Group Report 2016
UNIQA Group

Think
safer, better,
longer living.

Think UNIQA

UNIQA Group at a glance

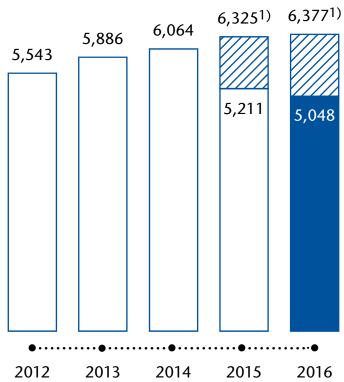
Consolidated key figures
In € million

	2016	2015	Change
Premiums written	**4,643.1**	**4,829.0**	**– 3.9%**
Savings portions from unit-linked and index-linked life insurance (before reinsurance)	405.1	382.0	+ 6.0%
Premiums written including savings portions from unit-linked and index-linked life insurance	**5,048.2**	**5,211.0**	**– 3.1%**
of which property and casualty insurance	2,518.4	2,439.2	+ 3.2%
of which health insurance	1,003.7	964.4	+ 4.1%
of which life insurance	1,526.1	1,807.5	– 15.6%
of which recurring premiums	1,356.9	1,366.9	– 0.7%
of which single premiums	169.2	440.6	– 61.6%
Premiums written including savings portions from unit-linked and index-linked life insurance	**5,048.2**	**5,211.0**	**– 3.1%**
of which UNIQA Austria	3,631.5	3,883.5	– 6.5%
of which UNIQA International	1,399.9	1,302.8	+ 7.5%
of which reinsurance	1,130.8	1,112.1	+ 1.7%
of which consolidation	– 1,113.9	– 1,087.3	+ 2.4%
Premiums earned (net)[1]	**4,443.0**	**4,651.1**	**– 4.5%**
of which property and casualty insurance	2,359.1	2,301.3	+ 2.5%
of which health insurance	1,000.4	963.9	+ 3.8%
of which life insurance	1,083.6	1,386.0	– 21.8%
Savings portions from unit-linked and index-linked life insurance (after reinsurance)	384.7	365.9	+ 5.1%
Premiums earned including savings portions from unit-linked and index-linked life insurance	**4,827.7**	**5,017.0**	**– 3.8%**
Net insurance benefits	**– 3,385.6**	**– 3,671.3**	**– 7.8%**
of which property and casualty insurance	– 1,550.6	– 1,553.7	– 0.2%
of which health insurance	– 843.6	– 781.7	+ 7.9%
of which life insurance	– 991.4	– 1,335.9	– 25.8%
Operating expenses (net)[2]	**– 1,286.4**	**– 1,190.4**	**+ 8.1%**
of which property and casualty insurance	– 763.2	– 699.6	+ 9.1%
of which health insurance	– 175.5	– 153.7	+ 14.2%
of which life insurance	– 347.7	– 337.1	+ 3.1%
Cost ratio (net after reinsurance)	**26.6%**	**23.7%**	–
Combined ratio (net after reinsurance)	**98.1%**	**97.9%**	–
Net investment income	**588.9**	**732.0**	**– 19.5%**
Profit/loss on ordinary activities	**225.5**	**397.8**	**– 43.3%**
Net profit/loss	**149.6**	**340.7**	**– 56.1%**
Consolidated profit/loss	**148.1**	**337.2**	**– 56.1%**
Operating return on equity	**10.0%**	**17.2%**	–
Investments[3]	**25,454.6**	**29,416.1**	**– 13.5%**
Shareholders' equity	3,186.3	3,144.5	+ 1.3%
Equity including non-controlling interests	**3,212.8**	**3,166.4**	**+ 1.5%**
Technical provisions (net)[4]	21,812.7	25,638.9	– 14.9%
Total assets	**33,639.2**	**33,297.9**	**+ 1.0%**
Number of insurance contracts	18,785,051	19,254,690	– 2.4%
Average number of employees	**12,855**	**13,782**	**– 6.7%**

[1] Consolidated amounts
[2] Less reinsurance commissions and share of profit from reinsurance ceded
[3] Including 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 life insurance policies held on account and at risk of policyholders

Due to the sale of the Italian Group companies, both the key figures for the 2016 financial year and those for 2015 (except for total assets) are presented exclusive of Italy.

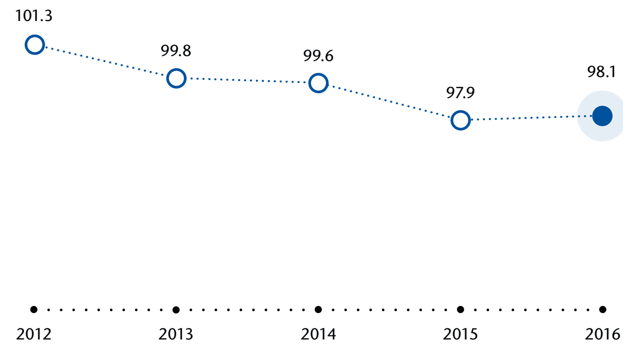
Premiums written
In € million



1) Including Italy

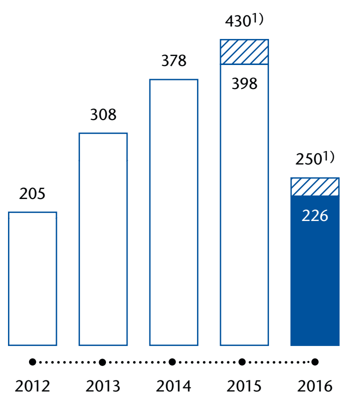
(Including savings portions from unit-linked and index-linked life insurance)

Combined ratio
In per cent



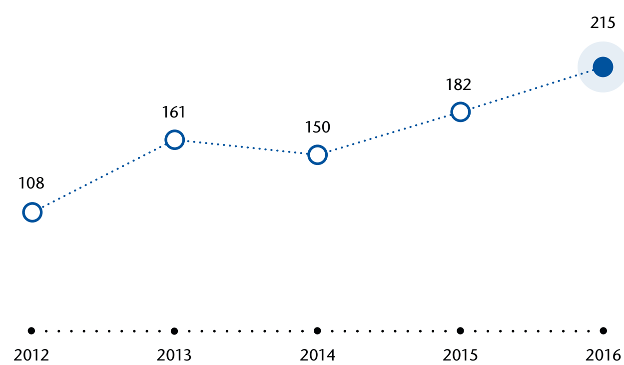
(After reinsurance)

