



UNIQA Insurance Group AG

Group Embedded Value 2015

Supplementary information on Group Embedded Value results for 2015

Table of Contents

1	Introduction	3
2	Summary of 2015 results	4
2.1	Group embedded value.....	4
2.2	Return on GEV.....	6
2.3	New business value	7
2.4	Analysis of change	8
2.5	VIF maturity profile	11
2.6	Sensitivities	12
2.7	Implied discount rate and internal rate of return	14
2.8	Reconciliation of IFRS equity to the adjusted net asset value.....	15
3	Regional analysis of MCEV	16
3.1	Overview	16
3.2	Austria.....	18
3.2.1	Analysis of change	18
3.2.2	Analysis of change for new business	19
3.2.3	Sensitivities	20
3.3	Italy	21
3.3.1	Analysis of change	21
3.3.2	Analysis of change for new business	22
3.3.3	Sensitivities	23
3.4	Central Eastern Europe.....	24
3.4.1	Analysis of change	24
3.4.2	Analysis of change for new business	25
3.4.3	Sensitivities	26
4	Methodology	27
4.1	Covered business	27
4.2	Adjusted net asset value	27
4.2.1	Free surplus	28
4.2.2	Required capital	28
4.3	Value of in-force business and time value of financial options and guarantees	28
4.4	Frictional cost of required capital.....	28
4.5	Cost of residual non-hedgeable risk.....	29
4.6	New business value	29
5	Assumptions	30
5.1	Economic assumptions	30
5.2	Operating assumptions	32
6	Independent opinion	33
7	Disclaimer	35
8	Glossary and abbreviations	36

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 31 December 2015. 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 Principles¹ (“MCEV Principles”) published in June 2008 and amended in October 2009 and the corresponding Guidance. In particular, it:

- provides for the cost of all significant financial options and guarantees,
- includes a charge for frictional cost of required capital (FCRC) and
- allows for the cost of residual non-hedgeable risk (CRNHR) for the main Life & Health businesses.

UNIQA Insurance Group AG last disclosed information on the group embedded value (GEV) for the business year 2014 in April 2015.

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, Italy and Central and Eastern Europe (CEE). The CEE region also includes the life company in Russia. There were no changes to the scope of the covered business compared to the previous reporting year.

The following table shows the covered businesses for which a MCEV has been calculated:

Region	Country	Company	Segment
	Austria	UNIQA Insurance Group AG	Group
Austria	Austria	UNIQA Österreich Versicherungen AG	Life
	Austria	UNIQA Österreich Versicherungen AG	Health
	Austria	Raiffeisen Versicherung AG	Life
	Austria	FINANCE LIFE Lebensversicherung AG	Life
Italy	Italy	UNIQA Previdenza S.p.A.	Life
	Italy	UNIQA Assicurazioni S.p.A.	Health
	Italy	UNIQA Life S.p.A.	Life
CEE	Slovakia	UNIQA poisťovna a.s.	Life
	Czech Republic	UNIQA poisťovna a.s.	Life
	Hungary	UNIQA Bistosito Zrt.	Life
	Poland	UNIQA TU na Zycie S.A.	Life
	Russia	Raiffeisen Life Insurance Company LLC,	Life

Table 1: Covered businesses

B&W Deloitte GmbH, Cologne has been retained to review the GEV calculations. The scope and the results of its independent review are set out in section 6.

The GEV disclosure should not be viewed as a substitute for UNIQA Group’s primary financial statements.

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2 Summary of 2015 results

The GEV can be broken down into 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
- Frictional cost of required capital minus
- Cost of residual non-hedgeable risk

All the values shown in this disclosure are after tax and exclude minority interests in the Group's subsidiaries unless otherwise stated.

2.1 Group embedded value

UNIQA's GEV 2015 was positively influenced by operating earnings. For the first time this reporting year, required capital is determined allowing for the new Solvency II regime.

The following table shows the GEV results for the year ending December 31, 2015 and December 31, 2014.

Group embedded value in EUR millions	Life & Health ²		Property & Casualty ³		Total		Change over period
	2015	2014	2015	2014	2015	2014	
Free surplus	494	482					
Required capital	931	538					
Adjusted net asset value	1,424	1,019	1,454	1,581	2,878	2,601	11%
Present value of future profits	2,484	2,081	n/a	n/a	2,484	2,081	19%
Cost of options and guarantees	-307	-305	n/a	n/a	-307	-305	1%
Frictional cost of required capital	-159	-52	n/a	n/a	-159	-52	206%
Cost of residual non-hedgeable risk	-171	-150	n/a	n/a	-171	-150	14%
Value of business in-force	1,847	1,574	n/a	n/a	1,847	1,574	17%
GEV / MCEV	3,272	2,593	1,454	1,581	4,725	4,175	13%

Table 2: GEV

The GEV as at December 31, 2014 has not been restated.

The required capital allows for the target Standard & Poor's rating (A) for all entities and is shown net of the value of inforce business and subordinated debt, as permitted under the new Solvency II regime. The development of the required capital and free surplus are detailed in the analysis of change in Section 2.4.

Operating MCEV earnings had a positive effect on the GEV. The main drivers of the operating earnings were the

² The MCEV has not been calculated for all the Life & Health businesses in the Group. The ANAV for the Life & Health businesses excluded from the scope of the MCEV calculations is shown under the column Property & Casualty.

³ Includes the ANAV for the Life & Health businesses excluded from the scope of the MCEV calculations (less than 1.0% of the Austrian – and less than 10.5% of the Italian and CEE – Life & Health businesses based on earned premium for 2015).

expected existing business contribution, increased lapse assumptions for the traditional Austrian life business, premium adjustments and lower claims ratio assumptions for the Austrian health business and the new business value. Details can be seen in section 2.4. The VIF increased to EUR 1,847mn and the overall GEV to EUR 4,725mn.

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	2015	2014
GEV as at 31 December previous year, reported	4,175	4,217
GEV as at 31 December previous year, restated	4,175	4,192
Opening adjustments	-128	-115
GEV as at 31 December previous year, restated and adjusted	4,046	4,076
Return on GEV	214	98
as a %	5.3%	2.4%
GEV as at 31 December, before closing adjustments	4,260	4,175
Closing adjustments	466	0
GEV as at 31 December	4,725	4,175

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.

