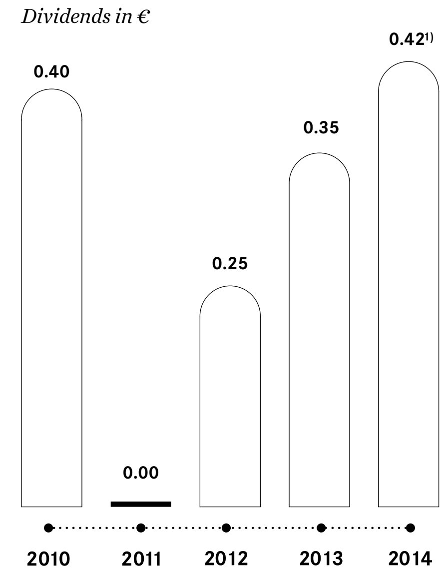
UNIQA Group at a glance

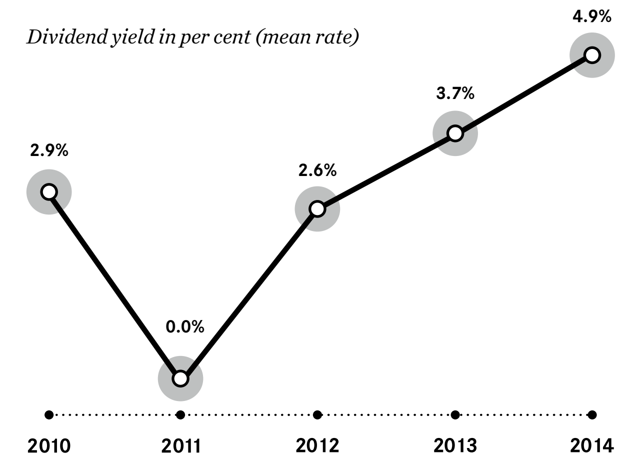
Consolidated key figures in € million	2014	2013	Change
Premiums written	**5,519.7**	**5,157.6**	**+7.0%**
Savings portions from unit-linked and index-linked life insurance (before reinsurance)	544.7	727.9	-25.2%
Premiums written including savings portions from unit-linked and index-linked life insurance	**6,064.4**	**5,885.5**	**+3.0%**
of which property and casualty insurance	2,620.9	2,590.5	+1.2%
of which health insurance	960.8	937.6	+2.5%
of which life insurance	2,482.7	2,357.4	+5.3%
of which income from regular premiums	1,521.0	1,674.6	-9.2%
of which single premiums	961.6	682.8	+40.8%
Premiums written including savings portions from unit-linked and index-linked life insurance	**6,064.4**	**5,885.5**	**+3.0%**
of which UNIQA Österreich	2,773.5	2,806.7	-1.2%
of which Raiffeisen Insurance	905.3	878.5	+3.1%
of which UNIQA International AG	2,353.1	2,162.4	+8.8%
of which reinsurance	1,189.3	1,633.1	-27.2%
of which of which Group functions and consolidation	-1,156.9	-1,595.1	-27.5%
Premiums earned (net)[1]	**5,312.9**	**4,938.6**	**+7.6%**
of which property and casualty insurance	2,482.9	2,441.5	+1.7%
of which health insurance	960.0	936.2	+2.5%
of which life insurance	1,870.0	1,560.9	+19.8%
Savings portions from unit-linked and index-linked life insurance (after reinsurance)	526.1	702.3	-25.1%
Premiums earned including savings portions from unit-linked and index-linked life insurance	**5,839.0**	**5,640.9**	**+3.5%**
Net insurance benefits	**-4,383.7**	**-3,959.4**	**+10.7%**
of which property and casualty insurance	-1,723.6	-1,633.8	+5.5%
of which health insurance	-780.5	-768.7	+1.5%
of which life insurance	-1,879.6	-1,556.9	+20.7%
Operating expenses (net)[2]	**-1,275.3**	**-1,354.2**	**-5.8%**
of which property and casualty insurance	-746.1	-803.2	-7.1%
of which health insurance	-163,4	-162.1	+0.8%
of which life insurance	-365.9	-388.9	-5.9%
Cost ratio (after reinsurance)	**21.8%**	**24.0%**	**–**
Combined ratio (after reinsurance)	**99.5%**	**99.8%**	**–**
Net investment income	**864.4**	**780.0**	**+10.8%**
Profit/(loss) from ordinary activities	**377.9**	**307.6**	**+22.9%**
Profit/(loss) for the year	**292.9**	**287.9**	**+1.7%**
Consolidated profit/(loss)	**289.9**	**284.7**	**+1.8%**
Return on equity (ROE) after taxes and non-controlling interests	**9.9%**	**11.9%**	**–**
Investments[3]	**29,212.7**	**27,383.6**	**+6.7%**
Equity	3,082.2	2,763.1	+11.5%
Total equity including non-controlling interests	**3,102.4**	**2,785.1**	**+11.4%**
Technical provisions (net)[4]	25,629.6	24,208.8	+5.9%
Total assets	**33,038.2**	**31,001.7**	**+6.6%**
Number of insurance contracts	19,214,570	18,556,615	+3.5%
Average number of employees	**14,336**	**14,277**	**+0.4%**

