

Report on the calculation of the UFR for 2026

RFR Methodology

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EXECUTIVE SUMMARY

EIOPA has calculated the ultimate forward rate (UFR) for 2026 in accordance with the methodology to derive the UFR.

For all relevant currencies the UFR does not change compared to previous year. This implies for the euro an applicable UFR of **3.30%** for 2026.

Inflation rates have continued to drop over 2024, while short-term nominal rates slightly increased. Inflation rates are no longer higher than short-term nominal rates leading to an average positive real rate for 2024. Due to this, the long-term average real rate slightly increased. However, there was no impact on the expected real rate due to the specific rounding method applied¹. Furthermore, for no currency a change was observed in its expected inflation rate, which led to a stable calculated UFR compared to last year. For no relevant currency the difference between the calculated and applicable UFR was greater/smaller than $\pm 15\text{bp}$ resulting in stable applicable UFR levels.

As UFR levels do not change there is no impact to assess and no need to involve COM² other than informing them.

The new ultimate forward rates will be applicable for the calculation of the risk-free interest rates from 1 January 2026 onwards.

¹Up to a multiple of five basis points.

² Please note that the EC Delegated act published by the Commission on the 8th of March 2019 introduced additional provisions concerning EIOPA's work on the risk-free technical information, including that the technical information shall be modified by EIOPA at the request of the European Commission (http://ec.europa.eu/finance/docs/level-2-measures/solvency2-delegated-regulation-2019-1900_en.pdf).

1. METHODOLOGY TO DERIVE THE UFR

1.1. EXPECTED REAL RATE

The UFR is the sum of an expected real rate and an expected inflation rate. The expected real rate is the same for all currencies. It is calculated as a simple average of the past real rates of a basket of representative countries since 1961. For the calculation of the expected real rate, a new observed real rate for 2024 enters the calculation. This new observed real rate equals 1.49% (2023: -1.04%). The resulting expected real rate for 2024 equals 1.20% (2023: 1.20%). Annex 1 sets out the intermediate results of the calculation.

1.2. EXPECTED INFLATION RATE

The expected inflation rate is currency specific. It is based on the inflation target of central banks and can take the values 1%, 2%, 3% or 4%.

The expected inflation rates remain unchanged for all currencies. The following table sets out the expected inflation rate per currency. Annex 2 and Annex 3 set out the underlying inflation targets and the determination of the expected inflation rate for currencies without inflation target.

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Table 1 - Expected Inflation Rates

	Currency	Expected inflation rate
EUR	Euro	2%
CZK	Czech koruna	2%
GBP	Pound sterling	2%
HUF	Forint	3%
PLN	Zloty	2%
RON	Leu	2%
SEK	Krona	2%
CHF	Swiss franc	1%
ISK	Króna	2%
NOK	Norwegian krone	2%
AUD	Australian dollar	2%
CAD	Canadian dollar	2%
CNY	Renminbi-yuan	3%
COP	Colombian peso	3%
HKD	Hong Kong dollar	2%
JPY	Yen	2%
TWD	New Taiwan dollar	2%
USD	US dollar	2%

1.3. ULTIMATE FORWARD RATE

The following table sets out the changes in applicable UFRs going from 2025 to 2026.

Table 2 - Calculated and Applicable UFR for 2025 and 2026

Currency Code	Currency	UFR applicable in 2025	Calculated UFR for 2026	UFR applicable in 2026	Change in UFR
EUR	Euro	3.30%	3,20%	3,30%	-
CZK	Czech koruna	3.30%	3,20%	3,30%	-
GBP	Pound Sterling	3.30%	3,20%	3,30%	-
HUF	Forint	4.20%	4,20%	4,20%	-
PLN	Zloty	3.30%	3,20%	3,30%	-
RON	Leu	3.30%	3,20%	3,30%	-
SEK	Krona	3.30%	3,20%	3,30%	-
CHF	Swiss franc	2.30%	2,20%	2,30%	-
ISK	Króna	3.30%	3,20%	3,30%	-
NOK	Norwegian krone	3.30%	3,20%	3,30%	-
AUD	Australian dollar	3.30%	3,20%	3,30%	-
CAD	Canadian dollar	3.30%	3,20%	3,30%	-
CNY	Renminbi-yuan	4.20%	4,20%	4,20%	-
COP	Colombian peso	4.20%	4,20%	4,20%	-
HKD	Hong Kong dollar	3.30%	3,20%	3,30%	-
JPY	Yen	3.20%	3,20%	3,20%	-
TWD	New Taiwan dollar	3.30%	3,20%	3,30%	-
USD	US dollar	3.30%	3,20%	3,30%	-

ANNEX 1 CALCULATING THE EXPECTED REAL RATE

The following table sets out the time series of real rates used for the calculation of the expected real rate. Real rates in the table are rounded to two decimal digits for presentational reasons.