The closing adjustments include the impact of the reallocation of participations from the non-covered business to the covered business in Austria.

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 2015 minus the new business strain, TVFOG, FCRC and CRNHR. The Life & Health companies in Austria do not defer acquisition costs in the local statutory accounts. Therefore the new business strain for the Austrian business also includes the acquisition expenses.

The NBV in 2015 has been calculated for the covered business in 2015.

New business value in EUR millions	2015	2014	change in 2015
New business value	73	53	36.1%
Annual premium equivalent (APE)	305	285	
New business margin (as % APE)	23.8%	18.7%	
Present value of new business premiums (PVNBP)	3,032	3,210	
New business margin (% of PVNBP)	2.4%	1.7%	

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 2014, reported	53	3,210	1.7%
Methodology changes	0	0	0.0%
Expanded scope	0	0	0.0%
Opening NBV as at 31 December 2014, restated	53	3,210	1.7%
Foreign exchange variances	0	-3	0.0%
Acquired / divested business	0	0	0.0%
Adjusted opening NBV as at 31 December 2014	53	3,207	1.6%
Modelling changes	5	-142	0.2%
Business volume change	4	213	0.0%
Business mix change	-32	0	-1.0%
Assumption changes	43	-247	1.5%
Closing NBV as at 31 December 2015	73	3,032	2.4%

Table 5: Analysis of change for new business

There was no restatement of the NBV 2014.

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

Modelling changes stem mainly from the traditional life business in Italy, where improvements to the modelling of bank commission fees improve the Value of New Business.

The business mix change covers local as well as regional business mix. It does not include the improvement of new business margins within lines of business due to new product introductions in 2015. The impact of new product profitability is included in the assumption changes row.

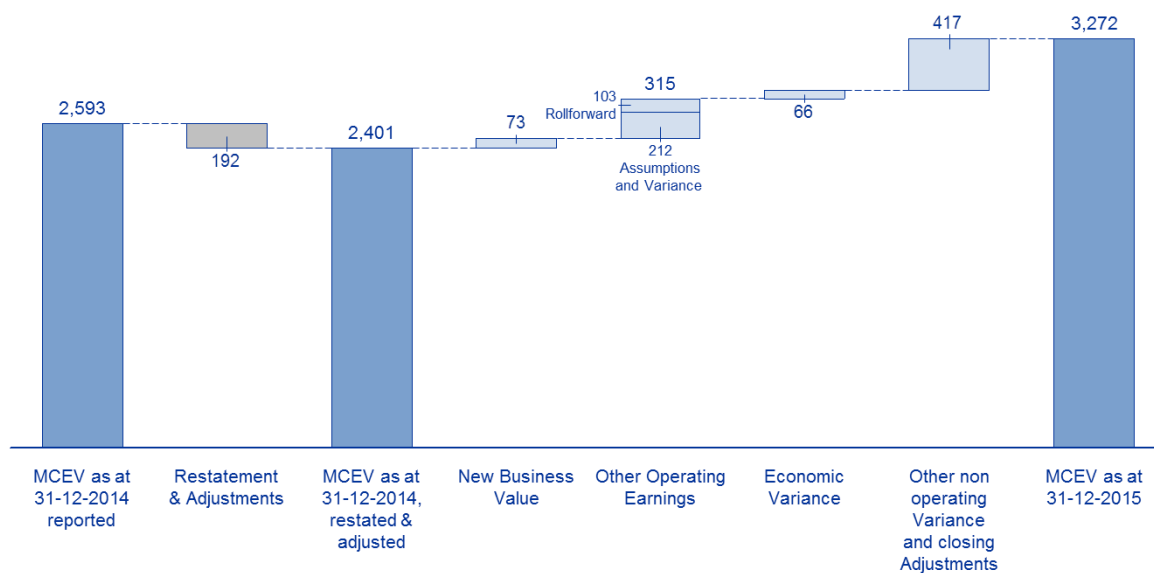
The main drivers of change in NBV are due to the assumption changes (economic assumptions and changes in lapse assumptions for life business in Austria) and effects of new product introduction on the new business profitability, which increased the value by EUR 43mn. Overall, the new business margin, as a percentage of

PVNBP, increased to 2.4%.

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 2014, reported	482	538	1,574	2,593
Opening MCEV as at 31 December 2014, restated	482	538	1,574	2,593
Capital and dividend Flows	-194	0	0	-194
Foreign exchange variances	1	0	1	2
Acquired / divested businesses	0	0	0	0
Opening adjustments	-193	0	1	-192
Adjusted opening MCEV as at 31 December 2014	288	538	1,575	2,401
New business value	-149	94	128	73
Expected existing business contribution (<i>reference rate</i>)	1	0	23	25
Expected existing business contribution (<i>in excess of ref. rate</i>)	6	0	72	78
Transfer from VIF and required capital to free surplus	336	-209	-127	0
Experience variances	30	-28	24	26
Assumption changes	-13	13	202	202
Other operating variance	-395	396	-17	-16
Operating MCEV earnings	-184	267	305	387
Economic variances	-55	105	16	66
Other non operating variance	-21	21	-49	-49
Total MCEV earnings	-260	393	272	405
Closing adjustments	466	0	0	466
Closing MCEV as at 31 December 2015	494	931	1,847	3,272

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 CZK currency compared to EUR.
- No businesses were acquired or divested in 2015 within covered businesses for which a MCEV has been calculated.

Key elements of the operating MCEV earnings:

- The **NBV** written in the year 2015 is EUR 73mn. The negative impact on free surplus is due to the non-deferral of acquisition expenses.
- The **expected existing business contribution on the basis of the reference rates** is EUR 25mn. 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 78mn. This step shows the impact of management's expectation of the additional investment earnings in 2015 above the reference rates.
- **Transfer from VIF and required capital to free surplus** reduces the VIF by EUR 127mn, the expected net profit projected for 2015 from the existing business in-force. RC decreased as the impact of increases in

reserves is lower than the capital released for maturing policies. For the traditional Austrian life business the release in required capital is higher compared to last year due to consideration of Solvency II. 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 26mn. In this step the deviations from expected to actual operating assumptions (e.g. lapse assumptions) are measured. Details are included in section 3 in the regional analysis.
- **Assumption changes** have a positive impact (EUR 202mn) on the operating earnings. This item covers all operating assumption changes. The major assumption changes include increased lapse assumptions for the traditional Austrian life business and premium adjustments and lower claims ratio assumptions for the Austrian health business.