Earnings before taxes
In € million

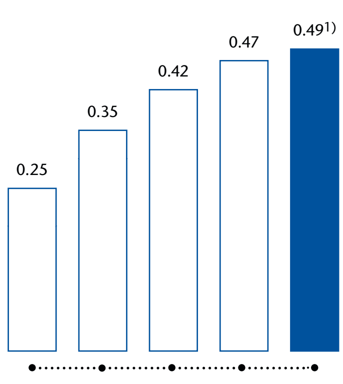


1) Including Italy

Economic capital ratio (ECR ratio)
In per cent

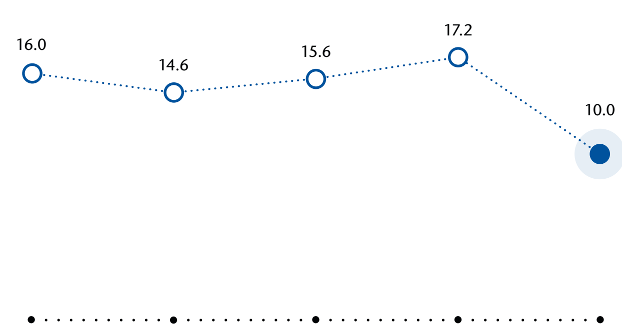


Dividend per share
In €



1) Proposal to the Annual General Meeting

Operating return on equity
In per cent



Definitions of the essential key figures can be found in the glossary on page 246.

2016 AT 1 GLANCE

UNIQA invests €500 million

At the beginning of 2016, we launched the largest programme of investment and innovation in the Company's history: the aim is to adapt our processes and products to the changing needs and expectations of our customers in the context of digital transformation. Investments of around €500 million will be spread over several years, focusing principally on redesigning our business model and on essential modernisation of our IT systems to support this development.

€250 million supplementary capital bonds repaid

At the end of December 2016, we repaid two supplementary capital loans totalling €250 million.

Now only one direct insurer in Austria

In October 2016, we merged Raiffeisen Versicherung AG, FINANCE LIFE Lebensversicherung AG and Salzburger Landes-Versicherung AG with UNIQA Österreich Versicherungen AG. Since then, UNIQA Austria has been our sole direct insurer in the Austrian market, serving around 3.5 million customers – a market share of over 21 per cent.

UNIQA is getting trimmer

In addition to the merger of the four direct insurance businesses operating in Austria, we have created a functional group structure, and with that trimmed the number of board members from 22 to ten. By concentrating our activities in this way and creating group-wide areas of responsibility, we are making structural adjustments appropriate to the changing needs of our customers and to the demands of the market. Since June 2016, the essential core activities of the UNIQA Insurance Group AG have been led by three management boards rather than five as previously.

New start-up centre supports innovators

In summer 2017, we will open the Vienna Design Tower for innovative start-ups from all over the world. Successful applicants can use the "Accelerator Programme" devised by weXelerate for 100 days completely free and will have the chance to work together with large corporations, "incubators", venture partners, investors and service providers to develop new digital business models.

UNIQA Privatstiftung increases UNIQA shareholdings to 49 per cent.

In December 2016, UNIQA Versicherungsverein Privatstiftung acquired 17.64 per cent of the equity in UNIQA from Raiffeisen Zentralbank Österreich AG, increasing its voting rights from 31.36 per cent to 49 per cent. RZB holdings have been reduced to 10.87 per cent; the syndicate agreement between the two groups of shareholders remains in place.

Concentration on core business

Disposal of investments in Austria

In August 2016, we withdrew from our financial investment of 13.22 per cent in Niederösterreichische Versicherung AG, achieving a capital gain before tax of around €37 million. Similarly, we are also disposing of our indirect holdings, totalling 11.35 per cent, in Casinos Austria Aktiengesellschaft, with an expected capital gain of around €47.6 million. Approvals for this transaction are expected in the first half of 2018 at the latest.

UNIQA sells Italian subsidiaries

To sharpen our focus on the core markets of Austria and Central and Eastern Europe, we are transferring our Italian companies to the Italian insurance group, Reale Mutua. Regulatory approvals for this transaction are expected in the first half of 2017. The sale has had a profound effect, particularly on UNIQA's economic capital ratio, which improved significantly by around 35 percentage points.

"We have torn our strategy apart ... and put it back together."

12

33 Innovation

46 Customer focus

[1] External evaluation

[2] Audited

Hopefully a joy to read

The cover of our Annual Report 2016 shows the smiling face of one of our customers or employees. What are we trying to say with this? We want to convey a joy of life, both to you and to other people with whom we have dealings – or, as we put it in our mission statement, to support you with "safer, better, longer living".

But please don't get the wrong idea: we're not in any way presuming to be able to enforce a joy of life. That would be grossly overestimating the significance of insurance in people's lives, despite all the goodwill which abounds in our industry. Yet we do want to make a small but tangible contribution wherever we can, such that our customers can enjoy greater security and freedom in their lives through our products and services. We endeavour to make a personal contribution to safer, better, longer living.

Hopefully you're one of our customers. Hopefully you're one of our shareholders. Ideally you might even be both ... In any case, you're in contact with our company merely by virtue of the fact that you're currently reading or at least browsing through this Annual Report. And that's why we don't want to give you just any old annual report. We don't want to bore you, but rather we want to contribute to your joy of life, or at the very least your joy of reading. We've included plenty of information on the diverse work that we do and some meaningful statistics. We've even thrown in a healthy dose of self-irony here and there.

Service is our business. For ten million customers, for our sales partners, and for our shareholders. We, the employees of UNIQA, are very aware of this, though we're also only human. We tackle issues with commitment and enjoy getting to grips with tasks, but we do also make mistakes. That's why it's so important to us that you understand, despite these mistakes and despite our potential for improvement, our efforts and our intention to become better.