[1] Consolidated amounts.
[2] Less reinsurance commission and share of profit from reinsurance ceded.
[3] Including land and buildings for own use, investment property, shares in associates, unit-linked and index-linked life insurance investments and current bank balances and cash-in-hand.
[4] Including technical provisions for unit-linked and index-linked life insurance.

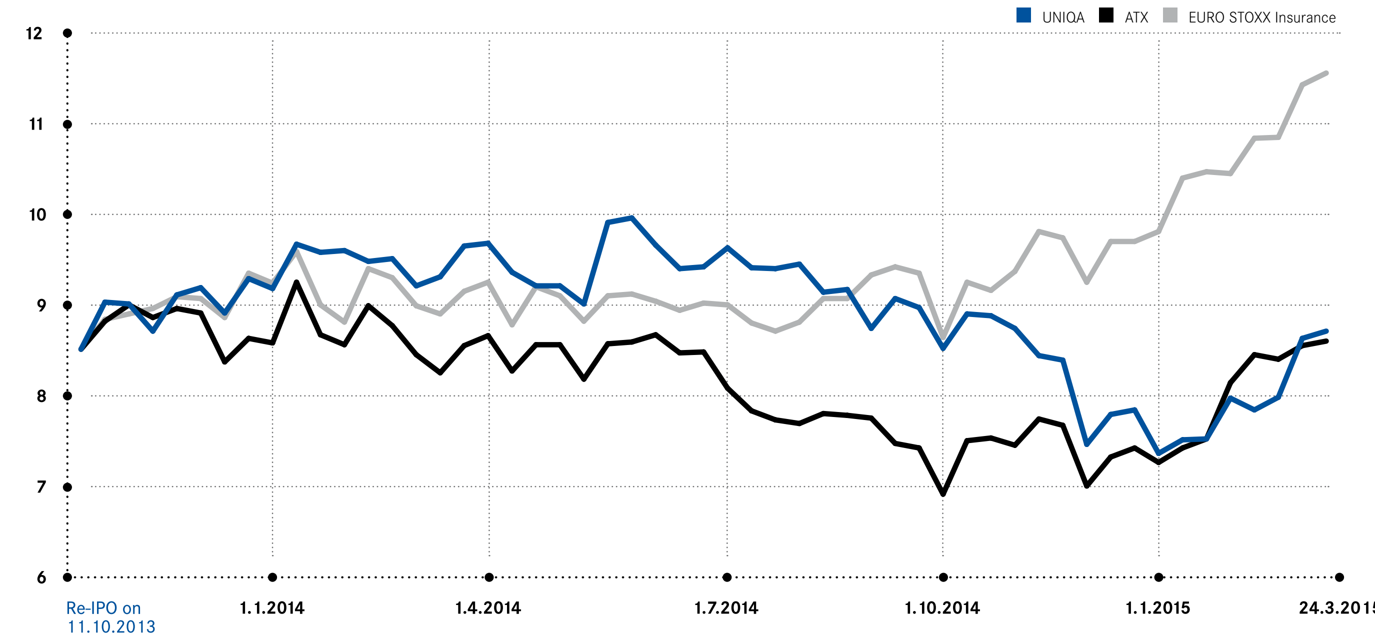
History of UNIQA dividends



[1] Proposal to the Annual General Meeting



UNIQA share performance



UNIQA shares – key figures

in	2014	2013	2012	2011	2010
UNIQA share price as at 31 December	7.78	9.28	9.86	9.42	14.70
High	10.02	11.14	13.40	16.50	15.34
Low	7.34	8.12	8.75	9.00	10.68
Average turnover/day (in million)	3.2	1.5	0.1	0.1	0.5
Market capitalisation as at 31/12 (in million)	2.404.0	2,867.5	2,112.5	1,346.9	2,102.0
Earnings per share	0.94	1.21	0.75	-1.73	0.30
Dividend per share	0.42[1]	0.35	0.25	0	0.40

[1] Proposal to the Annual General Meeting

A very special year for Europe

BY AUREL SCHUBERT

2014 posed great challenges to the insurance industry. Aurel Schubert, chief statistician of the European Central Bank, gives an explanation of how monetary policy reacted to economic influences and why he is looking to the future with confidence.