Other operating variance covers all operating changes not covered in the other items and is in total EUR -16mn. The main driver for the change in required capital is the refined MCEV definition to hold 135% (for Austria and CEE) or 125% (for Italy) of the solvency capital requirement under Solvency II. This has a negative impact due to the increase in FCRC.

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 2015 is from increased interest rates, with a particularly positive effect on the Austrian health business.
- The **other non operating variance** is EUR -49mn. This step shows the impact of the change from Solvency I to Solvency II.

The **closing adjustments** were EUR 466mn, which include the impact of the reallocation of participations from the non-covered business to the covered business in Austria.

2.5 VIF maturity profile

The table below shows the emergence of VIF as at December 31, 2015 split in 5-year-buckets, for the first 35 years of the projection. The VIF is after allowance for time value of financial options and guarantees, frictional cost of required capital and cost of residual non-hedgeable risks.

VIF maturity profile in EUR millions	Free cashflows	in %
year 1-5	584	32%
year 6-10	441	24%
year 11-15	251	14%
year 16-20	150	8%
year 21-25	98	5%
year 26-30	78	4%
year 31-35	73	4%
later than 35 years	174	9%
Total VIF	1,847	100.0%

Table 7: VIF maturity profile

The table shows that 32% of VIF as at December 31, 2015 emerges in the first 5 years of projection and 56% of VIF 2015 in the first 10 years.

The VIF as at December 31, 2015 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, 2015 to changing various assumptions.

Sensitivities in EUR millions	Change in embedded value		Change in new business value	
	Value	%	Value	%
Base value	3,272	100%	73	100%
MCEV change by economic factors				
Risk free yield curve -100bp	-316	-10%	-7	-9%
Risk free yield curve +100bp	141	4%	-6	-9%
Equity and property market values -10%	-129	-4%	0	0%
Equity and property implied volatilities +25%	-2	0%	0	0%
Swaption implied volatilities +25%	-105	-3%	-15	-21%
MCEV change by non-economic factors				
Maintenance expenses -10%	70	2%	7	10%
Lapse rates -10%	74	2%	13	18%
Mortality for assurances -5%	65	2%	5	6%
Mortality for annuities -5%	-6	0%	0	0%
Required capital set to solvency capital requirement	50	2%	3	4%
Additional sensitivity				
No liquidity premium	-151	-5%	-2	-2%

Table 8: Sensitivities for the MCEV and NBV

Economic sensitivities:

■ Increase / Decrease of 100bps to risk free yield curve

This sensitivity shows the impact of a sudden parallel shift in reference rates, accompanied by all consequent movements of other economic assumptions. The parallel shift is applied only up until the last liquid point (LLP). From this point the extrapolation is made to the ultimate forward rate (UFR), which remains unchanged in the sensitivity. 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 business, which is the major part of the covered business. For traditional business the surpluses are shared with policyholders but losses are borne fully by the shareholder due to the existence of guarantees.

The decrease of 100bps to the risk free yield curve reduces the MCEV by EUR -316mn or -10% (-20% in 2014). The decrease in this sensitivity compared to 2014 is due to increased lapse assumptions for the traditional Austrian life business.

■ Decrease of 10% in equity and property market values (at the valuation date)

The MCEV decreases by EUR -129mn or -4%. There is no effect on the NBV.

- **25% increase in equity and property implied volatilities**

The 25% increase is a multiplicative increase in the assumed volatilities and measures the impact on the TVFOG. The change in TVFOG is an increase of EUR 4mn or 1%. In total this sensitivity is not significant (-0.06% of MCEV).

- **25% increase in swaption implied volatilities**

The 25% increase is a multiplicative increase in the assumed volatilities and measures the impact on the TVFOG. The change in TVFOG is an increase of EUR 96mn or 31% (in total this reduces the MCEV by 3%).

Non-economic sensitivities:

- **10% decrease in maintenance expenses**

The impact of a 10% decrease in the projected expenses is an increase in MCEV 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 74mn or 2%.

- **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 65mn 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**

In this sensitivity, required capital is reduced from 135% (in Austria and CEE) or 125% (in Italy) to 100% of the solvency capital requirement under Solvency II for all covered business. The increase in the MCEV is caused by the lower FCRC.

Additional sensitivities:

- As UNIQA used a liquidity premium in determining the reference rates as at December 31, 2015, an additional sensitivity is disclosed to show the impact of removing the liquidity premium.

2.7 Implied discount rate and internal rate of return

The implied discount rate (IDR) is the risk discount rate under a traditional embedded value approach that reproduces the VIF determined using stochastic techniques from a deterministic projection of statutory distributable earnings (profit less movement in required capital) in an illustrative management case scenario.

The internal rate of return (IRR) is the risk discount rate which gives a zero value of new business under a traditional embedded value approach.

Real world assumptions have been used in the calculations of the IDR and IRR. These have been derived from an internal assessment of risk premiums, measured as the expected excess return over 10-year risk free rates. The risk premiums for equities and property were 6.7% and 2.9%, respectively.

The IDR and IRR as at December 31, 2015 are shown in the table below.

Implied discount rate and internal rate of return in %	Total
Implied discount rate (in-force business)	5.17%
Internal rate of return (new business)	7.18%

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	2015	2014
Consolidated IFRS equity	3,174.8	3,102.4
Goodwill and value of in-force business for MCEV companies	-149.1	-159.3
Differences in valuation of assets and liabilities	-126.5	-322.4
Adjusted net asset value before minority interests	2,899.2	2,620.7
Minority interests	-21.0	-20.0
Adjusted net asset value after minority interests	2,878.2	2,600.7

Table 10: Reconciliation of IFRS equity to ANAV

The December 31, 2014 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 asset and liabilities" also include the unrealised gains or losses on assets that are not shown at market value in the consolidated IFRS balance sheet. This relates to unrealised gains or losses 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.

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

3 Regional analysis of MCEV

3.1 Overview

The following table shows the MCEV for the Life & Health business split by regions. More detailed analysis for each region can be found in the following sections (3.2 to 3.4).

