



UNIQA Insurance Group AG

Economic Capital and Embedded Value 2018

10 April 2019
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Economic Capital

Economic
Capital Ratio

205%

Unrestricted
Tier 1 Capital

83%

Solvency
Capital Ratio¹

248%

Standard & Poor's
rating

A-

- Economic Capital position remains extraordinary strong above 200%, allowing for significant sovereign risk capital charge
- Quality of capital in Own Funds remains on a strong level

Embedded Value

Life & Health
MCEV

+3.3%

New Business
Value

**EUR
103m**

Free Surplus
Generation

EUR 89m

New Business
Margin

5.9%

- Stable Life & Health MCEV compared to 2017
- Strong New Business Value and New Business Margin in 2018
- Increase in NBM driven by higher proportion of the most profitable subsidiaries

I. Group Economic Capital

- Risk Strategy
- Results
- Sensitivities and other analysis

II. Market Consistent Embedded Value

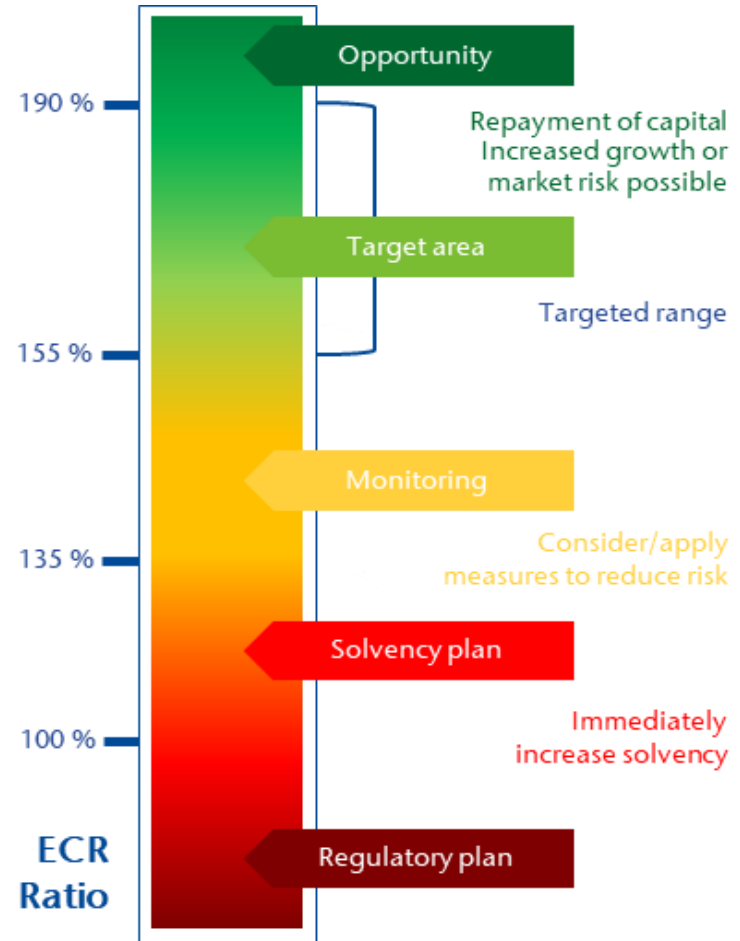
- Results
- Sensitivities and other analysis

III. Appendix

- ECR Methodology
- MCEV Methodology
- Assumptions
- Glossary & Disclaimer

Key Elements of our Risk Strategy

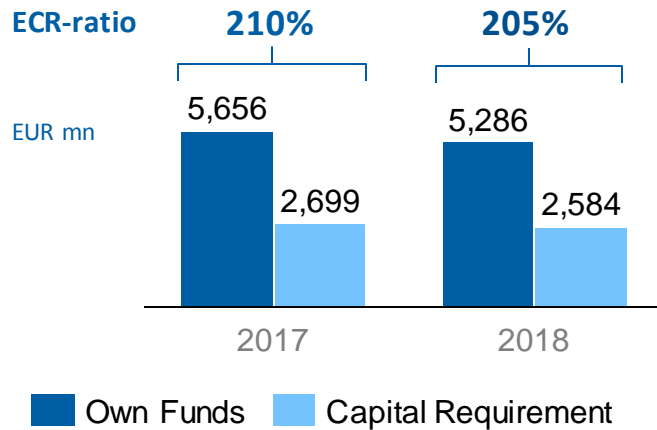
- Target Range of 155% - 190% for ECR Ratio
- We focus on underwriting risks and take market/credit risks only to the extent necessary
- Target market risk share of total ECR is ~65%
- We steer our risk profile on economic modelling basis
- The target rating for UNIQA Group is category “A” by Standard & Poor’s



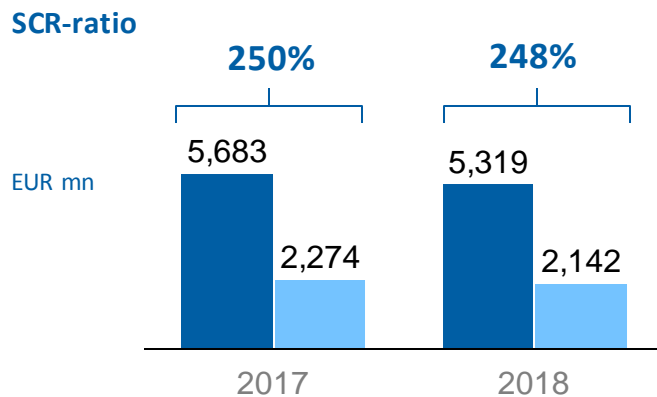
I. Group Economic Capital

Economic and Regulatory SII capital ratio

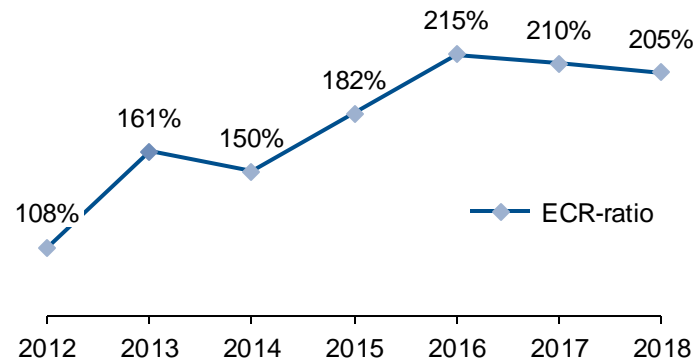
Economic capital position



Preliminary Regulatory SII capital position¹



Development of ECR-ratio



Measures used

| | ECR | SCR |
|----------------------------|--------------------|------------------|
| Internal Model (Non-Life) | Yes | Yes ² |
| Sovereign Risk Charge | Yes (full loading) | No |
| Volatility Adjustments | Yes (static) | Yes (static) |
| Transitionals ³ | No | No |
| Matching Adjustment | No | No |