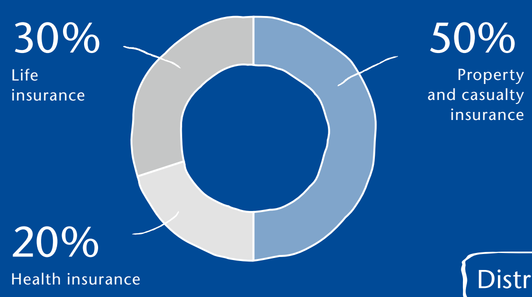
We would love it if our Annual Report 2016 were to make a small contribution towards your personal perception of how we work.

Andreas Brandstetter
CEO UNIQA Group

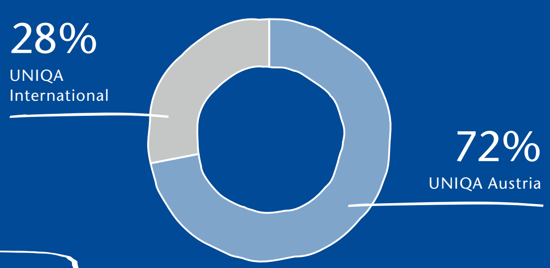
We are UNIQA

We are one of the leading insurance groups in our two core markets: Austria and Central and Eastern Europe (CEE). About 20,000 employees and exclusive sales partners serve about 9.6 million customers across 18 countries. Commanding a market share of 21 per cent, we are the second-largest insurance company in Austria. In the growth region CEE, we are present in 15 markets: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Kosovo, Macedonia, Montenegro, Poland, Romania, Russia, Serbia, Slovakia and Ukraine. In addition, insurance companies in Switzerland and Liechtenstein are also part of the UNIQA Group. In 2016, we began a comprehensive programme of investment and innovation worth around €500 million in order to reorient the Company's processes and products to its customers' changing needs and expectations in the context of digital transformation.

Balanced portfolio …



… in the core markets of Austria and CEE



Distribution of premiums

UNIQA Group 2016

378,000
myUNIQA users in Austria

9.6
million customers

Active in 18 countries

3.3
million visitors to UNIQA websites

18.8
million insurance contracts

€0.49
dividend per share

€3.5
billion in compensation for damages paid out

1,632
new employees

€5
billion in premium volume

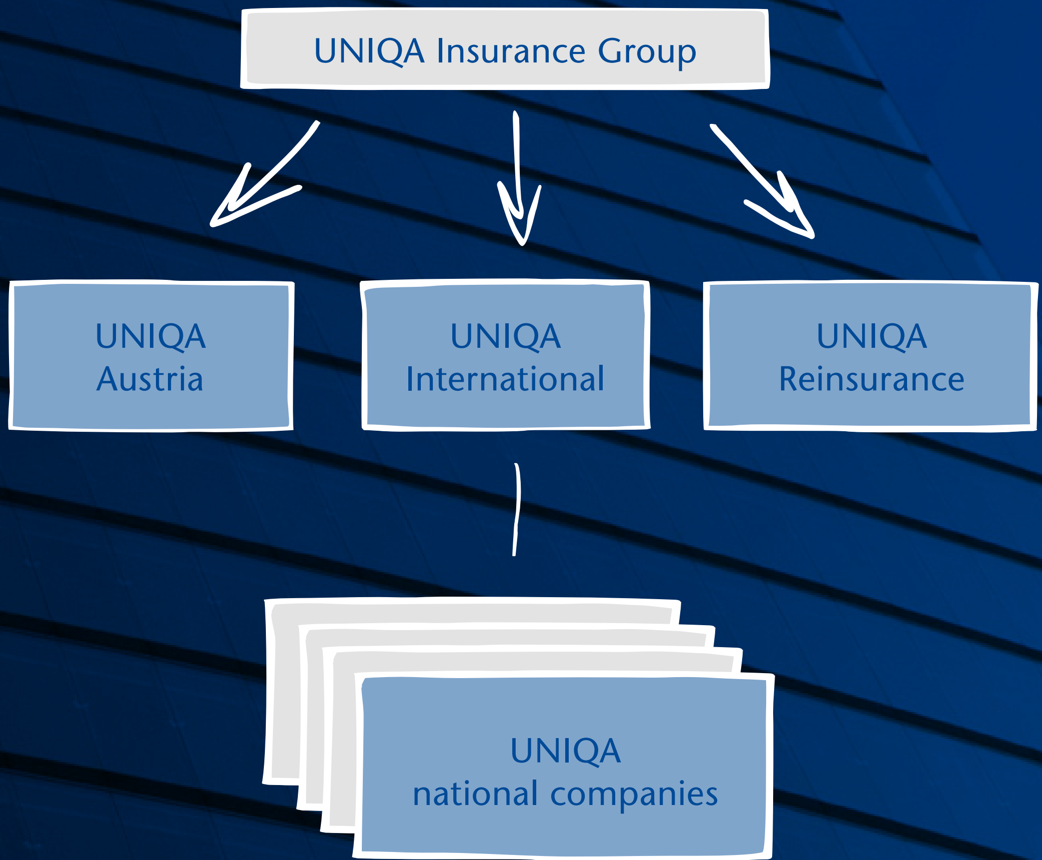
€25.4
billion in investments

€225.5
million in earnings before taxes

21.3%
market share in Austria

3.5
million phone calls with customers

Around 20,000
employees and exclusive sales partners



Equity story

Austria's strongest insurance brand

Comprehensive sales platforms

Market leader in health insurance

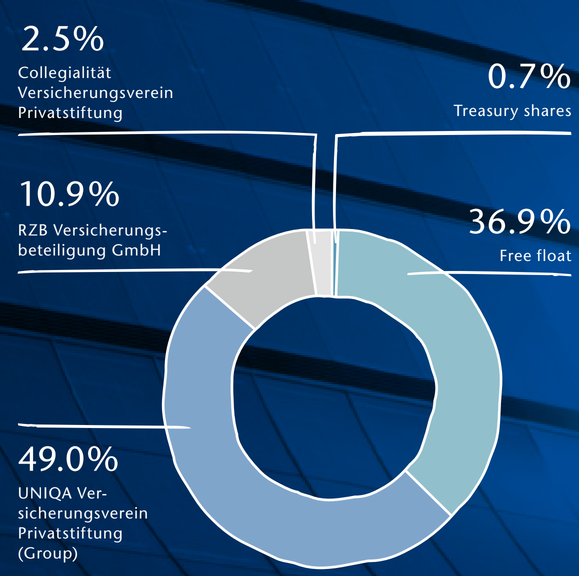
Successful sales partnership with Raiffeisen

