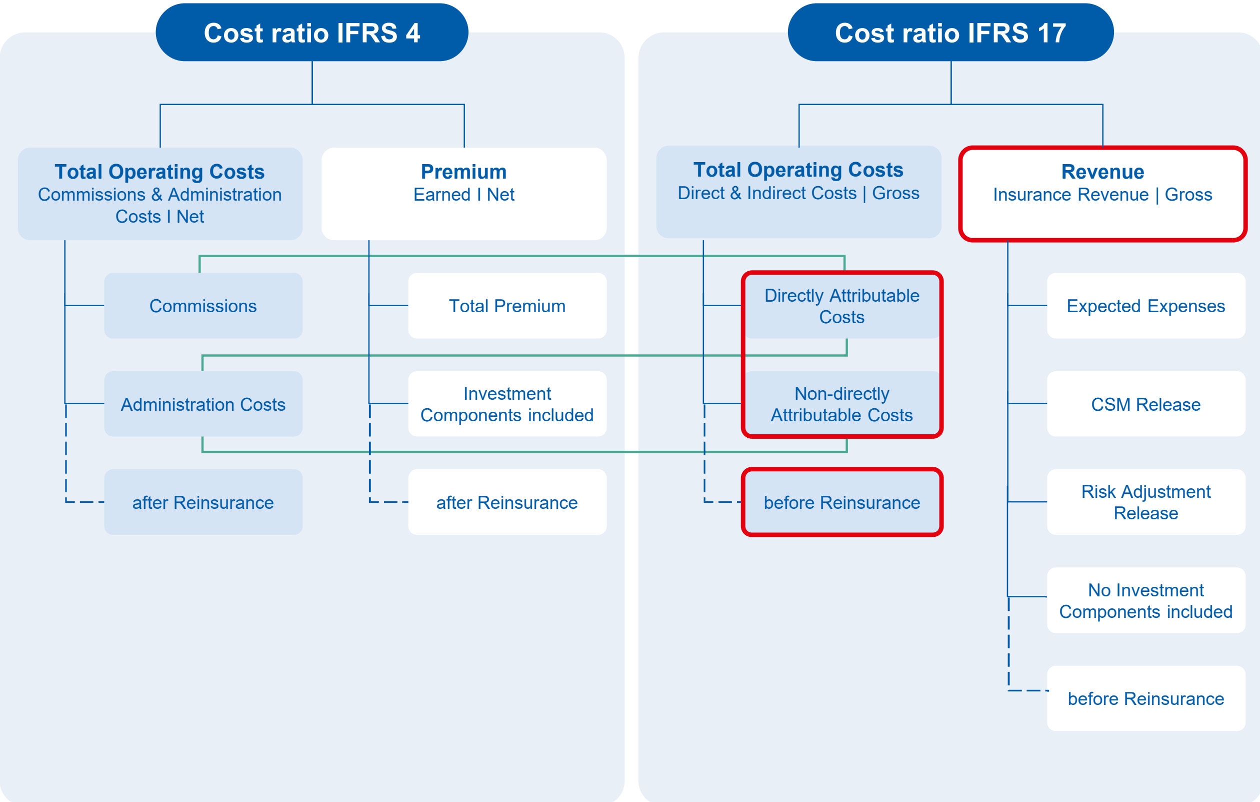
Includes changes in the carrying amounts of groups of insurance contracts due to accrual of interest, changes in discount rates and financial risk. Under VFA: linked to the fair value return of the underlying assets.