The regions are defined as follows:

- **Austria**

The business in this region includes the Life & Health business of UNIQA Österreich Versicherungen AG, the life business of Raiffeisen Versicherung AG and Financelife Lebensversicherung AG.

- **Italy**

The Italian business includes the life business of UNIQA Previdenza, the life business of UNIQA Life and the health business of UNIQA Assicurazioni.

- **Central Eastern Europe**

The CEE region contains the life companies in the Czech Republic, Hungary, Poland, Russia and Slovakia.

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

MCEV 2015 by region in EUR millions	2015				2014			
	Austria	Italy	CEE	Total	Austria	Italy	CEE	Total
Free surplus	387	52	55	494	422	43	17	482
Required capital	834	74	22	931	425	77	36	538
Adjusted net asset value	1,221	126	78	1,424	847	119	54	1,019
Present value of future profits	2,185	122	178	2,484	1,839	73	169	2,081
Cost of options and guarantees	-259	-43	-5	-307	-265	-36	-4	-305
Frictional cost of required capital	-148	-9	-2	-159	-47	-4	-1	-52
Cost of residual non-hedgeable risk	-152	-11	-8	-171	-137	-7	-6	-150
Value of business in-force	1,625	59	163	1,847	1,390	26	157	1,574
Life & Health MCEV	2,846	184	241	3,272	2,237	146	211	2,593
as a % of total Life & Health MCEV	87.0%	5.6%	7.4%	100.0%	86.3%	5.6%	8.1%	100.0%

Table 11: Market consistent embedded value by region

The VIF increased for all regions. In total the VIF increased to EUR 1,847mn (2014: EUR 1,574mn). The total Life & Health MCEV increased to EUR 3,272mn or +26%. As shown in section 2.4 the total Life & Health MCEV earnings were EUR 405mn or +16.8%.

The following table shows the NBV 2015 and 2014 for the Life & Health business split by regions.

New business value by region in EUR millions	Austria	Italy	CEE	Total
Value of new business 2015	38	19	16	73
Annual premium equivalent	149	100	56	305
New business margin (as % APE)	25.2%	18.6%	29.4%	23.8%
Present value of new business premiums	1,825	936	272	3,032
New business margin (% of PVNBP)	2.1%	2.0%	6.0%	2.4%
Value of new business 2014	30	6	18	53
Annual premium equivalent	136	91	58	285
New business margin (as % APE)	22.0%	6.0%	30.8%	18.7%
Present value of new business premiums	1,937	973	300	3,210
New business margin (% of PVNBP)	1.5%	0.6%	5.9%	1.7%

Table 12: New business value by region

Overall there was an increase in new business volumes in terms of annual premium equivalent, driven by the positive development for the regions Austria and Italy. The overall new business margin increased to 2.4%.

In Austria, the increase in new business margin from 1.5% to 2.1% is mainly driven by lower claims ratios for the health business and the new products introduced for traditional life business.

In Italy, the main driver for the increase in new business margin from 0.6% to 2.0% is the improved modelling of bank commission fees as well as the introduction of new traditional life products. The health business profitability also improved due to lower claims ratio assumptions. The new business value for the region CEE decreased compared to 2014 due to lower new business volume.

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

Implied discount rate and internal rate of return in %	Austria	Italy	CEE	Total
Implied discount rate (in-force business)	5.22%	5.56%	3.34%	5.17%
Internal rate of return (new business)	5.75%	20.76%	12.94%	7.18%

Table 13: Implied discount rate and internal rate of return by region

Real world assumptions have been used in the calculations of the IDR and IRR. These have been derived from an internal assessment of risk premiums, measured as the expected excess return over 10-year risk free rates. The risk premiums for equities, property and corporate bonds were 6.7%, 2.9% and 1.1%, respectively.

3.2 Austria

The positive operative earnings and economic variance were the main drivers of the positive development in MCEV in 2015. The impact of Solvency II on required capital had significantly less negative impact. The total MCEV earnings were EUR 344mn in 2015. The MCEV for the Austrian Life & Health business increased from EUR 2,237mn in 2014 to EUR 2,846mn in 2015. The NBV increased from EUR 30mn in 2014 to EUR 38mn in 2015.

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 2014, reported	422	425	1,390	2,237
Opening MCEV as at 31 December 2014, restated	422	425	1,390	2,237
Capital and dividend flows	-196	0	0	-196
Foreign exchange variances	0	0	0	0
Acquired / divested businesses	0	0	0	0
Opening adjustments	-196	0	0	-196
Adjusted opening MCEV as at 31 December 2014	226	425	1,390	2,041
New business value	-117	77	77	38
Expected existing business contribution (<i>reference rate</i>)	1	0	17	19
Expected existing business contribution (<i>in excess of ref. rate</i>)	6	0	70	76
Transfer from VIF and required capital to free surplus	304	-208	-97	0
Experience variances	3	0	19	22
Assumption changes	-10	10	212	212
Other operating variance	-335	335	-33	-33
Operating MCEV earnings	-148	214	267	333
Economic variances	-100	143	9	51
Other non operating variance	-52	52	-41	-41
Total MCEV earnings	-300	409	235	344
Closing adjustments	461	0	0	461
Closing MCEV as at 31 December 2015	387	834	1,625	2,846

Table 14: Analysis of change – Austria

The NBV for the Austrian Life & Health business is EUR 38mn, allowing for a new business strain of EUR 40mn.

Operating MCEV earnings in total developed positively (EUR 333mn). The main contributions to this are the assumption changes, which reflect the positive development of claim ratios as well as the effect of premium adjustments for the health business. An additional positive impact came from increased lapse assumptions for the traditional Austrian life business.

The impact of increases in interest rates, particularly on the Austrian health business, led to an economic variance of EUR 51mn in the MCEV. The other non operating variance reflects the effect of the change from Solvency I to Solvency II on the required capital.

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 2015.