Interesting growth potential in CEE

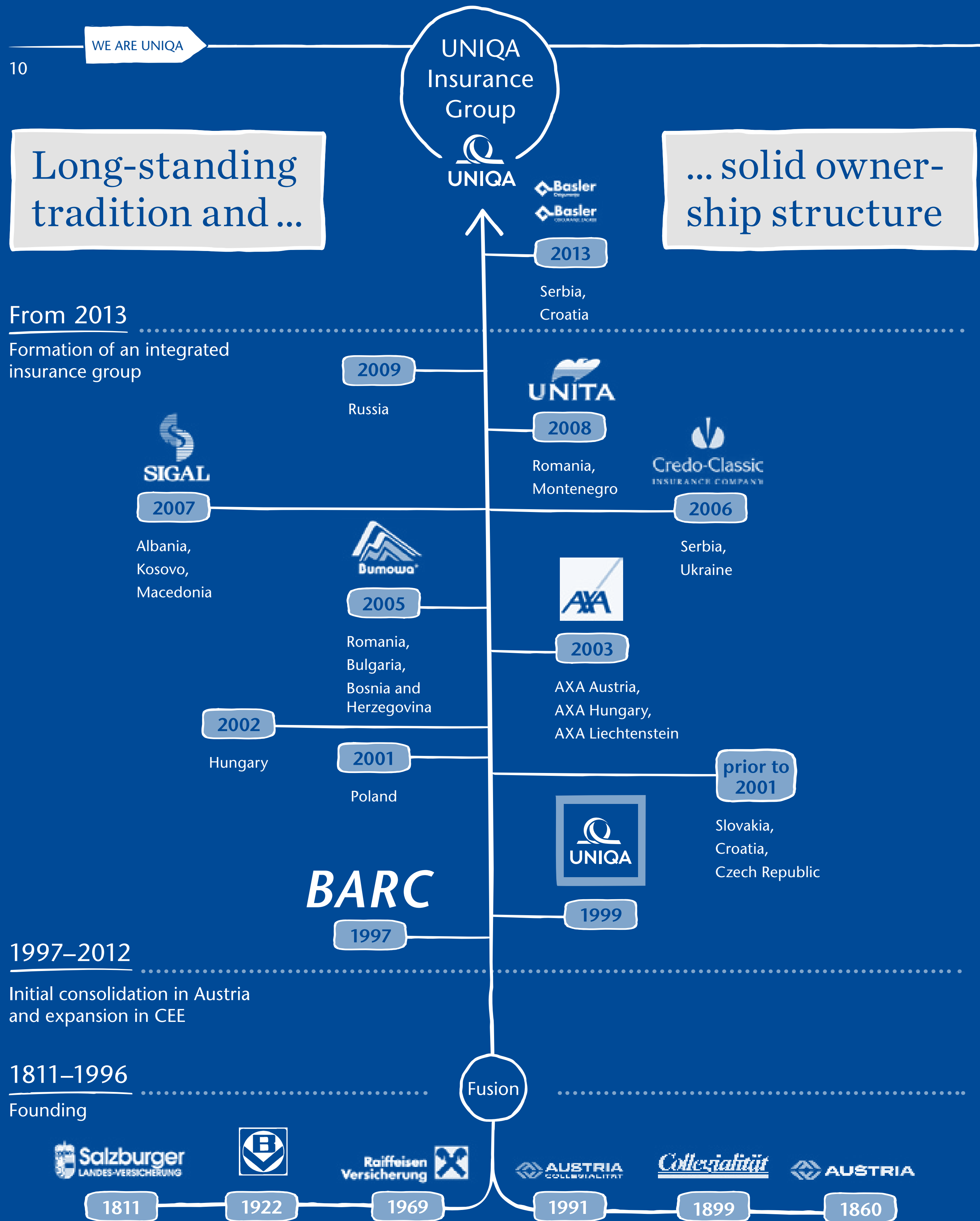
Solid capital position

Attractive dividend policy

Shareholder structure



Long-standing tradition and ... ... solid ownership structure



Raiffeisen: Bundesländer Insurance and Raiffeisen Insurance merged and became part of UNIQA in 1999, making Raiffeisen one of the "roots" of the company. Following the sale of the stock package in December 2016, Raiffeisen currently holds a 10.9% share in UNIQA Insurance Group AG.

Austria Collegialität: The two core shareholders, UNIQA Versicherungsverein Privatstiftung (Group) and Collegialität Versicherungsverein Privatstiftung, are tied to the predecessor of UNIQA, Austria Collegialität, which merged with Bundesländer Insurance and Raiffeisen Insurance Austria in 1997; the name was changed to UNIQA in 1999. Together, these core shareholders now hold 49.0% and 2.5%, respectively, of the shares in UNIQA Insurance Group AG.

UNIQA Insurance Group AG – Group Executive Board

The Management Board of UNIQA Insurance Group AG consists of Andreas Brandstetter, Kurt Svoboda and Erik Leyers. In the meetings of the Management Board, Hartwig Löger, Wolfgang Kindl and Klaus Pekarek are usually included with an advisory vote. The resulting body is known as the Group Executive Board, presented below.

KLAUS PEKAREK
Management Board member for Bank Sales UNIQA Austria

WOLFGANG KINDL
CEO UNIQA International

ANDREAS BRANDSTETTER
CEO UNIQA Group

KURT SVOBODA
CFO/CRO UNIQA Group

ERIK LEYERS
COO UNIQA Group

HARTWIG LÖGER
CEO UNIQA Austria

“We have torn our strategy apart …

… and put it back together.”

Andreas Brandstetter, 47

Andreas Brandstetter has acted as the CEO of the UNIQA Group since July 2011. Prior to that, he was a member of the Group Management Board since 2002, responsible for new markets, M&A and bank assurance. He did a degree in political science in Vienna and the US and holds an executive MBA from California State University. Before joining UNIQA he was the director of Raiffeisen's EU office in Brussels.