Transition approach heavily dependent on the availability of historical data

		Description	Main application	Share of IFRS 17 insurance liabilities
	Full retrospective approach (FRA)	Transition is derived based on historical information **as if IFRS 17 were always in place**	• Calculation of historical OCI for PAA • No CSM derived using the Full Retrospective Approach	17%
If application of Full Retrospective Approach is impractical, choice between	Modified retrospective approach (MRA)	**Simplification of methodology of the Full Retrospective Approach**, i.e. only actual historical cash flows are required, but no historical expected cash flows	• Certain parts of Life and P&C business in UNIQA International	5%
	Fair value approach (FVA)	CSM at transition is calculated based on the **Fair Value** in the case of the portfolio being transferred to an acquiring insurance company	• Health and Life business in UNIQA Austria • Certain parts of Life and P&C business in UNIQA International	78%

Decision on transition approach was made on the level of portfolios of insurance contracts (PICs)

IFRS 17 changes methodology for the Cost Ratio



Comparison of IFRS 17 to IFRS 4

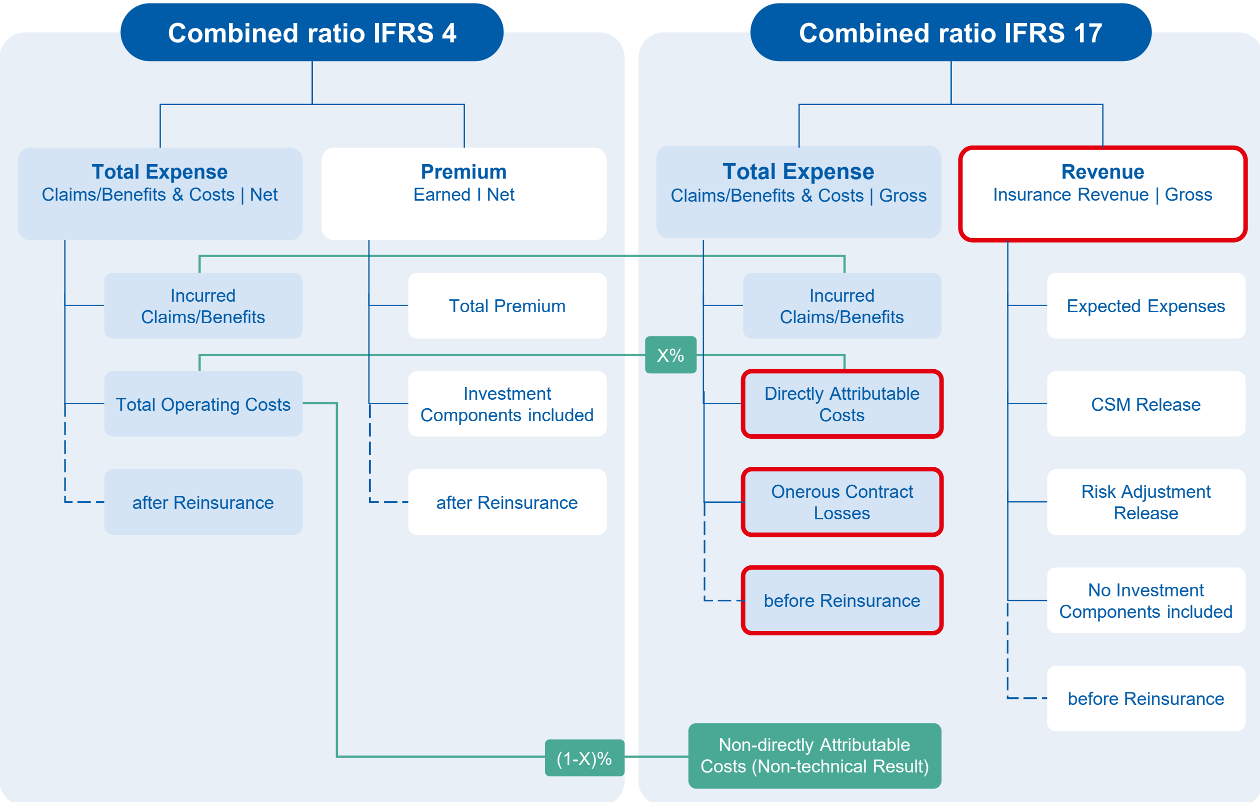
NUMERATOR
Change in underlying metrics

- **Costs:** Distinction between directly attributable (part of technical result) and non-directly attributable (part of non-technical result) cost components
- **Gross View:** Reinsurance is shown as a separate position in the IFRS 17 P&L statement