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 2014, reported	30	1,937	1.5%
Methodology changes	0	0	0.0%
Expanded scope	0	0	0.0%
Opening NBV as at 31 December 2014, restated	30	1,937	1.5%
Foreign exchange variances	0	0	0.0%
Acquired / divested business	0	0	0.0%
Adjusted opening NBV as at 31 December 2014	30	1,937	1.5%
Modelling changes	-1	3	-0.1%
Business volume change	2	144	0.0%
Business mix change	-20	0	-0.9%
Assumption changes	26	-260	1.5%
Closing NBV as at 31 December 2015	38	1,825	2.1%

Table 15: Analysis of change for new business - Austria

Modelling changes stem mainly from the Austrian health business where the modelling of reserves and additional premium components has been improved. The main drivers of the change in New Business Value are due to assumption changes, in particular lower claims ratios for the health business, and the improved profitability of newly introduced products in 2015, which in total have a positive impact of EUR 26mn on NBV. This more than offsets the negative effect of the business mix caused by a higher proportion of traditional life business. The decrease of PVNBP corresponds to the impact of changed interest rates and lapse assumptions, offsetting higher new business volume reflected in the annual premium equivalent measure.

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	
	Value	%	Value	%
Base value	2,846	100%	38	100%
MCEV change by economic factors				
Risk free yield curve -100bp	-323	-11%	-12	-31%
Risk free yield curve +100bp	149	5%	-5	-14%
Equity and property market values -10%	-114	-4%	0	0%
Equity and property implied volatilities +25%	-2	0%	0	0%
Swaption implied volatilities +25%	-83	-3%	-11	-29%
MCEV change by non-economic factors				
Maintenance expenses -10%	51	2%	4	10%
Lapse rates -10%	68	2%	10	27%
Mortality for assurances -5%	58	2%	3	7%
Mortality for annuities -5%	-6	0%	0	-1%
Required capital set to solvency capital requirement	47	2%	2	6%
Additional sensitivity				
No liquidity premium	-132	-5%	0	0%

Table 16: Sensitivities – Austria

The sensitivities to reference rates have the strongest impact on the MCEV. The asymmetric effect is caused by traditional life business (with profit participation) where profits are shared with the policyholder but losses are born by the shareholder due to the existence of guarantees. The downward shift of the risk free yield curve of 100bps results in a decrease of MCEV by EUR 323mn or -11%.

A decrease of 10% in lapse rates has the strongest impact among the non-economic sensitivities and increases the MCEV by EUR 68mn or 2%.

The required capital equals 135% of the solvency capital requirement based on Solvency II. Setting the RC to 100% has a positive impact on the MCEV by decreasing the FCRC by EUR 47mn.

3.3 Italy

The Life & Health MCEV for Italy increased from EUR 146mn to EUR 184mn, including a NBV of EUR 19mn. The development was mainly driven by positive other operating variance additional to the NBV.

3.3.1 Analysis of change

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

Analysis of change – Italy in EUR millions	Free surplus	Required capital	VIF	MCEV
Opening MCEV as at 31 December 2014, reported	43	77	26	146
Opening MCEV as at 31 December 2014, restated	43	77	26	146
Capital and dividend flows	0	0	0	0
Foreign exchange variances	0	0	0	0
Acquired / divested businesses	0	0	0	0
Opening adjustments	0	0	0	0
Adjusted opening MCEV as at 31 December 2014	43	77	26	146
New business value	-16	11	24	19
Expected existing business contribution (<i>reference rate</i>)	0	0	2	2
Expected existing business contribution (<i>in excess of ref. rate</i>)	0	0	2	2
Transfer from VIF and required capital to free surplus	15	-2	-14	0
Experience variances	23	-23	7	7
Assumption changes	-4	4	-4	-4
Other operating variance	-50	50	19	19
Operating MCEV earnings	-32	40	35	44
Economic variances	35	-42	6	-1
Other non operating variance	1	-1	-9	-9
Total MCEV earnings	4	-2	33	34
Closing adjustments	5	0	0	5
Closing MCEV as at 31 December 2015	52	74	59	184

Table 17: Analysis of change - Italy

Operating MCEV earnings are EUR 44mn. The largest contributors to this are the new business value of EUR 19mn and the other operating variance of EUR 19mn, reflecting the increase in the rating requirement and improvements to the modelling of bank commission fees.

The economic variance amounts to EUR -1mn. The other non operating variance reflects the effect of the change from Solvency I to Solvency II on the required capital.

In total, the MCEV for the Italian Life & Health business increased to EUR 184mn. The total MCEV return for the Italian Life & Health business was 24% (as measured relative to the adjusted opening MCEV as at December 31, 2014).

3.3.2 Analysis of change for new business

The following table analyses the decrease in profitability of the Italian Life & Health new business in 2015.

Analysis of change for new business – Italy in EUR millions	Value of new business	Present value of NB premiums	New business margin
Opening NBV as at 31 December 2014, reported	6	973	0.6%
Methodology changes	0	0	0.0%
Expanded scope	0	0	0.0%
Opening NBV as at 31 December 2014, restated	6	973	0.6%
Foreign exchange variances	0	0	0.0%
Acquired / divested business	0	0	0.0%
Adjusted opening NBV as at 31 December 2014	6	973	0.6%
Modelling changes	6	-143	0.8%
Business volume change	1	89	0.0%
Business mix change	-13	0	-1.4%
Assumption changes	18	17	2.0%
Closing NBV as at 31 December 2015	19	936	2.0%

Table 18: Analysis of change for new business – Italy

The change in business volume increases the present value of new business premiums by EUR 89mn. The modelling change reflects the improved modelling of bank commission fees, which leads to an increase of NBV by EUR 6mn. The change in business mix decreases the NBV by EUR 13mn.

The assumption changes include all changes in assumptions and in the product profitability compared to those used for the adjusted opening new business margins (per line of business) and has a positive impact of EUR 18mn on NBV, exceeding the effect of the business mix change.

3.3.3 Sensitivities

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

Sensitivities – Italy in EUR millions	Change in embedded value		Change in new business value	
	Value	%	Value	%
Base value	184	100%	19	100%
MCEV change by economic factors				
Risk free yield curve -100bp	1	1%	5	28%
Risk free yield curve +100bp	3	2%	0	-2%
Equity and property market values -10%	-15	-8%	0	0%
Equity and property implied volatilities +25%	0	0%	0	0%
Swaption implied volatilities +25%	-21	-11%	-4	-21%
MCEV change by non-economic factors				
Maintenance expenses -10%	7	4%	2	9%
Lapse rates -10%	-5	-3%	1	4%
Mortality for assurances -5%	0	0%	0	1%
Mortality for annuities -5%	0	0%	0	0%
Required capital set to solvency capital requirement	2	1%	0	2%
Additional sensitivity				
No liquidity premium	-17	-9%	-1	-7%

Table 19: Sensitivities – Italy

3.4 Central Eastern Europe

The Life & Health MCEV for CEE increased from EUR 211mn to EUR 241mn, including a NBV of EUR 16mn.