¹ Audit on Solvency Financial Condition Report (SFCR) ongoing

² Approved PIM NL applied for the first time as at 31.12. 2017

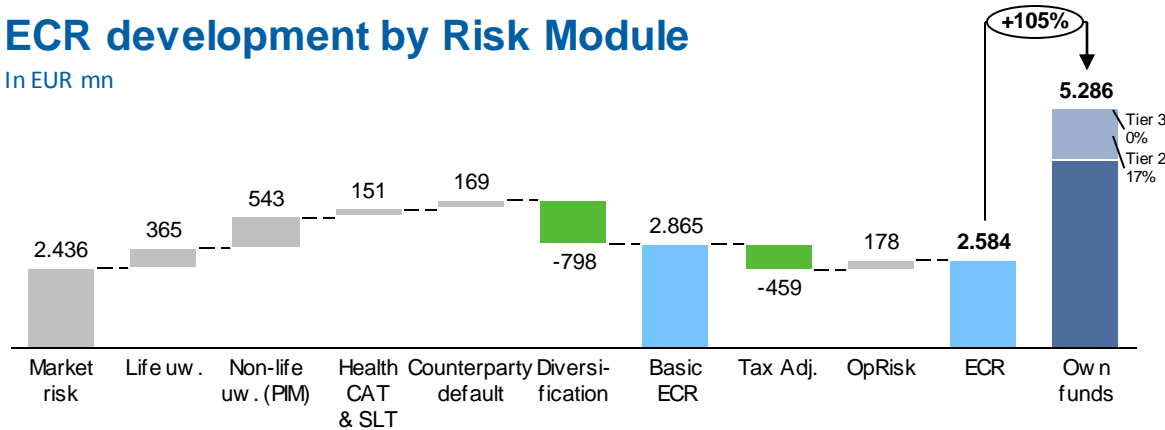
³ Applies to major transitionals on interest rate or technical provision

I. Group Economic Capital

Details on Economic capital ratio

ECR development by Risk Module

In EUR mn



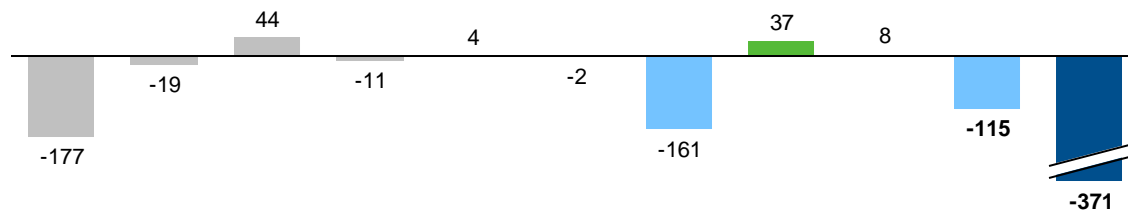
Moderate decrease in ECR

- Decrease in market risk coming from equity, spread and currency risk (details slide 10)
- Increase in non-life in line with business development

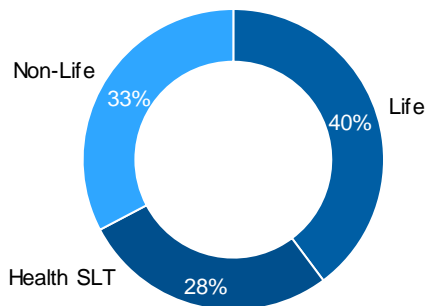
Eligible Own Funds decreased

- Reduction in Own Funds driven by negative market movements in equities and spreads (mostly in Q4'18)

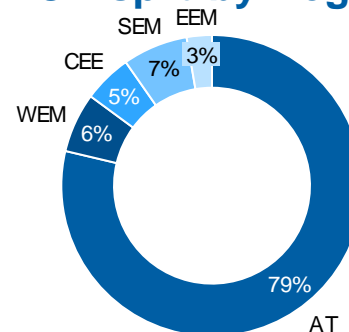
Change vs. 2017



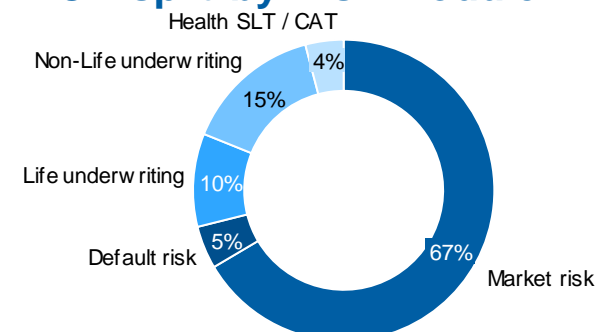
ECR split by LoB



ECR split by Region¹

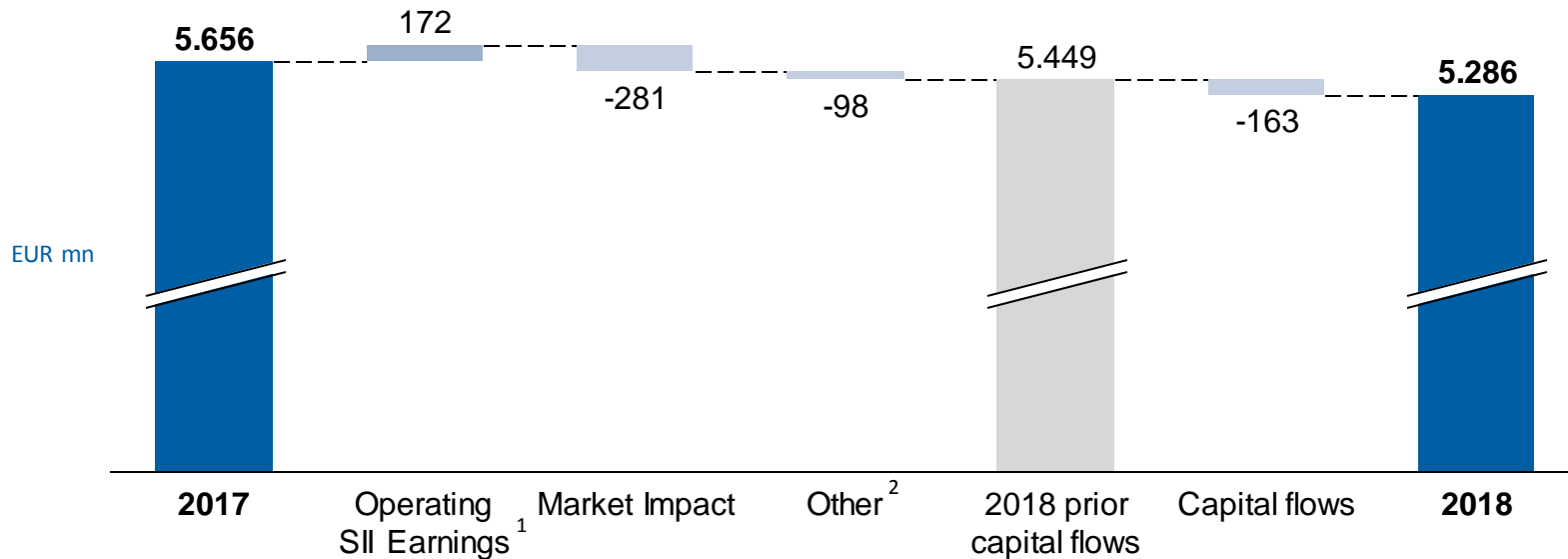


ECR split by Risk Module



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

Own Funds development



Development of Own Funds

- Operating earnings driven by new business coming from Life & Health
- The reduction coming from market variance is the result of a negative development of equity markets in Q4'18 as well as the movement in credit spreads
- Capital flows reflect the 2018 final dividend

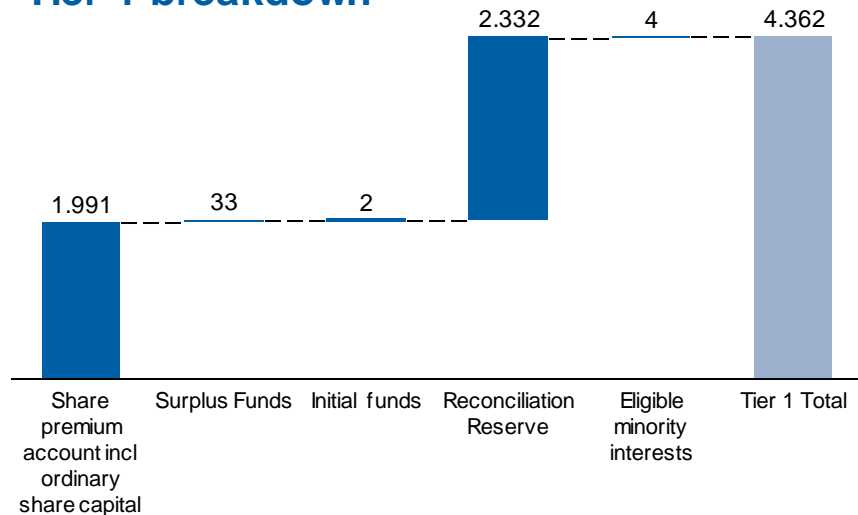
¹ Includes external debt interest expenses

² Residual category including model changes, variations in capital basic own fund items and in deferred tax positions and income tax.