Ladies and Gentlemen,
dear Shareholders,

The year 2016, which we are presenting to you in this report, began intensely for both you and us: in January, we informed you that we would be changing the strategic direction of the third and last phase of UNIQA 2.0, our long-term strategy programme.

There were two reasons for this: first, necessary investments of about €500 million in IT, digitalisation and innovation in the coming years, to help us be proactive when facing the challenges of the Internet age; and second, negative effects from the current low-interest rate environment which are resulting in diminishing income from capital investments in general and from life insurance in particular.

The fact that in January, thanks to our strong capital position, we decided to affirm our plans to increase our dividends each year, despite these two short- and medium-term revenue-impacting effects, nevertheless did not assuage the concerns of many of our shareholders. Our share price went into a tailspin, down to an all-time low of €5.04 on 11 February 2016. Obviously we, myself included, did not manage to communicate the long-term, value-adding effects of our – admittedly high – investments in a persuasive and credible way.

This disappointment on the capital market has of course given us a lot of worry. After an intense Group Management Board meeting at the end of August, during which we literally tore apart our strategy, in the form of a tabulated evaluation, and put it back together, we developed the picture of a house. A sketch of this “UNIQA House”, which we presented to the Supervisory Board in precisely this form in early September, is on pages 16 and 17. I would like to use this illustration to strengthen your trust in our company, or perhaps even win you over for the first time. Please take a few minutes of your time to think about my personal thoughts about this house.

Our solid capital and our strong balance sheet form the **base** of our house. The green thumbs below and next to the house symbolise measures that we use to strengthen our capital further, and red lightning bolts indicate those positions that may pose risks. We defused most of the lightning bolts in 2016, although particularly the decision to sell our Italian businesses was not easy to make.

The top priority for us is to defend our strong capital position, especially in the current unstable global environment, and to be especially careful with it.

The **first floor** of our house represents our five Group initiatives. I have circled two of them in red, namely “Life” and “IT Core”, because these two projects represent major investments and an intense allocation of resources. This means that they affect income in the short term – ours, and yours as our shareholders. That is all the more bitter for “Life”, because in the current low-interest environment, about 42 per cent of our business volume (this value still contains business in Italy) ties up about 70 per cent of our risk capital without bringing in appreciable income (see also the portfolio graphic to the right of the house).

What can we do about this, and what is our strategy for moving forward? We want

- to shed capital-intensive business in **life insurance** (Italy) or close it (Austria), instead promoting biometric life insurance; no experiments in life insurance asset investments, but a somewhat more aggressive spirit, for example in infrastructure investments;
- to keep **health insurance** at a high level of profitability, and
- to increase the earnings performance of **property insurance** (this did not happen in 2016 unfortunately, due primarily to developments in Poland) and to continue growing in a controlled way in this sector. →

Above the portfolio circle, you'll see "HR: Pimp up Our Teams" on the right side. This means that we have to and want to continue developing our organisational culture and how we work. Purely in terms of the structural organisation of our Group, this is relatively easy for us – the seamless merger of our four Austrian companies into the new, large UNIQA Österreich Versicherungen AG last year testifies to that. In terms of a performance culture, however, we have a few things to do if we want to develop a team of about 20,000 employees and exclusive sales partners into a state-of-the-art service provider and really work in a customer-centred way. This, more than anything else, personally gives me pause.

"Digitalisation is not a temporary fad; it will decide whether a company lives or dies in our industry."

The **second floor** of our house is where innovation and digitalisation "live" – two eminently important subjects for our future. In 2016, we managed to cement the idea in the collective consciousness of all Group leadership that digitalisation is not a temporary fad; it will decide whether a company lives or dies in our industry. What we and many others in the insurance industry have not (yet) managed to do is short-term monetisation of this phenomenon, meaning to turn digitalisation into predictable income and profits. We are learning, training, bringing "digital natives" on board, investing time and money, starting to work cross-functionally, dealing with social media, investing in start-ups. We have great ideas one day that we often discard the next – yet neither our company nor our industry has

ever truly had a relevant, radical innovation in its DNA. This is why we are still at the starting line. Our disadvantage is that we have to be particularly careful with the limited resources that we have, at least in comparison with our global peers. Our advantage is that we can work with more agility than some competitors and will certainly not back down from this subject, because we want to win!

There was a change at the shareholder level in 2016, as you can see in our three major stakeholder groups in the top section of the sketch. The syndicate that has existed for 20 years between the Raiffeisen banking group, the UNIQA Versicherungsverein Privatstiftung (private foundation), and the Collegialität Versicherungsverein Privatstiftung (private foundation) remains unchanged, yet the ownership structure has shifted in favour of the foundations. From a company perspective, it is important that we continue our excellent sales partnership with Raiffeisen – both in CEE and in Austria (where our cooperation has already been extended until 2022). I am aware of the possible problems of my personal dual function as CEO of the UNIQA Group and Chairman of the Management Board of UNIQA Versicherungsverein Privatstiftung, so I will not occupy this dual position over the long term.