2014 has now been the seventh year of the global economic and financial crisis, in particular in Europe and in the eurozone. In addition, the European real economy is still marked by a significant underutilisation of capacity. The inflation rate, and even the expectations of inflation over all time horizons, have not only sharply declined, they have reached historic lows. The inflation rate in the eurozone in December 2014 and subsequently at the beginning of 2015 even lay in the negative range. Lending also continued to decline, while development of the money supply was restrained.

Innovative monetary policy

Monetary policy reacted resolutely. The European Central Bank (ECB) took full advantage of the conventional tools, even including targeted longer-term refinancing transactions and negative interest rates on deposits. In June 2014, the interest rate on deposits, which had already hit zero in the middle of 2012, fell to –0.1 per cent, and then in September even to –0.2 per cent. At the same time, the main refinancing rate, which at the beginning of the crisis was still at 4.25 per cent, had dropped to the historic low of 0.05 per cent. The interest channel was thus fully exhausted. In order to achieve an even looser monetary policy, these interest-rate measures were supplemented by a series of unconventional expansionary steps, some of them quite innovative. They culminated in March 2015 with the beginning of the purchase of eurozone government bonds on the secondary market (in addition to private asset-backed securities and covered bonds). All these measures, some of which entered new territory for central banks, pursue the same objective: to allow the ECB to fulfil its mandate. This means a correction of the course of inflation, which at the beginning of 2015 had even brought a reduction of consumer prices of 0.6 per cent, and bringing it back to the ECB target, namely close to but under 2 per cent. This should combat the dangers of deflation and continue to push the market expectations of inflation in the direction of the target value. The transmission mechanism of monetary policy is to be restored, thereby further improving the financing conditions for companies and private households in the eurozone. As a result, domestic demand should be strengthened, as well as foreign demand through the effects of exchange rates. At the same time, the positive effects of purging bad assets from many European bank balance sheets, which has meanwhile been completed – in connection with the start of the banking union and the related “asset quality review” – should be supported.

Side effects of the monetary policy

However, this situation and the measures that were taken also created completely new and unprecedented challenges in the form of “side effects” for many financial market actors, in particular insurance companies and pension funds. Negative yields on the money market and for government bonds – sometimes even for corporate bonds – with the best credit ratings in Europe, are symptoms that present an entirely new situation for investment policy for which there is no prior experience to fall back on. Simultaneously, the risk premiums for entities with lower credit ratings have declined, not least due to the purchase programmes of the central banks, while repayments and sales have created a need for reinvestment in this difficult market environment.

Asynchronous economic development

Economic trends in 2014 varied greatly among the major economic zones of the world, but also within the eurozone. Recovery in the eurozone, at least up to the beginning of 2015, remained restrained, being marked by significant unused capacity, ongoing high unemployment and an annual growth rate of under one per cent. At the same time, the economic recovery in the US made significant progress; the country is said to have achieved growth of around 2.5 per cent. This has been reflected in growing differences in the monetary policy cycle on either side of the Atlantic. While in the US the markets and analysts were beginning to consider the question of reducing the expansive monetary policy measures (“tapering”), in the eurozone the focus was on possible new expansive monetary policy decisions (“quantitative easing”).

Structural reforms as a motor of growth?

Now that the possibilities of monetary policy in the eurozone have been essentially exhausted, the long-standing pending structural reforms have taken on increased significance. Here policy is challenged to embrace measures that will bring about or at least support a long-term, sustainable increase of the growth path. The banking sector plays an outstanding role in the financing of the European real economy, in some ways different than in the US. Consequently, the health of the European banking sector is also of special significance for strengthening the European economy. A historical milestone was put in place in November 2014 with the establishment of the common European banking supervision by the ECB. With this supervisory approach, trust in the banking sector should be clearly strengthened and the normal transmission mechanism of monetary policy will be back in motion. 2014 brought a number of innovations for the finance market in Europe and in the eurozone, both in monetary policy and in institutions. These innovations emphasise the fact that Europe, when challenged, can act in a forceful manner. They will – if they are accompanied by structural reforms of similar strength – form a solid basis for a sustained economic upswing in Europe. That gives us hope in the face of future challenges.