Own Funds tiering

| (EUR mn) | 2018 | | 2017 | |
|----------------------------|--------------|------|--------------|------|
| Basic Own Funds | 5.286 | | 5.656 | |
| Tier 1 | 4.362 | 83% | 4.736 | 84% |
| <i>Tier 1 unrestricted</i> | 4.362 | 100% | 4.736 | 100% |
| <i>Tier 1 restricted</i> | 0 | 0% | 0 | 0% |
| Tier 2 | 919 | 17% | 915 | 16% |
| Tier 3 | 5 | 0% | 5 | 0% |
| Eligible Own Funds | 5.286 | | 5.656 | |

Tier 1 breakdown



Own Funds

- Share of Own Funds of highest quality (Tier 1) stays at a strong level of 83%
- Decrease in Tier 1 items between 2017 and 2018 is caused by drivers as explained on slide 7
- Tier 2 capital constitutes of two subordinated bonds issued in 2013 and 2015

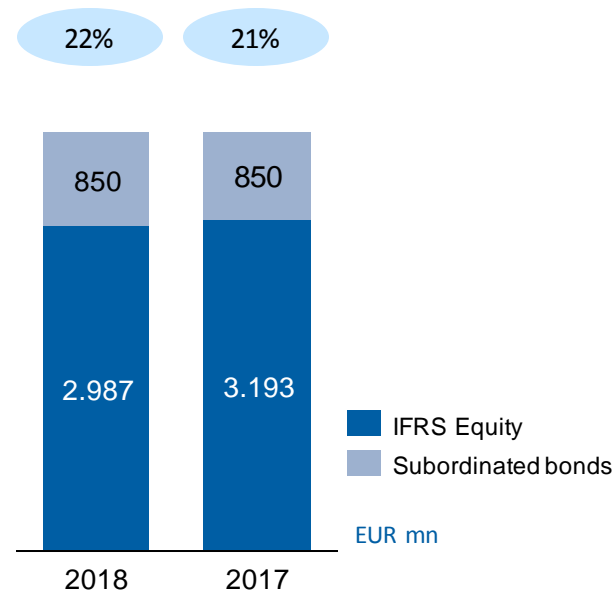
Tier 2 breakdown

| (EUR mn) | XS0808635436 | XS1117293107 |
|--------------------------|---|---|
| Nominal value | 350 | 500 |
| Solvency II fair value | 385 | 534 |
| Tier | 2 | 2 |
| Transitional regulations | No | No |
| Issue date | 31.07.2013 | 27.07.2015 |
| First cancellation date | 31.07.2023 | 27.07.2026 |
| Date of maturity | 31.07.2043 | 27.07.2046 |
| Status | Subordinated and unsecured | Subordinated and unsecured |
| Interest rate | Fixed until the first cancellation date (6,875%), then variable | Fixed until the first cancellation date (6,000%), then variable |

IFRS reconciliation

| (EUR mn) | 2018 | 2017 |
|--|--------------|--------------|
| IFRS total equity | 2.987 | 3.193 |
| - Goodwill | -296 | -296 |
| - Intangible assets and VBI | -171 | -101 |
| - Deferred acquisition costs (DAC) | -1.152 | -1.133 |
| + Revaluation (after deferred taxes) | 3.203 | 3.272 |
| <i>Revaluation of assets</i> | 1.049 | 1.095 |
| <i>Revaluation of technical provisions</i> | 2.154 | 2.177 |
| + Subordinated liabilities | 919 | 915 |
| - Foreseeable dividends | -163 | -159 |
| - Capping of minority interests | -40 | -36 |
| Economic Own Funds to cover ECR | 5.286 | 5.656 |

Financial leverage



IFRS reconciliation

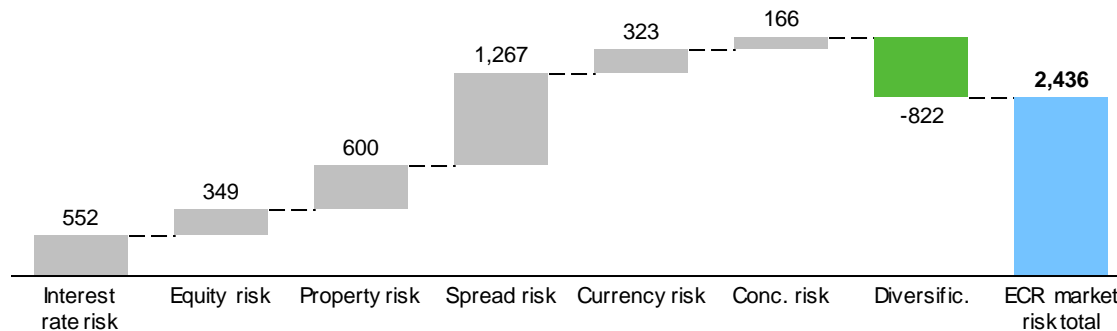
- Goodwill, value of business in force, deferred acquisition costs and intangible assets are valued at zero according to Solvency II.
- Other revalued assets include property (appraisal value instead of amortized cost), participations (market value instead of IFRS book value) and loans.
- Gross technical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

Financial leverage

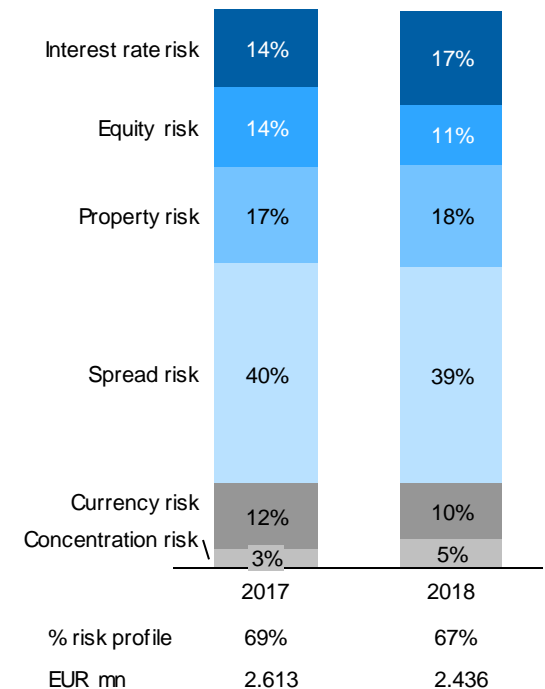
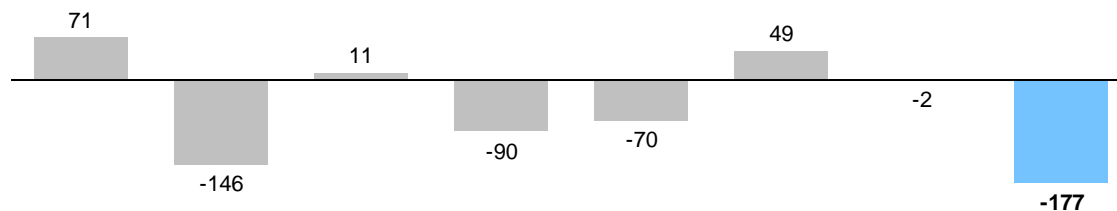
- Subordinated bonds included with nominal value
- Financial leverage calculated as $\frac{Subordinated_nominal}{IFRS\ Equity + Subordinated_nominal}$