DENOMINATOR
Revenue replaces Premium

- The **Insurance Revenue** replaces the (earned) premium
- **Future Performance Components** are considered (IFRS 4 took only historical view)
- New parameters are included: **Release of Risk Adjustment and Contractual Service Margin** for future periods
- **Gross View:** Reinsurance is not considered, as it is shown as a separate position
- **No Investment Components** included (IFRS 4 included index/unit-linked products or savings portion); in IFRS 9/17, these can be found under Net Investment Income

Changes in methodology for Combined Ratio under IFRS 17



Comparison of IFRS 17 to IFRS 4

NUMERATOR
Change in underlying metrics

- **Claims/Benefits** ~ IFRS4: incurred in actual period (no future benefits = insurance revenue)
- **Costs:** only costs that are directly attributable (to the insurance contracts) are part of the underwriting
- Consideration of **loss-making contracts ("onerous")**
- **Gross view:** Reinsurance is shown as a separate position in the IFRS 17 P&L statement

DENOMINATOR
Revenue replaces Premium

- The **Insurance Revenue** replaces the (earned) premium
- **Future Performance Components** are considered (IFRS 4 took only historical view)
- New parameters are included: **Release of Risk Adjustment and Contractual Service Margin** for future periods
- **Gross View:** Reinsurance is not considered, as it is shown as a separate position
- **No Investment Components** included (IFRS 4 included index/unit-linked products or savings portion); in IFRS 9/17, these can be found under Net Investment Income

TOP 3

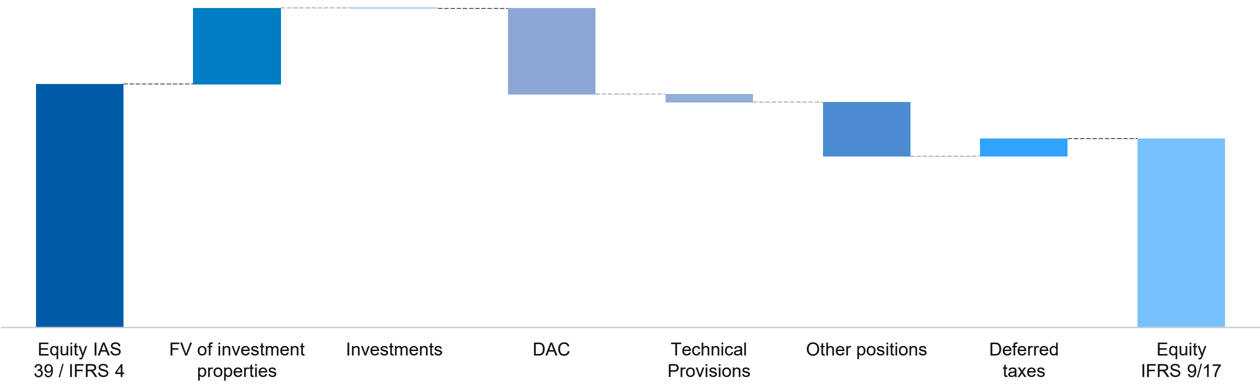
IFRS 17 impact on UNIQA

Composition of CSM at transition

	Property & Casualty	Health	Life
UNIQA Austria	1%	73%	26%
UNIQA International	5%	1%	94%
Group Level	1%	65%	34%

- Bulk of Group CSM coming from UNIQA Austria: strongest contribution by Health portfolios and mutualized Life portfolio
- Roughly 12 % of Group CSM coming from UNIQA International: biggest CSM drivers are Term and Unit-Linked-portfolios in CZ and SK, as well as Unit-Linked business in Hungary
- Property and Casualty business mainly short-term and measured using the PAA. Therefore, only small contribution to CSM at transition.

Decrease of equity of ~20 % in line with rest of the market



Allianz | ageas | Helia | Legal & General

Source: study from WTW (Jan 2023)

- Revaluation of investment properties in Life and Health segments in UAT (measured at Fair Value instead of Amortized Cost).