AUREL SCHUBERT *has been Director General Statistics at the European Central Bank since 2010. Previously, he was the chief economist at Oesterreichische Nationalbank. He directs the Statistical Committee of the European System of the central banks; he is a member of the European Statistical Advisory Committee (ESAC) and sits on the management board of the Irving Fisher Committee on Central Bank Statistics.*

Note: This commentary gives the opinion of the author. It does not necessarily represent the official policy of the European Central Bank.

We are one-third of the way there

Dear Shareholders,

2014 was the third full year of our long-term strategic programme UNIQA 2.0, which we presented to you in the middle of 2011. We have accomplished a great deal over these past 12 months in a challenging environment, albeit not everything we set out to do. We are moving full steam ahead to fulfil our objectives and thus to continue UNIQA's step-by-step development towards its long-term goal of becoming the leading insurer in Central and Eastern Europe.

In the 19 European countries in which we are active, we have won the trust of a total of more than 10 million customers whom we have to thank for €6.1 billion in premium income. For this, I would like to sincerely thank those customers, as well as our approximately 22,000 employees and business associates.

The composition of this growth of around 3 per cent compared to 2013 is not entirely in line with our strategy: Strong growth in life insurance, carried above all by our Italian subsidiary, and systematic, solid growth in health insurance stand in contrast to the growth that was below expectations in property and casualty insurance. The reasons for this lie in currency losses in Eastern Europe and in turnaround measures in automobile insurance in several CEE countries.

2014 – Increased profitability and lower costs

We have further improved profitability of our technical results in our two core markets, Austria and CEE, in particular as a result of the first positive effects of strict cost management.

In property and casualty insurance, the combined ratio declined by 0.3 percentage points to 99.5 per cent, following 105.1 per cent in 2011. Despite a significantly reduced cost ratio, the improvement in the combined ratio moved more slowly than planned. The primary reason for this is found in run-off losses in Austria, Poland and Romania. In both life insurance and health insurance, where in Austria we are the market leader with a market share of 48 per cent, we were able to improve the technical results.

With regard to profit from ordinary activities (POA) in our operating segments, both of our companies that are active in the home market in Austria did very well. Both UNIQA Österreich and Raiffeisen Versicherung AG, with a POA of €273.9 million and €108.6 million respectively, not only clearly exceeded the previous year's results, they also performed better than planned. In addition to technical improvements in insurance, positive one-time effects in net investment income were at the centre of this development.

In contrast, with a loss from ordinary activities of €–1 million, UNIQA International came in under the previous year's results and also fell considerably short of the planned performance. Weak operating developments in Hungary and Romania, where we also recognised an impairment loss on goodwill of €25 million, clouded the outlook for otherwise marked positive performance in the other international markets. Special attention should be paid to the continued satisfying business trend in Ukraine and Russia, despite the difficult general conditions. Not only did we generate double-digit growth in premiums here on the basis of the local currencies, we also had clearly positive contributions to net profit.

The overall good net profit before taxes of €377.9 million for 2014 allows us to propose an increase in the dividend from €0.35 per share to €0.42 per share to the Annual General Meeting.

2015 – The environment makes it a challenge

The operating goals for 2015 are clear: Maintaining good technical profitability in health and life insurance and in particular a clear improvement in property and casualty insurance. This is even more important in that in the medium term net investment income, which in 2014 turned out to be remarkably positive with a return of 3.8 per cent in a phase of realigning our asset allocation, cannot be maintained at this level.

At the end of November 2014, we resolved and communicated a reduction of our POA planning for 2015 by around 20 per cent from "up to €550 million" to a range of "between €425 and €450 million", which still corresponds to a double-digit percentage increase. The determining factors for this were the low interest environment, the weak macroeconomic trend in some of our markets and the political instability around the armed conflict in eastern Ukraine.

We will attempt to compensate for a portion of the negative effects of these external factors through further improvement in the core underwriting business. Following years of intensive preparations within our Company, we are pleased that the Europe-wide regulatory framework Solvency II goes into effect beginning 1 January 2016, which will entail a stronger focus on the diligent, long-term economic approach to managing insurance undertakings.

In the name of the Management Board, I would like to express our sincere gratitude to our shareholders for their interest in UNIQA. We will continue to work consistently to fulfil your expectations.

Sincerely,
Andreas Brandstetter
CEO UNIQA Group