ECR market risk profile and development

In EUR mn



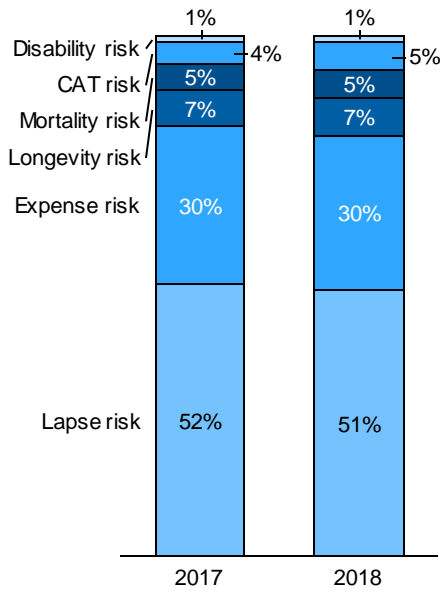
Change vs. 2017



Equity, spread and currency risk contributed to a decrease in net ECR market risk

- The change in equity risk was primarily caused by market value declines, which affected in particular the UNIQA World Selection Fund and the direct exposures to Strabag and RBI. Other factors included the sale of Medial Beteiligungs GmbH and the decline of the symmetric equity shock adjustment by 8.2 percentage points since year-end 2017.
- Spread risk decreased as a result of a reduction in the relevant investment amount and the average spread sensitivity.
- The change in currency risk was caused by a reduction in the USD-denominated investment amount and the fact that the risk calculation for off-setting currency forwards was calculated overly conservative at year-end 2017.
- The increase of interest rate risk was driven by the technical provisions, while the rise in concentration risk was primarily caused by a change in the methodology for calculating the average rating of single exposures, which – in the case of Poland - led to a one-notch rating decline.

Life underwriting risk



| | | |
|----------------|-----|-----|
| % risk profile | 10% | 10% |
| EUR mn | 384 | 365 |

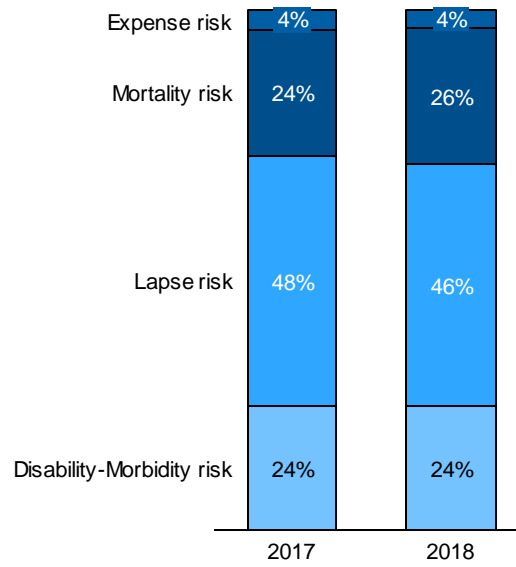
Key underwriting risks

- Biometric risks still have minor relevance
- Lapse risk remains a key issue for life underwriting risk (mass lapse risk of losing expected profits as relevant risk, as in 2017)

Measures

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

Health underwriting risk



| | | |
|----------------|-----|-----|
| % risk profile | 4% | 4% |
| EUR mn | 161 | 151 |

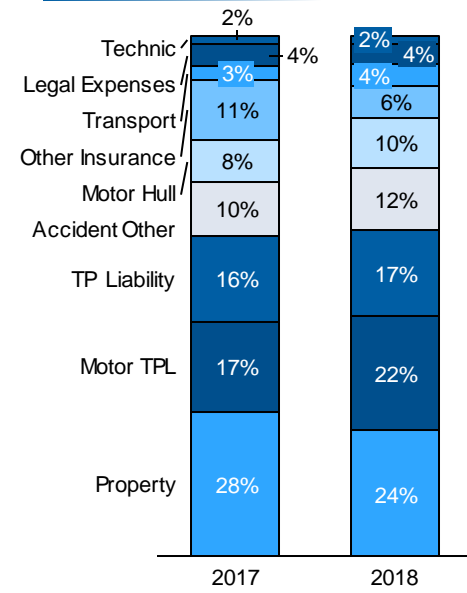
Key underwriting risks

- Mass lapse scenario: lapses of highly profitable business (as relevant lapse risk scenario, as in 2017)
- Stable proportions compared to last year

Measures

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

Non-life underwriting risk



| | | |
|----------------|-----|-----|
| % risk profile | 13% | 14% |
| EUR mn | 499 | 543 |

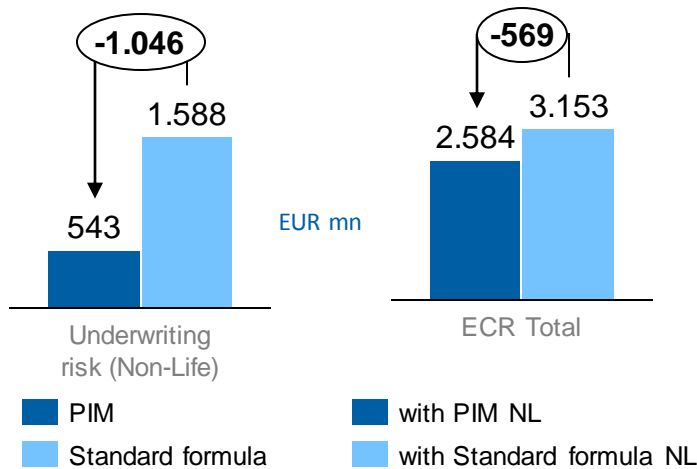
Key underwriting risks

- Overall increase in line with portfolio growth
- Share by line of business changed because of improved capital allocation

Measures

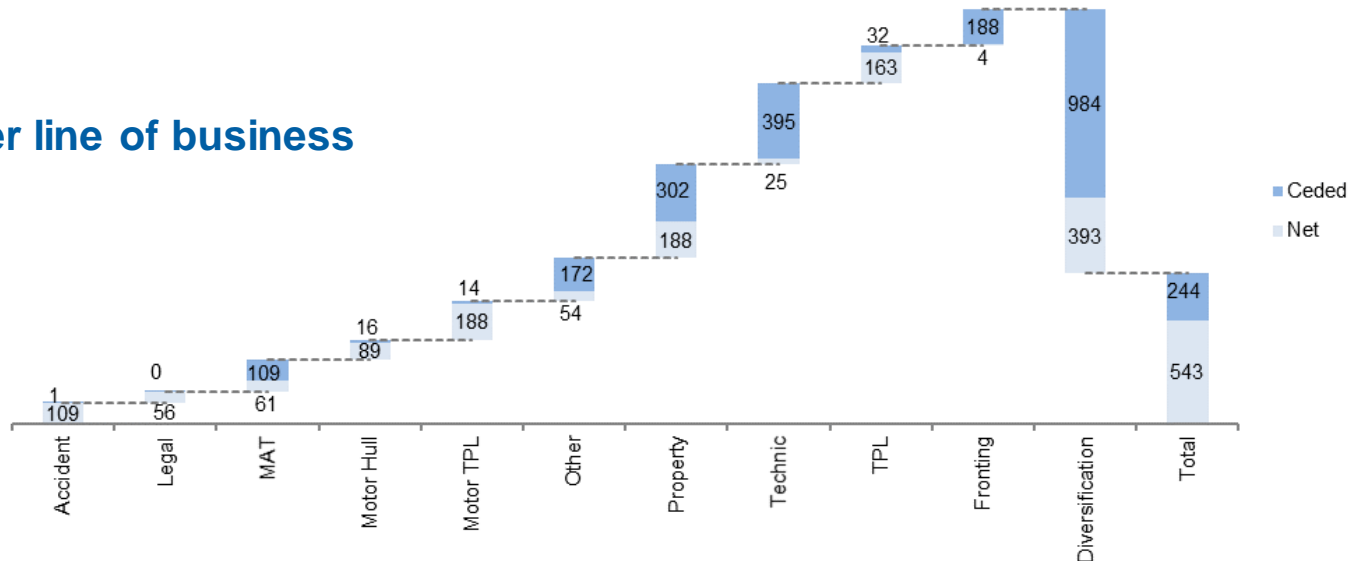
- On-going optimization of pricing processes
- Orientation on profitable lines of business