3.4.1 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 2014, reported	17	36	157	211
Opening MCEV as at 31 December 2014, restated	17	36	157	211
Capital and dividend flows	2	0	0	2
Foreign exchange variances	1	0	1	2
Acquired / divested businesses	0	0	0	0
Opening adjustments	3	0	1	4
Adjusted opening MCEV as at 31 December 2014	20	36	159	215
New business value	-16	6	26	16
Expected existing business contribution (<i>reference rate</i>)	0	0	4	4
Expected existing business contribution (<i>in excess of ref. rate</i>)	0	0	1	1
Transfer from VIF and required capital to free surplus	17	0	-16	0
Experience variances	4	-5	-2	-3
Assumption changes	0	0	-6	-6
Other operating variance	-10	11	-3	-2
Operating MCEV earnings	-5	12	4	10
Economic variances	10	5	1	15
Other non operating variance	31	-31	0	0
Total MCEV earnings	35	-14	4	26
Closing adjustments	0	0	0	0
Closing MCEV as at 31 December 2015	55	22	163	241

Table 20: Analysis of change – CEE

Operating MCEV earnings are EUR 10mn, including a new business value of EUR 16mn.

The economic variance amounts to EUR 15mn.

In total, the MCEV of the CEE countries increases to EUR 241mn. The total MCEV return for the CEE life business was 12% (as measured relative to the adjusted opening MCEV as at December 31, 2014).

3.4.2 Analysis of change for new business

The following table analyses the development in profitability of the CEE life new business in 2015.

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 2014, reported	18	300	5.9%
Methodology changes	0	0	0.0%
Expanded scope	0	0	0.0%
Opening NBV as at 31 December 2014, restated	18	300	5.9%
Foreign exchange variances	0	-3	-0.1%
Acquired / divested business	0	0	0.0%
Adjusted opening NBV as at 31 December 2014	17	297	5.8%
Modelling changes	0	-2	0.0%
Business volume change	-1	-20	0.0%
Business mix change	2	0	0.7%
Assumption changes	-2	-4	-0.5%
Closing NBV as at 31 December 2015	16	272	6.0%

Table 21: Analysis of change for new business – CEE

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

The change in business volume decreases the present value of new business premiums by EUR 20mn. The main impact originates from Poland with lower sales in unit linked single premium contracts. The change in business mix had a positive impact of EUR 2mn on NBV, attributable mainly to a more favourable regional mix among entities.

The assumption changes row comprises all changes in assumptions and in the product profitability compared to those used for the adjusted opening new business margins (per line of business) and has a negative impact of EUR 2mn on NBV, which is mainly caused by the change in interest rates for contracts in RUB for the life business in Russia.

3.4.3 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	
	Value	%	Value	%
Base value	241	100%	16	100%
MCEV change by economic factors				
Risk free yield curve -100bp	7	3%	0	-1%
Risk free yield curve +100bp	-11	-5%	-1	-4%
Equity and property market values -10%	-1	0%	0	0%
Equity and property implied volatilities +25%	0	0%	0	0%
Swaption implied volatilities +25%	-1	-1%	0	-1%
MCEV change by non-economic factors				
Maintenance expenses -10%	12	5%	2	11%
Lapse rates -10%	11	5%	2	14%
Mortality for assurances -5%	8	3%	2	10%
Mortality for annuities -5%	0	0%	0	0%
Required capital set to solvency capital requirement	1	0%	0	1%
Additional sensitivity				
No liquidity premium	-3	-1%	0	-3%

Table 22: 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, frictional cost of required capital and cost of residual non-hedgeable risks.

4.1 Covered business

The MCEV results cover the life insurance, savings, pensions and annuity, disability and health insurance business written by the Group's main Life & Health businesses in Austria – UNIQA Österreich Versicherungen AG, Raiffeisen Versicherung AG and FinanceLife Lebensversicherung AG; the Life & Health business in Italy written by UNIQA Assicurazioni, UNIQA Previdenza and UNIQA Life S.p.A.; and the Life business written in the Czech Republic, Hungary, Slovakia, Poland and Russia.

UNIQA Group provides the operating entities with detailed guidelines in order to ensure consistency of embedded value calculations throughout the Group. The economic assumptions that are used by the operating entities are set centrally.

Calculations are performed separately for each business and are based on the cash flows of that business after allowing for both external and intra-group reinsurance. Where one part of the covered business has an interest in another part of the covered business, the ANAV of that business excludes the book value of the dependent business.

4.2 Adjusted net asset value

The adjusted net asset value for the MCEV calculations is defined as:

- the shareholders' funds under the local accounting bases including the profits and losses for the reporting year;
- plus the "untaxed reserves" after tax – these reserves are available to cover the solvency requirements;
- plus the shareholders' share of the unrealised capital gains after tax to the extent that these are not included in the calculation of the VIF;
- less goodwill and value of business in-force (VBI) after tax in respect of the businesses included in the scope of the MCEV calculations; the VBI is the value of the business in-force included in the consolidated IFRS balance sheet as an intangible asset.

The adjusted net asset value for the Property & Casualty and the Life & Health businesses excluded from the scope of the MCEV calculations is defined as:

- the IFRS equity;
- plus the unrealised capital gains not included in the IFRS equity.

UNIQA Österreich Versicherungen AG (UAT) and Raiffeisen Versicherung AG are composite insurers. Their assets are split between the operating segments (i.e. Property & Casualty, Life and, in the case of UAT, Health) on the basis of the statutory balance sheets. It is possible to transfer assets between the operating segments at book value.

The differences between the IFRS balance sheet values and the disclosed market values as at December 31, 2014 and December 31, 2015 after adjusting for minority interests and deferred tax are included either in the ANAV or the VIF. Where these differences are included in the VIF, allowance is made for profit sharing.

4.2.1 Free surplus

Free surplus is defined as the difference between ANAV and required capital. It is the market value of any assets allocated to, but not required to support, the in-force covered business at the valuation date.