- Derecognition of deferred acquisition costs (DAC) in IFRS 17 in comparison to IFRS 4. Under IFRS 17, acquisition costs are included in the technical provisions.

Decrease of other positions mainly driven by

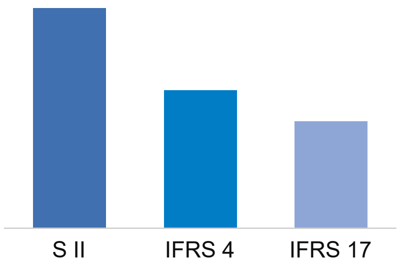
- derecognition of insurance receivables (included in technical provisions)
- reinsurance share of UIG for the Life mathematical reserve (measured with PAA under IFRS 17).

- Changes in deferred taxes result from valuation differences in tax relevant revaluations.

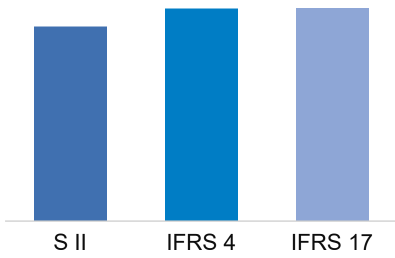
Key balance sheet positions under different accounting regimes

- Lower IFRS 17 equity (incl. minorities) largely due to the new CSM position, which is included in own funds under Solvency II.
- Technical provisions under Solvency II are lower than in other accounting regimes mainly due to the CSM not being included in the TPs.
- Solvency II risk margin is significantly higher than the risk adjustment under IFRS 17 due to the different confidence level: 99,5% under Solvency II vs. 75% under IFRS 17.
- No major changes to the value of investments under IFRS 9. Slightly higher values under Solvency II due to pure market valuation from loans and receivables.

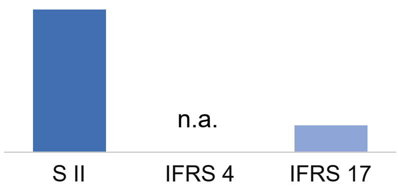
Equity



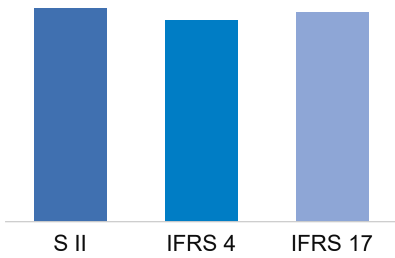
Technical Provisions



Risk Adjustment



Investments



Based on indicative values per 31.12.2021

Impact of rising interest rates on key balance sheet positions

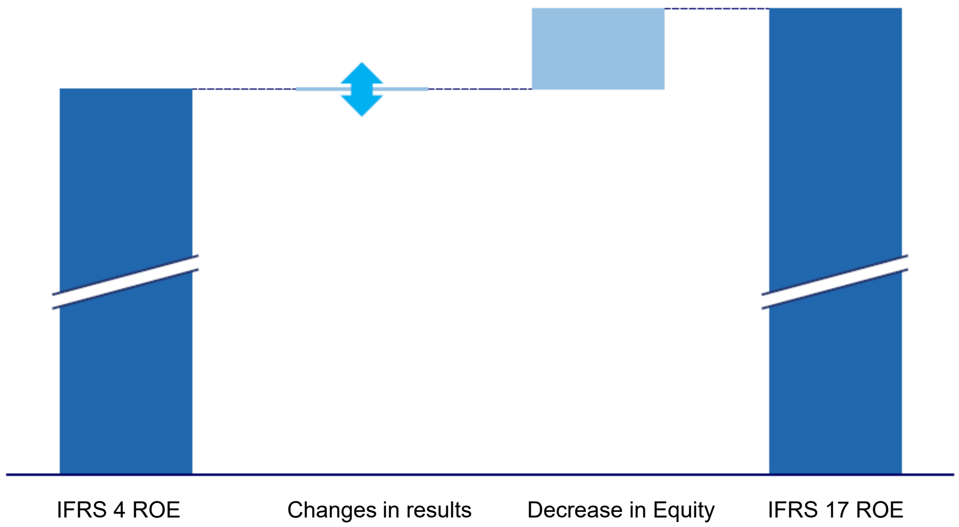
	Solvency II	IAS 39 / IFRS 4	IFRS 9/17	Comment
Equity	↑	↓	↑	Increase of Solvency II own funds, as technical provisions decrease more than investments; Smaller effect on IFRS 17 as CSM acts as a buffer and both investments and technical provisions are valued with adapted assumptions
Technical Provisions	↓	↓	↓	Decrease in technical provisions is larger than decrease in investments; smaller effect on IFRS 17 technical provisions as CSM will rise, especially under VFA (Life, Health), compared to Solvency II
Investments	↓	↓	↓	Greatest impact under Solvency II, as all investments are measured at Fair Value