Table 3 - History of observed Real Rates

Year	Real rates	Year	Real rates	Year	Real rates
1961	1.58%	1989	5.66%	2017	-1.69%
1962	0.09%	1990	5.61%	2018	-1.65%
1963	0.01%	1991	4.87%	2019	-1.32%
1964	0.46%	1992	5.53%	2020	-0.89%
1965	1.09%	1993	3.90%	2021	-2.98%
1966	1.64%	1994	3.11%	2022	-6.55%
1967	1.89%	1995	3.56%	2023	-1.04%
1968	1.82%	1996	2.25%	2024	1.49%
1969	2.08%	1997	2.73%		
1970	2.50%	1998	3.12%		
1971	-0.23%	1999	2.23%		
1972	-0.91%	2000	2.74%		
1973	0.81%	2001	1.77%		
1974	-1.11%	2002	1.21%		
1975	-4.82%	2003	0.49%		
1976	-0.94%	2004	0.47%		
1977	-1.66%	2005	0.57%		
1978	0.78%	2006	1.61%		
1979	1.45%	2007	2.58%		
1980	1.05%	2008	1.18%		
1981	3.71%	2009	0.58%		
1982	3.34%	2010	-0.94%		
1983	3.48%	2011	-1.61%		
1984	4.35%	2012	-1.79%		
1985	4.48%	2013	-1.28%		
1986	5.83%	2014	-0.60%		
1987	5.01%	2015	-0.21%		
1988	4.74%	2016	-0.74%		

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Expected real rate before rounding

= Average of real rates over period [1961, 2024]

= 1.19509% (2023: 1.19035%).

Expected real rate after rounding

= **1.20%** (2023: 1.20%).

ANNEX 2 INFLATION TARGETS

The following table sets out the inflation targets. The information was derived from the specified sources during January 2025. If no specific source was available, Refinitiv has been used as alternative source. For currencies for which no information was available at all, and for currencies where exchange rate targeting is used instead of inflation targeting, see Annex 3.

Table 4 - Inflation Targets

	Currency	Inflation target	Source
EUR	Euro	2%	https://www.ecb.europa.eu/ecb/tasks/monpol/html/index.en.html
CZK	Czech koruna	2%	https://www.cnb.cz/en/monetary-policy/
GBP	Pound sterling	2%	https://www.bankofengland.co.uk/monetary-policy/inflation
HUF	Forint	3% ± 100bps	http://www.mnb.hu/en/monetary-policy/monetary-policy-framework/inflation-targeting
PLN	Zloty	2.5% ± 100bps	https://nbp.pl/en/monetary-policy/
RON	Leu	2.5% ± 100bps	http://bnr.ro/Inflation-Targets-3241.aspx
SEK	Krona	2%	https://www.riksbank.se/en-gb/monetary-policy/the-inflation-target/
CHF	Swiss franc	Less than 2%	https://www.snb.ch/en/the-snb/mandates-goals/monetary-policy/strategy
ISK	Króna	2.50% ± 150bps	http://www.cb.is/monetary-policy/inflation-target/
NOK	Norwegian krone	2%	https://www.norges-bank.no/en/kort-forklart/inflasjon/why-do-we-want-low-and-stable-inflation/
AUD	Australian dollar	2 - 3%	http://www.rba.gov.au/inflation/inflation-target.html
CAD	Canadian dollar	2% ± 100bps	https://www.bankofcanada.ca/core-functions/monetary-policy/#inflation
CNY	Renminbi-yuan	3%	https://english.www.gov.cn/news/202403/06/content_WS65e7d31fc6d0868f4e8e4bdd.html
COP	Colombian peso	3%	https://www.banrep.gov.co/en/publications-research/monetary-policy-report/january-2025
HKD	Hong Kong dollar	No inflation target	https://www.hkma.gov.hk/eng/key-functions/money/linked-exchange-rate-system/
JPY	Yen	2%	https://www.boj.or.jp/en/mopo/outline/target.htm
TWD	New Taiwan dollar	No inflation target	https://www.cbc.gov.tw/en/cp-448-160568-c2665-2.html
USD	US dollar	2%	https://www.federalreserve.gov/monetarypolicy/review-of-monetary-policy-strategy-tools-and-communications-statement-on-longer-run-goals-monetary-policy-strategy.htm

ANNEX 3 EXPECTED INFLATION RATES FOR CURRENCIES WITHOUT INFLATION TARGET

For currencies without an inflation target the expected inflation rate is derived from a projection based on historic inflation rates. The following table sets out for the affected currencies the average inflation over the last 10 years and the projected inflation rate in 2059 (in 35 years) according to an ARMA³ model.

Table 5 - 10Y Average and Projected Inflation

Currency	Average inflation rate over the last 10 years	Projection
Hong Kong dollar	1.79%	2.45%
New Taiwan dollar	1.43%	1.71%

According to the UFR methodology, the expected inflation rate for currencies without inflation target is 2%, unless both the 10-year average and the projection clearly indicate that the inflation is expected to be at least one percentage point different from 2%. All currencies therefore fall in the 2% bucket.

³ Auto Regressive Moving Average model

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