4.2.2 Required capital

For the first time in 2015, required capital is derived from the solvency capital requirement under the new Solvency II regime for each company. The required capital is defined as 135% (in Austria and CEE) or 125% (in Italy) of the solvency capital requirement less the VIF (based on Solvency II consistent assumptions). The required capital is shown net of available subordinated debt.

The required capital for the Life & Health covered businesses were EUR 931mn at December 31, 2015 and EUR 538mn at December 31, 2014⁴. The required capital definition for MCEV allows for diversification between covered business within the same company (e.g. between life and health businesses). However, it does not allow for diversification between separate legal entities (e.g. between the life businesses of UNIQA Österreich Versicherungen AG and Raiffeisen Versicherung AG).

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

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

The PVFP for the life & health businesses writing conventional or unit linked business is determined by projecting cash flows under the assumption that the future investment returns on all assets are equal to the rates implied by the reference rates at the valuation date. The other assumptions (including expenses, surrender rates, mortality and morbidity rates, shareholder participation rates and tax rates) are set on a best estimate basis that reflects each business' recent experience and expected future trends. Where appropriate, the projection models allow for management actions, i.e. some assumptions (e.g. profit participation rates and the asset allocation) vary depending on the future economic conditions. The resulting statutory shareholder profits are discounted at the reference rates and this is defined as the PFVP. This value takes account of the intrinsic value of financial options and guarantees.

The TVFOGs are valued explicitly for the conventional life products in Austria, Italy, Czech Republic, Hungary and Slovakia as the difference between the "stochastic" PVFP and the PVFP. The "stochastic" PVFP is defined as the average – over one thousand economic scenarios – of the discounted value of the projected after-tax statutory shareholder profits. The economic scenarios represent possible future outcomes for capital market variables such as treasury yields, corporate spreads, corporate migrations, equities and inflation.

UNIQA produces the economic scenarios centrally using GEMS (provided by Conning). The risk-neutral economic scenarios are market consistent, i.e. they are calibrated to the market prices of a range of capital market instruments at the valuation date. The conventional reserves in the covered life business in Poland and Russia account for less than 1.0% of the total Group reserves. Due to the level of materiality, the TVFOGs for the conventional life products for these two companies in CEE are estimated using prudent internal benchmarks. Under this methodology an explicit cost of the guarantee is calculated in each year and discounted at the reference rates.

4.4 Frictional cost of required capital

The FCRC has been calculated as the present value, using risk-free interest rates, of the frictional costs on the total required capital. The frictional costs on the required capital covered by the shareholders' funds have been defined as the sum of the corporation tax on the future investment returns and investment expenses.

The same definition for the FCRC has been applied for the in-force business and the new business.

⁴ The required capital at December 31, 2014 recalculated in accordance with the Solvency II regime was EUR 959mn.

4.5 Cost of residual non-hedgeable risk

The CRNHR allows for the non-financial (i.e. mortality, morbidity, lapse and expense) and operational risks on the basis of the cost of holding risk capital to cover these risks. The risk capital is based on UNIQA's group internal risk capital model and is equal to the stand alone risk capital at the 99.5% percentile. Allowance has been made for diversification between the covered businesses. No allowance has been made for diversification between financial and non-financial or operating risks. The risk capital is projected over the life time of the portfolio on the basis of projected reserves, premiums or other relevant drivers. The same drivers are used to project the risk capital for in-force and new business. The net of tax charge for the cost of capital is 2% for the calculation of the CRNHR.

4.6 New business value

The NBV represents the value generated by new business sold during the reporting period. New business premiums are defined as premiums arising from sales of new contracts. New business includes policies where a new contract is signed or underwriting is carried out. Renewal premiums include contractual renewals and changes to health insurance premiums due to medical inflation.

5 Assumptions

5.1 Economic assumptions

The calculations are based on economic market conditions as at December 31, 2015.

The reference interest rates are taken from EIOPA published on January 13, 2016. These rates are based on swap rates or governmental yields with the following adjustments.

- A credit risk adjustment is deducted from the swap rates (the parameters are shown in Table 25).
- 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 parameter for the other currencies are shown in Table 25).
- The liquidity premium is added to the deep and liquid part only.
- The Smith-Wilson technique is used to extrapolate the reference rates to the ultimate forward rate of 4.2% for EUR (the parameters for other currencies are shown in Table 25). 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 25).

65% of the liquidity premium has been used for all lines of business in 2015.

The following liquidity premium levels have been applied in 2014:

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

The following tables show the main economic assumptions for the MCEV calculations. Table 23 lists the reference rates (excluding liquidity premiums) as at December 31, 2015 and December 31, 2014.

Reference rates	EUR		CZK		HUF		PLN		RUB	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1 year	-0.16%	0.06%	0.18%	0.18%	1.03%	1.67%	1.41%	1.71%	11.25%	20.35%
5 years	0.23%	0.26%	0.55%	0.42%	2.61%	3.04%	2.18%	2.07%	10.10%	12.23%
10 years	0.92%	0.72%	0.92%	0.76%	3.41%	3.61%	2.99%	2.41%	9.82%	10.61%
15 years	1.34%	1.09%	1.26%	1.09%	4.07%	3.89%	3.47%	2.65%	8.69%	8.85%
20 years	1.53%	1.28%	1.66%	1.50%	4.36%	4.00%	3.69%	2.87%	7.90%	7.83%
25 years	1.80%	1.58%	2.02%	1.90%	4.45%	4.05%	3.82%	3.06%	7.32%	7.17%

Table 23: Reference rates

	Liquidity premium 2015 (100%)	Liquidity premium 2014 (100%)
EUR	34bp	34bp
CZK	9bp	12bp
HUF	29bp	12bp
PLN	12bp	12bp
RUB	0bp	0bp

Table 24: Liquidity premium

	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	35	10	50	4.20%

Table 25: Reference rates credit risk adjustment / extrapolation

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

Swaption implied volatilities				
EUR	2015		2014	
Expiry \ swap tenor	10	20	10	20
10	33.70%	26.70%	39.54%	29.02%
15	29.56%	23.20%	30.23%	22.82%
20	23.04%	19.83%	22.26%	18.99%