Due to decrease in the denominator, Return on Equity (ROE) expected to increase

Definition

$$\frac{\text{Consolidated profit (after taxes and minorities)}}{\text{Average equity}}$$

Expected effects on ROE from

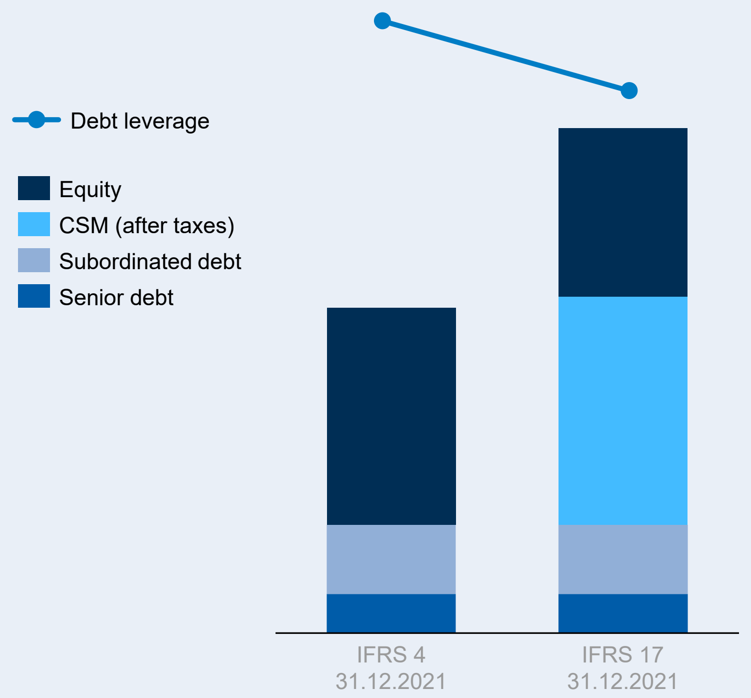


Drivers for ROE development:

- Impact of IFRS 9/17 on consolidated profit tbd (numerator)
- Decrease in equity (denominator) leads to higher ROE
- Discussion in the market still ongoing on whether to count CSM as “equity” for the derivation of certain ratios

Transition to IFRS 17 will lower UNIQA's debt leverage

Inclusion of CSM increases denominator



Debt leverage:

$$\frac{\text{(Subordinated debt + senior debt)}}{\text{(Subordinated debt + senior debt + equity + CSM (after taxes))}}$$

Decrease in equity due to transition effects of IFRS 17. Inclusion of CSM leads to increase of the denominator and overall decrease in leverage.

TOP 4

Summary & next steps

Extensive reporting under IFRS 9/17 starting in 2023

Publication	13. April	26. May	24. August
	Group Report 2022	Results 1st Quarter 2023	Half-Year Financial Report 2023
What IFRS 9/17 information is included?	**Qualitative and quantitative disclosures required with regards to transition** (as required from IAS 8 and ESMA) • Impact on equity • Size of CSM / loss component • Mapping of IFRS 4 positions to IFRS 17 key positions	**First financial information for Q1 2023 will be published:** • Short version of P&L • Certain KPIs • No formal report; only investor information	**Financial statements for** • Balance sheets: 01.01.2023 and 30.06.2023 • P&L for 01-06/2023 and 01-06/2022 (comparative information) • IFRS 9/17 disclosures (however, no complete set of tables and qualitative information yet)

The complete financial calendar for UNIQA Group is available here: https://www.uniqagroup.com/grp/investor-relations/agenda.en.html

Key messages

Effect on equity

Impact on equity mainly due to new balance sheet positions such as Contractual Service Margin and Risk Adjustment.