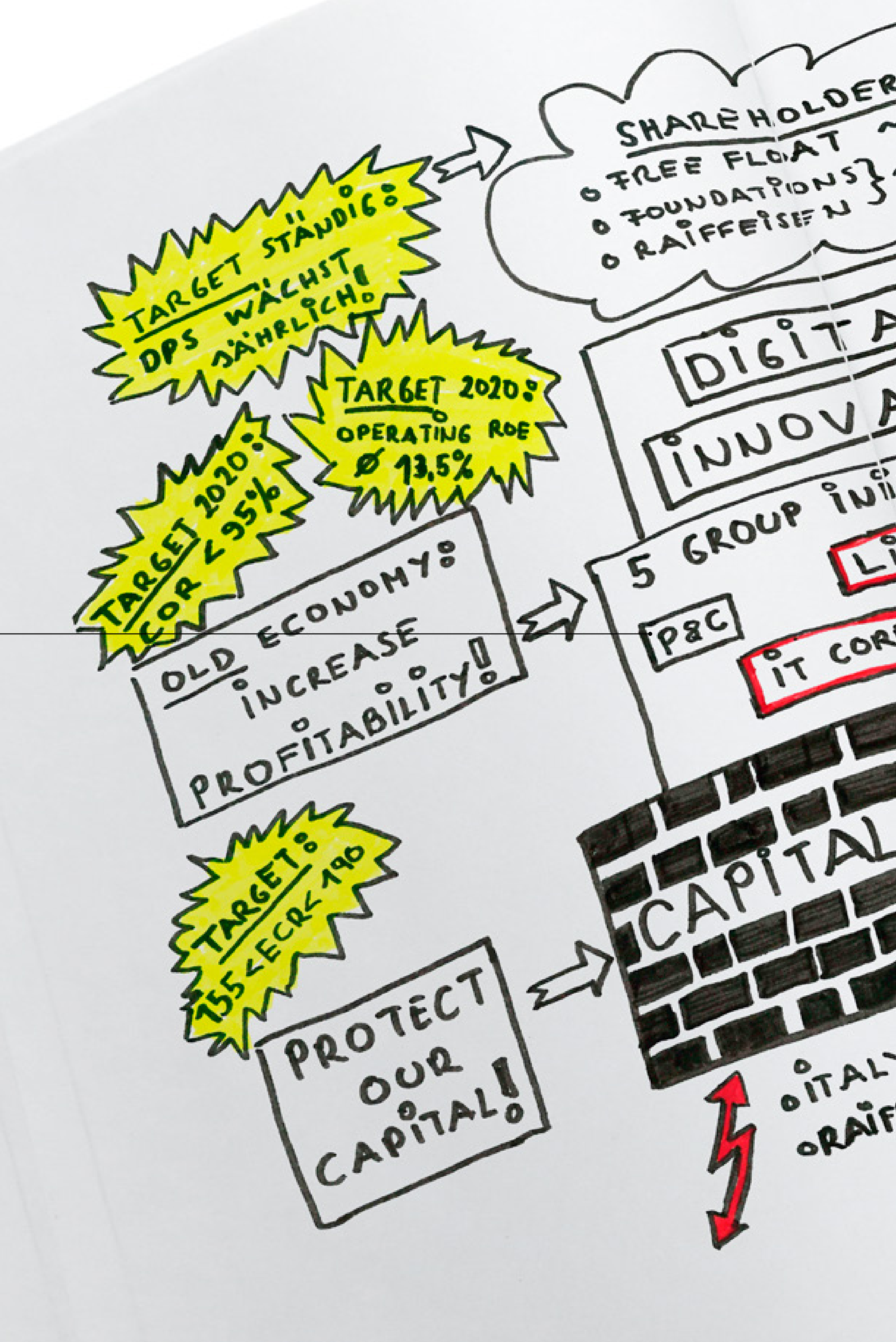
The red lightning bolt at the upper right – where you see "Stock Price" and "Valuation" – brings us back to the opening of this letter. It expresses the fact that we are gradually increasing the weak ROE of 2016 and thereby want to make our own contribution to a higher share price. Even though we are extremely well capitalised at the moment, we don't want to do this by means of a special dividend (which would only be effective in the short term); instead, we would rather invest our capital carefully in the growth of our profitable core underwriting business. Just like our investment programme of over €500 million, we also want to embrace our long-term responsibility of managing a company that wants to please some ten million customers in 18 European countries. This is the basis of our declared intention to pay out dividends that increase in absolute terms every year – not from the substance of our company, but on the basis of growing income and sustainable cash flow.

On behalf of all of UNIQA's employees, I would like to express our sincere gratitude to you for your interest in the UNIQA House. Even if the world in which the house stands is currently turbulent and complex, it gives me and my colleagues on the Management Board great pleasure to work for you every day, with enthusiasm and consistency.