PIM NL vs. Standard formula



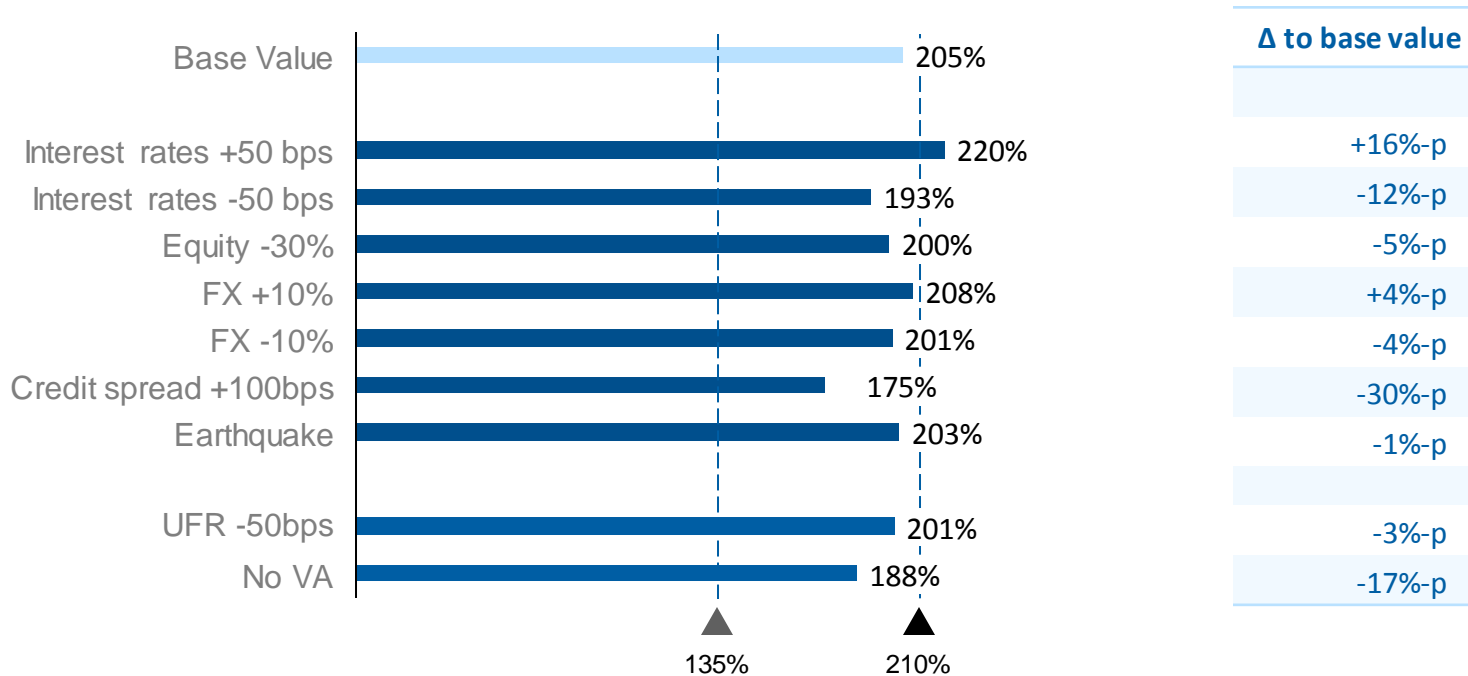
- Internal model non-life accounts for significant capital release compared to the standard formula
- This is mostly because of
 - Usage of own history for calibration
 - Detailed modelling of non-proportional reinsurance

ECR per line of business



Impact of sensitivities on ECR-ratio

Change in ECR-ratio



- **Interest rate sensitivities:** stress applied to non negative, liquid part of the curve only, extrapolation to UFR
- **Equity sensitivity:** a general decrease of 30% in the value of all equities.
- **Currency sensitivities:** a rise/fall of exchange rates by 10% uniformly across all currencies.
- **Credit spread sensitivity:** a widening of credit spreads by 100bps, no dynamic increase of volatility adjustment assumed.
- **Nat-Cat sensitivity:** assumed earthquake with epicentre in Austria and return period of 250 years.
- **UFR sensitivity:** Ultimate Forward Rate reduced by 50bps
- **No VA sensitivity:** yield curve without volatility adjustment.

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- Results
- Sensitivities and other analysis

II. Market Consistent Embedded Value

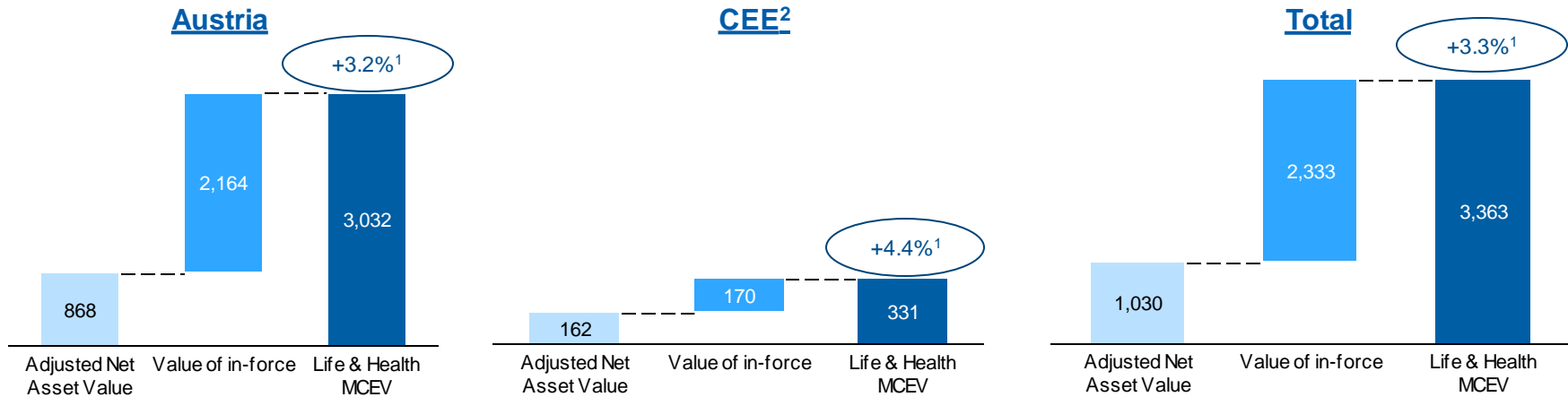
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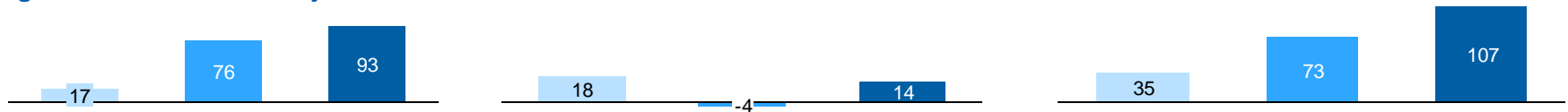
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Life & Health Embedded Value 2018