Limited impact of IFRS 17 on results in Property and Casualty segment

Property and Casualty insurance mostly measured applying PAA. Therefore, no major changes on results and presentation expected in this segment.

Measurement and accounting depending on type of contract

Different valuation models are applied in Life insurance. Contracts with direct profit participation features are treated applying VFA.

Increased transparency

Under IFRS 17, profitability of contracts in general and specifically of new business (in relation to existing business) will be presented more transparently.

No impact on strategy

Application of IFRS 9/17 will not impact UNIQA's corporate strategy. As before, close alignment between regulatory and business views remains crucial.

No expected impact on dividend policy

IFRS 9/17 will have no influence on UNIQA's strong solvency position under Solvency II. Dividend policy is not expected to be affected by IFRS 9/17.

Q&A

Disclaimer

This Presentation is being provided for information purposes to selected recipients only and does not constitute or form part of, and should not be construed as an offer or invitation or recommendation to, purchase or sell or subscribe for, or any solicitation of any offer to purchase or subscribe for any securities in UNIQA Insurance Group AG, a stock Corporation organised under Austrian law (the "Company"), in any jurisdiction. Neither the Presentation, nor any part of it nor anything contained or referred to in it, nor the fact of its distribution, should form the basis of or be relied on, in connection with, or act as an inducement in relation to, a decision to purchase or subscribe for or enter into any contract or make any other commitment whatsoever in relation to any such securities.

The information contained in this Presentation has been provided by the Company and has not been verified independently. Unless otherwise stated, the Company is the source of information.

No reliance may be placed for any purpose whatsoever on the information or opinions contained in the Presentation or on its completeness, accuracy of fairness. No representation or warranty, express or implied, is made or given by or on behalf of the Company or any of its respective directors, officers, employees, agents or advisers as to the accuracy, completeness or fairness of the information or opinions contained in the Presentation and no responsibility or liability is accepted by any of them for any such information or opinions. In particular, no representation or warranty is given as to the achievement or reasonableness of, and no reliance should be placed on any projections, targets, estimates or forecasts contained in this Presentation and nothing in this Presentation is or should be relied on as a promise or representation as to the future.

This Presentation contains forward-looking statements based on the currently held beliefs and assumptions of the management of the Company, which are expressed in good faith and, in their opinion, reasonable. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, financial condition, performance, or achievements of the Company, or industry results, to differ materially from the results, financial condition, performance or achievements expressed or implied by such forward-looking statements. Given these risks, uncertainties and other factors, recipients of this document are cautioned not to place undue reliance on these forward-looking statements.

All features in this Presentation are current at the time of publication but may be subject to change in the future. The Company disclaims any obligation to update or revise any statements, in particular forward-looking statements, to reflect future events or developments.

Statements contained in this Presentation regarding past events or performance should not be taken as a guarantee of future events or performance.

Prospective recipients should not treat the contents of this Presentation as advice relating to legal, taxation or investment matters, and are to make their own assessments concerning such matters and other consequences of a potential investment in the Company and its securities, including the merits of investing and related risks.

In receiving any information relating to the Company (whether in written or oral form), including information in this Presentation, you will be deemed to have represented and agreed for the benefit of the Company (i) that you will only use such information for the purposes of discussions with the Company, (ii) to hold such information in strict confidence and not to disclose it (or any discussions with the Company) to any person, except as may be required by law, regulation or court order, (iii) not to reproduce or distribute (in whole or in part, directly or indirectly) any such information, (iv) that you are permitted, in accordance with all applicable laws, to receive such information, and (v) that you are solely responsible for your own assessment of the market position of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the Company's business.