Sincerely,

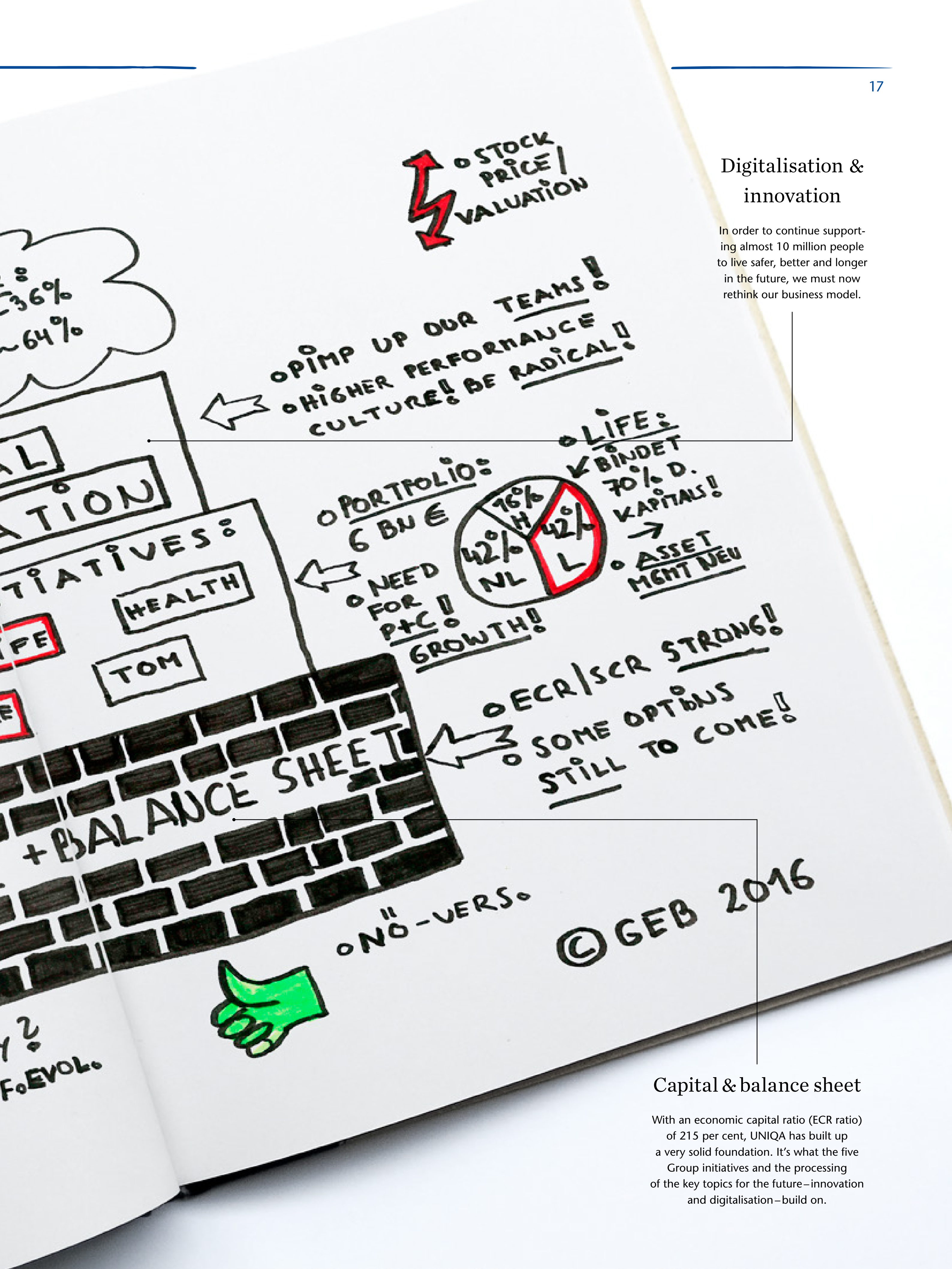
Andreas Brandstetter
CEO UNIQA Group

The “UNIQA House”



Property and casualty insurance (P&C)

UNIQA’s growth and increased earnings are mainly driven by property and casualty insurance. This is the area where we currently see the greatest potential.



Digitalisation & innovation

In order to continue supporting almost 10 million people to live safer, better and longer in the future, we must now rethink our business model.

Capital & balance sheet

With an economic capital ratio (ECR ratio) of 215 per cent, UNIQA has built up a very solid foundation. It's what the five Group initiatives and the processing of the key topics for the future – innovation and digitalisation – build on.


Think clearly
and
be ambitious.

UNIQA 2.0 strategy 2011–2020

The current structural conditions pose major challenges as well as attractive opportunities for insurance companies. In particular, the sustained period of low interest rates and changes in customer needs in the digital age are putting significant pressures on the traditional business model. Against this background, UNIQA launched an ambitious strategic programme in 2011 entitled "UNIQA 2.0" and featuring multiple stages. A house – the UNIQA House – was developed as a memorable image for the programme's objectives and strategic actions (as already mentioned in the letter from CEO Andreas Brandstetter). An illustration of this house can be found on the previous double page.

Specific objectives, ...

UNIQA is already at the third stage of the strategic programme, which is running from 2016 until 2020. The objectives for this third stage were adapted in the first quarter of 2016 and presented to the public:

1. Growth: UNIQA expects average growth of around 2 per cent per annum in premiums written for the period until 2020. While expectations for premium growth in life insurance in Austria are muted, UNIQA expects average growth of just under 3 per cent p. a. in health insurance and of approximately 4 per cent p.a. in property and casualty insurance for the period stated.

2. Cost ratio: The aim is to improve efficiency and the cost structure on a continuous basis. Although the investment programme launched in 2016 of around €500 million over ten years will lead to an increase in the cost ratio in the medium term, UNIQA does expect an overall cost ratio of under 24 per cent from 2020 as a result of these investments.[1]

3. Combined ratio: The combined ratio in property and casualty insurance is the most important key figure for UNIQA in terms of profitability in the core underwriting business. The objective of bringing the combined ratio below 95 per cent on a sustainable basis by 2020 is therefore a high priority.

4. Economic capital ratio (ECR ratio): UNIQA is striving to achieve an economic capital ratio of 170 per cent with a fluctuation margin (target range) of between 155 and 190 per cent.

5. Profitability: The operating return on equity is defined as the criterion for profitability.[2] Achieving a rate of return on capital employed in line with the risk is a central prerequisite for any economically sustainable business model. To this end, UNIQA aims to achieve an operating return on equity of around 13.5 per cent on average in the period between 2017 and 2020.

6. Attractive dividends: Shareholders should receive an attractive dividend in return for providing their capital. Despite high ongoing investments and a sustained low-interest environment, UNIQA intends to continue increasing its annual distribution per share over the next few years as part of of a progressive dividend policy.

... compact strategy

A series of measures and initiatives have been defined and introduced aimed at achieving these ambitious objectives. A brief overview of these is provided below, with more details on the individual areas provided on the following pages.

Capital – the foundation

Customer confidence in our ability to meet our liabilities at any time forms the basis of our business. A balance sheet that is strong and balanced is therefore a strategic must for UNIQA. UNIQA has set itself the objective of attaining an economic capital ratio (ECR ratio) of 170 per cent for this purpose, with a fluctuation margin (target range) of between 155 and 190 per cent. This enables us to ensure that UNIQA remains solvent at all times, including under structural conditions that have deteriorated significantly, and is also able to make the most of any →

[1] This objective has been adjusted in the Group following the signing of the agreement to sell the Italian companies and the decrease in single premium business associated with this.

[2] Definitions of the essential key figures can be found in the glossary on page 246.

opportunities in the insurance business, but also remains capable of attaining appropriate interest on the capital employed at the same time. We have been very successful in recent years in implementing this capital objective. A gradual strengthening of equity and targeted reduction in risks means that we are able to build on very strong and healthy foundations today.

Five Group initiatives – how we are increasing efficiency and profitability in our core business

Several strategic initiatives in the core underwriting business are building on the foundation of this strong capital base. We have developed a programme aimed at safeguarding and/or increasing sustainable operating profitability in each of our three business lines of property and casualty insurance, health insurance and life insurance and are now implementing these programmes under the responsibility of the relevant expert Board Member. Two further strategic initiatives are running in parallel to this with a Group-wide effect on the core business, namely IT Core and the Target Operating Model (TOM).

1.