In EUR mn



Change vs 2017 restated & adjusted



- Total Life & Health Embedded Value increased by +3.3% (net of dividends and foreign exchange effects) to EUR 3,363mn
- In Austria, the increase in VIF is primarily due to a strong New Business Value, offset by a lower ANAV
- In CEE, the decrease in VIF is driven by updated expense and lapse assumptions in Hungary
- There was only a small effect in the VIF from changes in the economic environment in 2018
- The Return on Life & Health MCEV decreased from EUR 330mn (10.9%¹) to EUR 107mn (3.3%¹)
- The Life & Health Free Surplus Generation changed only slightly from EUR 90mn (3.0%¹) to EUR 89mn (2.7%¹)

¹ As % of adjusted opening Life & Health MCEV (net of dividends and foreign exchange effects)

² Defined as the following countries for MCEV purposes: Slovakia, Czech Republic, Hungary, Poland, Russia and Croatia

II. Market Consistent Embedded Value

New Business Value

New Business Value

In EUR mn



■ NBV



* Restated

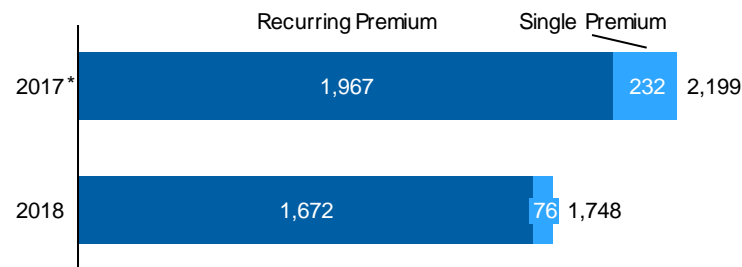
New Business Margin

As a % of PVNBP



Present Value of NB Premiums

In EUR mn



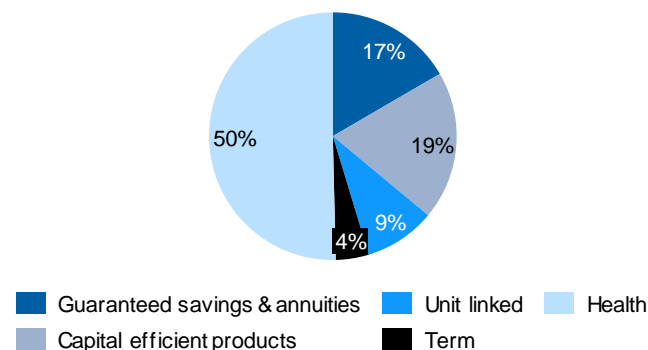
Split by region

In EUR mn

| | 2018 | | |
|------------|---------|-------|-------|
| | Austria | CEE | Total |
| NBV | 76 | 27 | 103 |
| PVNBP | 1,485 | 263 | 1,748 |
| % of PVNBP | 5.1% | 10.4% | 5.9% |

| | 2017 restated | | |
|------------|---------------|------|-------|
| | Austria | CEE | Total |
| NBV | 76 | 24 | 99 |
| PVNBP | 1,777 | 421 | 2,199 |
| % of PVNBP | 4.3% | 5.7% | 4.5% |

PVNBP split by LoB



- Success in improving product design and business mix can be seen in new business value development
- Increase in New Business Value compared to last year despite lower PVNBP volumes
- Increase in overall NBM driven by higher proportion of the most profitable subsidiaries

II. Market Consistent Embedded Value

Analysis of Change: In-Force Business

Restatement and opening adjustments include:

- Capital and dividend flows (EUR -83mn)
- Foreign exchange variance (EUR -9mn)

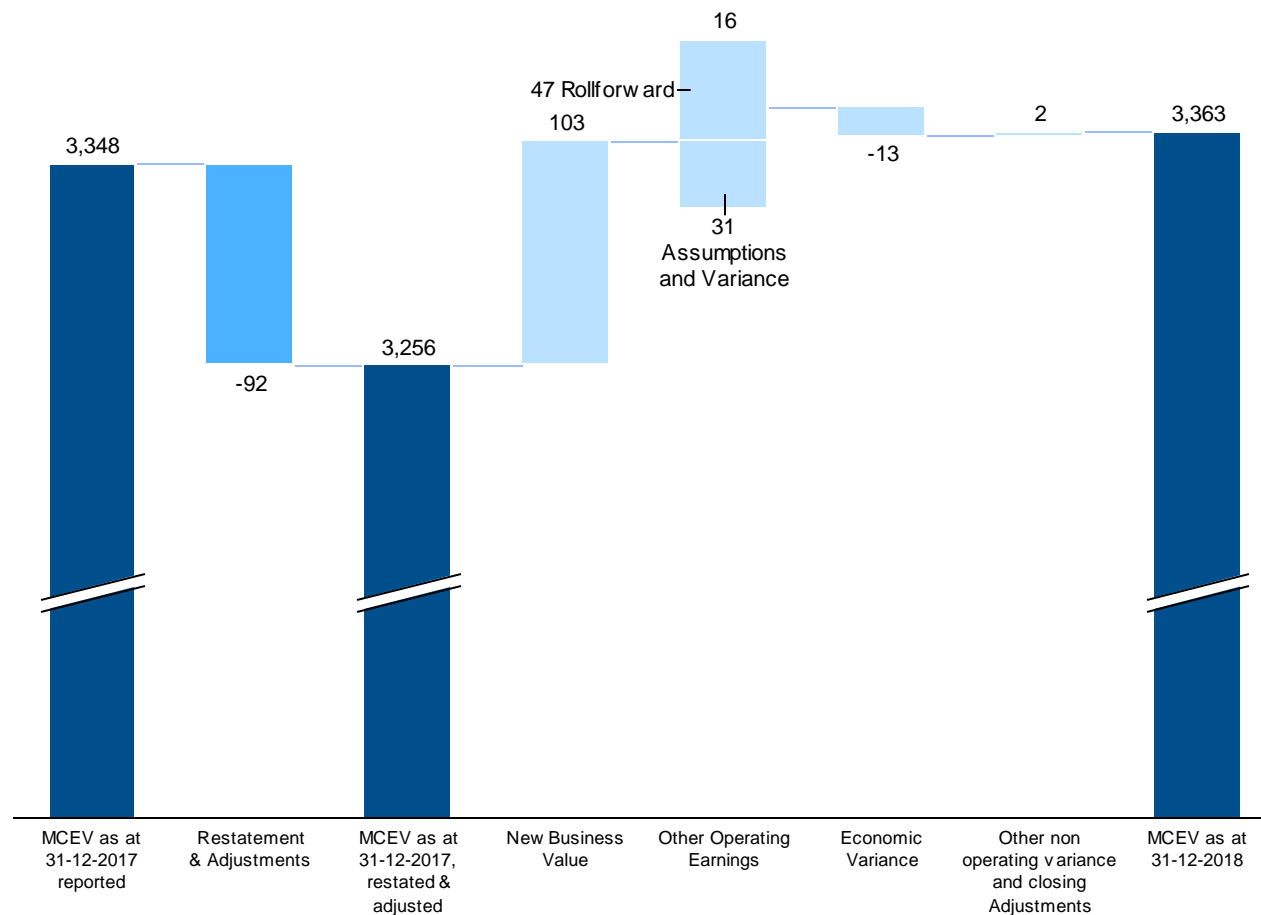
Increase in Life & Health MCEV driven by strong New Business Value of EUR 103mn