Table 26: Swaption implied volatilities

Equity option implied volatilities		
EUR	2015	2014
5 years	22.07%	21.13%
10 years	23.62%	22.39%

Table 27: Equity option implied volatilities

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

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

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

	Exchange rate		Tax rate	
	2015	2014	2015	2014
UNIQA Austria	-	-	25.00%	25.00%
UNIQA Italy	-	-	34.32%	33.72%
UNIQA CZ	27.02	27.74	19.00%	19.00%
UNIQA HU	315.98	315.54	19.00% + 2.3% *)	19.00% + 2.3% *)
UNIQA SK	-	-	22.00%	22.00%
UNIQA PL	4.26	4.27	19.00%	19.00%
Raiffeisen Russia	80.67	72.34	20.00%	20.00%

*) Municipal Tax & innovation fee

Table 28: Exchange and tax rates

5.2 Operating assumptions

The assumed policyholder profit participation for the Austrian with-profits life insurance business has been set for each economic scenario using management rules that seek to achieve a pre-tax shareholder margin of 15% of the gross surplus. The rules in Austria for minimum profit sharing require that at least 85% of the gross surplus has to be used for profit sharing. In line with the Group's strategy for life business in Austria, it has been assumed that 85% of future surpluses will be used for profit sharing. The gross surplus is the sum of the investment (based on book values), risk and expense surpluses. The unit linked business does not have any policyholder profit sharing.

A part of the gross surplus for the Austrian health business, in accordance with current practice, is assumed to be used to reduce the level of future premium adjustments. There is no additional allowance for future profit sharing.

The assumed profit participation for the life businesses in the Czech Republic, Hungary and Slovakia is defined as at least 85% of the difference between the projected investment returns and the technical interest rates. For the Russian life business the assumed profit participation is defined as 80% of the difference between the projected investment returns. For the Italian life business, profit sharing is product specific but in total around 80% of net investment income.

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

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

12th April 2016

Dear Herr Mag. Svoboda,

Review of the group embedded value results of UNIQA Insurance Group AG as at 31 December 2015

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 2015 as stipulated in the accompanying document “Group Embedded Value 2015” (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 and Russia as at 31 December 2015 and 31 December 2014 together with the value of new business generated, the sensitivities and the earnings analyses during the year 2015;
- the adjusted net asset values (ANAV) as at 31 December 2015 and 31 December 2014 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 October 2009 except principles 17.3.5 and 17.3.47 relating to segmentation of results and 17.3.37 to 17.3.45 relating to the preparation of a Group MCEV.

The scope of our review covered the methodology adopted together with the assumptions and calculations made by the Group in relation to the market consistent embedded values 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 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.

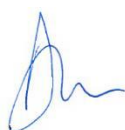
The calculation of the group embedded value is subject to numerous assumptions on future conditions and events which are uncertain and beyond control of the company. Therefore the actual cash future cash flows might differ significantly from those underlying the group embedded value. The group embedded 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 2015 results contains forward-looking statements.

Forward-looking statements involve inherent risks and uncertainties, and it might not be possible to achieve the predictions, forecasts, projections and other outcomes described or implied in forward-looking statements. A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in these forward-looking statements.

These forward-looking statements will not be updated except as required by applicable laws.

8 Glossary and abbreviations

Glossary and abbreviations	
Adjusted net asset value (ANAV)	The sum of the free surplus and required capital.
Annual premium equivalent (APE)	This is defined as 100% of annual premiums and 10% of single premiums for new business.
Best estimate	A best estimate assumption should be equal to the mean estimate (probability weighted average) of outcomes of that risk variable.
Certainty equivalent value of in-force business (CEV)	This is the deterministic value of in-force covered business calculated. All asset classes are assumed to earn the reference rates (i.e. from the swap curve).
Cost of residual non-hedgeable risks (CRNHR)	This is the cost (to shareholder) of all other risks not being modelled explicitly in the stochastic model.
Covered business	The contracts to which the MCEV methodology according to the MCEV principles has been applied.
Free surplus (FS)	The free surplus is the market value of assets allocated to the in-force covered business, which is not required for the support of the in-force business.
Frictional costs of required capital (FCRC)	Frictional costs reflect the investment expenses and tax on investment income on the assets backing the required capital.
Implied discount rate (IDR)	IDR is the discount rate at which the present value of net cash flows (based on risk free rates plus a risk premium) equals the value of in-force business using the market consistent valuation approach.
Internal rate of return (IRR)	IRR is a discount rate at which the present value of net cash flows (based on risk free rates plus a risk premium), is equal to zero.
IFRS	International financial reporting standards.
Market consistent embedded value (MCEV)	The MCEV is a measure of the consolidated value of shareholders' interests in the covered business. It is defined as: adjusted net asset value, less present value of future profits, less time value of financial options and guarantees, less frictional costs of required capital, less cost of residual non-hedgeable risks.
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.
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 frictional costs of required capital, less cost of residual non-hedgeable risks.

Table 29: Glossary and abbreviations

Table of Figures

Table 1: Covered businesses	3
Table 2: GEV	4
Table 3: Return on group embedded value	6
Table 4: New business value	7
Table 5: Analysis of change for new business	7
Table 6: Analysis of change (Life & Health business)	9
Table 7: VIF maturity profile	11
Table 8: Sensitivities for the MCEV and NBV	12
Table 9: Implied discount rate and internal rate of return	14
Table 10: Reconciliation of IFRS equity to ANAV	15
Table 11: Market consistent embedded value by region	16
Table 12: New business value by region	17
Table 13: Implied discount rate and internal rate of return by region	17
Table 14: Analysis of change – Austria	18
Table 15: Analysis of change for new business - Austria	19
Table 16: Sensitivities – Austria	20
Table 17: Analysis of change - Italy	21
Table 18: Analysis of change for new business – Italy	22
Table 19: Sensitivities – Italy	23
Table 20: Analysis of change – CEE	24
Table 21: Analysis of change for new business – CEE	25
Table 22: Sensitivities – CEE	26
Table 23: Reference rates	30
Table 24: Liquidity premium	30
Table 25: Reference rates credit risk adjustment / extrapolation	31
Table 26: Swaption implied volatilities	31
Table 27: Equity option implied volatilities	31
Table 28: Exchange and tax rates	31
Table 29: Glossary and abbreviations	36