Positive development of operating earnings resulted in an increase of EUR 16mn

- Positive contributions from roll forward and updated claims ratios for the Austrian Health business
- Negative contributions from updated expense assumptions in Austria and Hungary

Small economic variance due to changes in interest rates

Changes in the adjusted net asset value are combined together in Other Operating Earnings

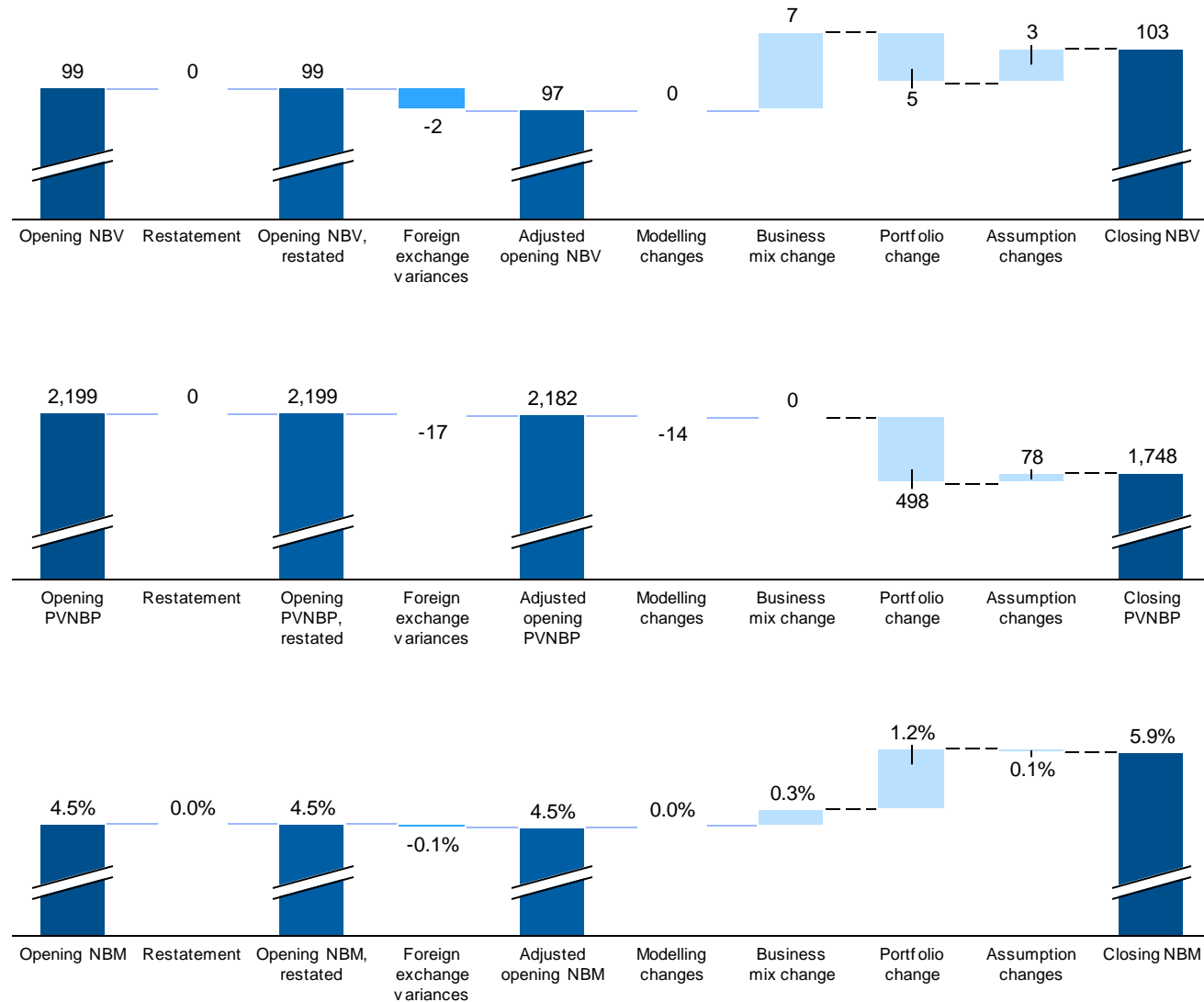


| | | | | | | | | |
|-------------------------------|--------------|------------|--------------|------------|-----------|------------|----------|--------------|
| Adjusted net asset value | 1,082 | -87 | 995 | -53 | 87 | - | - | 1,030 |
| Value of in-force business | 2,266 | -5 | 2,261 | 156 | -72 | -13 | 2 | 2,333 |
| Life & Health MCEV | 3,348 | -92 | 3,256 | 103 | 16 | -13 | 2 | 3,363 |

II. Market Consistent Embedded Value

Analysis of Change: New Business

- Minor effects from foreign exchange variances and modelling changes
- Improved business mix driven by Austria Life, with higher proportion of Term and lower proportion of Unit-linked business
- Portfolio change includes the change in relative volumes for subsidiaries, which is the primary reason for the improved NBM vs. 2017
Portfolio change also comprises reduction in volume leading to a decreasing effect in terms of NBV
- Assumption changes:
 - Negative expense assumption changes for Austria Life
 - Positive claims and expense assumption changes for Austria Health and Russia, respectively



II. Market Consistent Embedded Value

Life & Health Sensitivities

- Changes in interest rates remain the most relevant sensitivities for the Life & Health Embedded Value
- The New Business Value remains more resilient in interest rate sensitivity scenarios compared to existing business, underlining the capital efficiency of new products
- Decreased lapse rates show highly positive impact due to longer remaining time of profitable products in the portfolio

| in EUR mn | Change in Embedded Value | | | | Change in New Business Value | | | |
|---|--------------------------|------|-------|------|------------------------------|------|------|------|
| | 2018 | | 2017 | | 2018 | | 2017 | |
| Base value | 3,363 | 100% | 3,348 | 100% | 103 | 100% | 99 | 100% |
| EV change by economic factors | | | | | | | | |
| Risk free yield curve -50bp | -229 | -7% | -180 | -5% | -2 | -2% | -6 | -6% |
| Risk free yield curve +50bp | 162 | 5% | 133 | 4% | 0 | 0% | 2 | 2% |
| Equity and property market values -10% | -167 | -5% | -126 | -4% | 0 | 0% | 0 | 0% |
| Equity and property implied volatilities +25% | -22 | -1% | -28 | -1% | -1 | -1% | -1 | -1% |
| Swaption implied volatilities +25% | -84 | -2% | -77 | -2% | -6 | -5% | -6 | -6% |
| EV change by non-economic factors | | | | | | | | |
| Maintenance expenses +10% | -73 | -2% | n/a | n/a | -4 | -3% | n/a | n/a |
| Lapse rates -10% | 95 | 3% | 97 | 3% | 11 | 11% | 12 | 12% |
| Mortality for assurances -5% | 57 | 2% | 54 | 2% | 2 | 2% | 3 | 3% |
| Mortality for annuities -5% | -6 | 0% | -6 | 0% | 0 | 0% | 0 | 0% |
| Additional sensitivity | | | | | | | | |
| Removal of liquidity premium | -203 | -6% | -33 | -1% | 0 | 0% | n/a | n/a |
| UFR -50 bps | -112 | -3% | n/a | n/a | -2 | -2% | n/a | n/a |

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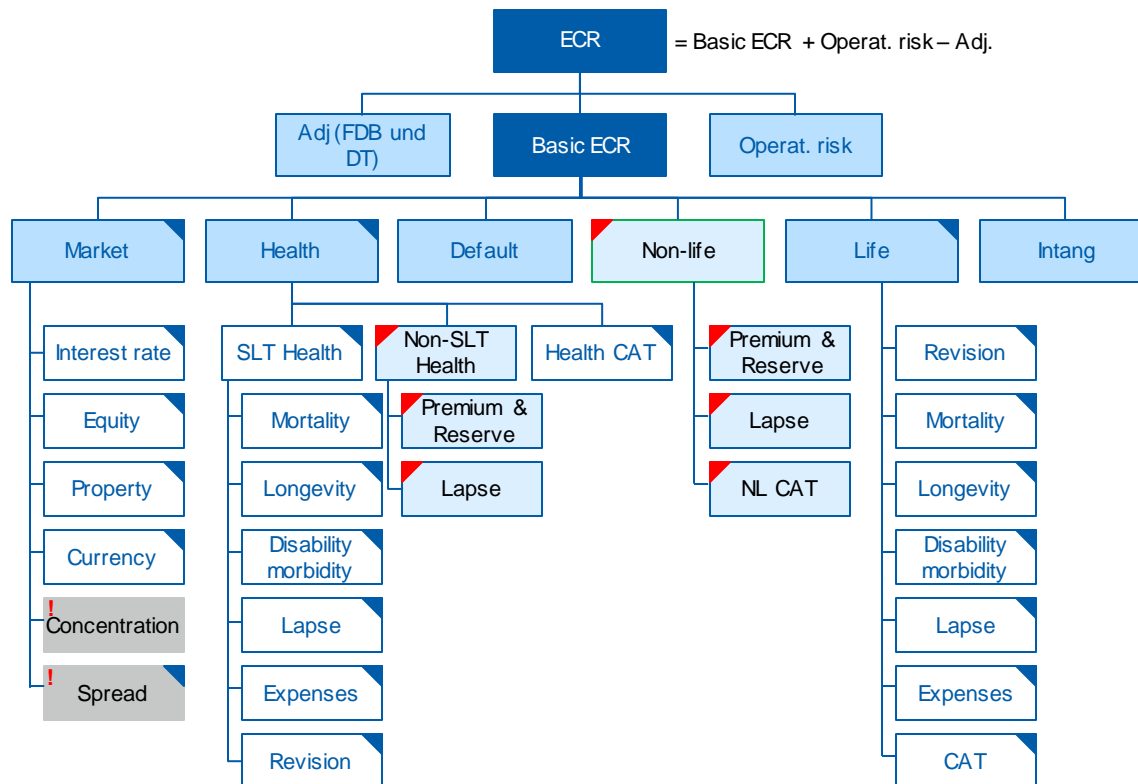
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- Disclosure of Economic Capital Model (ECM) results:
 - UNIQA discloses ECM results 2018 on the basis of the underlying and published methodology of the Group Economic Capital Model
 - Economic capital is a key figure for steering the UNIQA Group
 - UNIQA discloses the Own Funds and Economic Capital Requirement (ECR) details by risk classes
 - All figures are disclosed after the risk absorbing effects of future discretionary benefits

- Important valuation principles for the Available Own Funds
 - Valuation of assets and liabilities based on EC Delegated Acts
 - Goodwill is set to zero according to EC specifications (EUR 296mn)
 - Market value of properties and loans replace the IFRS values
 - Participations are valued at market price as of 31.12.2018
 - Technical provisions and reinsurance recoverables are valued on a discounted best estimate basis

UNIQA Group's economic capital model



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

Model details

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

- Disclosure of Life & Health Market Consistent Embedded Value (MCEV) results:
 - UNIQA discloses 2018 Life & Health results on the basis of the Market Consistent Embedded Value (MCEV) principles
 - Includes MCEV using bottom-up, market consistent methodology for main Life and Health businesses
 - Minority interests are taken into account
 - Split by the regions Austria and CEE¹
- The Property & Casualty business is not taken into account
- Independent review of methodology, assumptions and calculations for MCEV by B&W Deloitte GmbH

¹ Defined as the following countries for MCEV purposes: Slovakia, Czech Republic, Hungary, Poland, Russia and Croatia

- Consistent assumptions for MCEV and ECR valuation
- Reference rates based on swap rates as at 31 December 2018 including a liquidity premium (volatility adjustment). The liquidity premium is derived from observable market data and based on the approach used for internal risk capital calculations
- The 2018 calibration of the economic scenarios is based on (normal) implied volatilities

| Reference rates ¹ | EUR | | CZK | | HUF | | PLN | | RUB | | HRK | |
|------------------------------|--------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| 1 year | -0.33% | -0.36% | 1.96% | 0.98% | 0.44% | 0.01% | 0.94% | 1.40% | 9.22% | 7.47% | 0.08% | 0.20% |
| 5 years | 0.10% | 0.21% | 1.71% | 1.53% | 2.24% | 1.08% | 2.13% | 2.57% | 9.19% | 7.21% | 1.14% | 1.36% |
| 10 years | 0.73% | 0.80% | 1.65% | 1.76% | 3.13% | 2.06% | 2.77% | 3.21% | 8.90% | 7.19% | 2.18% | 2.38% |
| 15 years | 1.11% | 1.18% | 1.77% | 1.95% | 3.61% | 2.97% | 2.94% | 3.27% | 8.41% | 6.93% | 2.69% | 2.75% |
| 20 years | 1.28% | 1.36% | 2.02% | 2.21% | 3.83% | 3.49% | 3.10% | 3.37% | 7.85% | 6.58% | 2.98% | 3.00% |
| 25 years | 1.56% | 1.65% | 2.28% | 2.47% | 3.95% | 3.74% | 3.23% | 3.48% | 7.36% | 6.26% | 3.16% | 3.18% |

| Liquidity premium in bp | EUR | CZ | HU | PL | RUB | HRK |
|--------------------------------------|-----|----|----|----|-----|-----|
| Base premium – 100% | 37 | 26 | 8 | 14 | 0 | 18 |
| Participating life business – 65% | 24 | 17 | 5 | 9 | 0 | 12 |
| Unit and index linked business – 65% | 24 | 17 | 5 | 9 | | 12 |
| Health business – 65% | 24 | | | | | |

| Exchange rates and tax rates | Exchange rate | | Tax rate | |
|------------------------------|---------------|--------|----------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Austria | - | - | 25.00% | 25.00% |
| Czech Republic | 25.72 | 25.54 | 19.00% | 19.00% |
| Hungary | 320.98 | 310.33 | 9.00% | 9.00% |
| Slovakia | - | - | 21.00% | 21.00% |
| Poland | 4.30 | 4.18 | 19.00% | 19.00% |
| Russia | 79.72 | 69.39 | 20.00% | 20.00% |
| Croatia | 7.41 | 7.44 | 18.00% | 18.00% |

| Other economic assumptions (EUR) | 2018 | 2017 |
|---|-------|-------|
| Interest rate volatility ² - Normal | 63 bp | 65 bp |
| Equity volatility ³ | 17.9% | 21.5% |
| Expense/medical inflation | 2%/2% | 2%/2% |

¹ Excluding liquidity premium

² 10 to 10 implied swaption volatility

³ 10 years

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

- This presentation contains forward-looking statements
- Forward-looking statements involve inherent risks and uncertainties, and it might not be possible to achieve the predictions, forecasts, projections and other outcomes described or implied in forward-looking statements
- A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in these forward-looking statements
- These forward-looking statements will not be updated except as required by applicable laws