Property and casualty insurance – combined ratio below 95 per cent: A significant increase in technical earnings power is one clear objective in the property and casualty insurance division. The combined ratio is the index used to measure this, i.e. the ratio of expenditures for insurance operations and benefits to premiums. Here we have initiated a number of projects aimed at reducing the combined ratio to below 95 per cent on a sustainable basis by 2020, supported by investments in operational excellence. The priority with these includes a focus on optimising pricing processes, portfolio management and claims management, as well as on enhancing the efforts to fight fraud.

2.

Health insurance – defending market leadership: We are the clear market leader in Austrian health insurance. This division is a crucial centre of excellence and therefore a main pillar that supports the company's earnings, and is also closely linked to the UNIQA brand. This is why defending our leadership position in this profitable division is one of our most important objectives. Further expansion in services to our customers is a key priority with this. Selective investments are planned for this along the value chain in the areas of health advice and provision, health services as well as digital health solutions.

3.

Life insurance – optimising the product portfolio: Earning capital costs over the long term is difficult under the current conditions in the capital markets, depending on the relevant investment strategy. The capital forming life insurance that traditionally prevails in Austria is particularly affected by this. The strategic initiative in this line of insurance is therefore targeted predominantly at ensuring a new direction for the product portfolio and increasing the profitability of existing contracts. One crucial element here involves designing life insurance products that generate the required margins both for customers as well as for UNIQA despite the low interest rates and that have capital requirements in line with profitability.

Innovation and digitalisation – we are building the future

Building on these initiatives in the core business, we are providing additional momentum aimed at continually adapting our business model to current requirements. The overriding objective here is to be able to inspire our current customers in the future as well.

Innovation – developing into a service provider: This strategic initiative is concerned with further evolution of the insurer value chain from purely providing rates to being a fully-comprehensive service provider. This transformation, which is closely linked to digitalisation of our industry, includes a package of different measures. These range from analysis of innovative business models from outside the insurance sector to selective investments in start-ups in the financial and technology sector through to collaborations with incubators.

Digitalisation – rethinking the business and service model: Our service concept and also "keeping" the promise to the customer in the digital age are central to this strategic initiative. Realignment of our customer contact points and downstream service processes are at the centre of this, since communication channels and customer requirements related to quality, response times and service expectations will also undergo a significant transformation over the next few years in the insurance industry. We have to rethink our own business and service model from the customer's point of view given this level of disruption in the market environment. In light of UNIQA's leading position in health insurance we are placing a particular focus on the area of health.

4. 5.

Group-wide initiatives – new direction for IT and business processes: There are two initiatives here that are largely interlocked and interdependent: on the one hand, the complete realignment of UNIQA's IT landscape (UNIQA Insurance Platform, UIP) and on the other, the extensive overhaul to business processes (target operating model, TOM). The new UIP is replacing existing IT systems that no longer map innovative processes, products and functionalities effectively. Efforts to implement this efficient and powerful IT platform in turn require harmonised business processes and standardised products. As such, both initiatives together will fulfil the requirements aimed at offering simpler and more comprehensible solutions and products that suit our customers even more perfectly. We gain increased flexibility at the same time for further innovations, allowing us to respond more quickly and effectively to new challenges in future.

CAPITAL POSITION

The right resources for the job

For Kurt Svoboda, the Management Board member responsible for Finance and Risk Management, solid and balanced capital resources are just as important as the right equipment for a mountaineering trip: you have to have just the right amount in your rucksack – not too much, not too little – if you want to reach the summit.

"You wouldn't take crampons and an ice axe to go hill-walking on the Hohe Wand, a popular excursion destination near Vienna, and on the other hand, running shoes are hardly the right choice for the Grossglockner, Austria's highest mountain," says Kurt Svoboda, opening the discussion with a vivid comparison. "We want to find the right balance between safety and freedom of movement." The same applies to the UNIQA Group's capital resources: they have to meet the stringent security requirements of an insurance company, yet at the same time also facilitate profits that are appropriate for this business model. UNIQA has made significant progress towards this goal in recent years, creating significant room for manoeuvre in the future.

So how can this improvement be measured? First of all, there is the capital ratio target according to Solvency II of at least 170 per cent, which UNIQA has more than met for two years now: in 2015, the capital ratio stood at 182 per cent, and in 2016 at 215 per cent. "In 2011, when we formulated our new Group strategy, we were still under 100 per cent. We've been able to make massive improvements," says Svoboda. "At the same time, we have significantly improved the structure of our assets and thereby drastically reduced volatility. We learned our lessons from the Greece disaster of 2011."

Optimisation of the capital structure along three themes

"By consistently streamlining the portfolio, the market risk of our capital assets has been reduced from more than 75 per cent to less than 65 per cent. That's a good level. In addition, unlike some of our competitors, we do not view government bonds as risk-free. Instead, we accept an additional capital requirement of over €600 million." At the end of 2016 the Italian business was sold off, as part of a renewed focus on the Group's core activities. That will drive the capital ratio further up by about 20 percentage points.

Parallel to this, UNIQA has optimised its asset-liability management, meaning the fine-tuning of maturity structures for benefit obligations, especially from life insurance and investments. Kurt Svoboda: "Imagine if we had to pay out on an existing contract to a customer, for example next year, to the tune of €15,000, but the investment covering that benefit still had five years to go; these aspects have to be better coordinated. We have shifted our portfolio and changed the allocation of assets to individual insurance sectors. By doing this, we've managed to reduce significantly what's called the 'duration gap' between assets and liabilities."

Capital market issues were a third field of activity – a capital increase, the "re-IPO", in the autumn of 2013 and two subordinated bonds in 2013 and 2015. "All issues were significantly oversubscribed, which just underlines our attractiveness for investors," says Svoboda, emphasising the success of these transactions.

Kurt Svoboda, 50

Kurt Svoboda has been a member of the UNIQA Group Management Board since 2011 and has been responsible for UNIQA Austria and UNIQA International since 2016. Kurt Svoboda is currently the Chief Financial and Risk Officer. He studied business administration in Vienna and completed the International Management programme in St. Gallen. Kurt Svoboda began his career at KPMG in Vienna and built up experience at Wiener Städische and AXA.

“We shouldn’t forget that this was only possible because of the foundation provided by a functioning and profitable core business,” says Svoboda. Even if UNIQA’s earnings performance in 2016 suffered somewhat from the low interest rate environment and the comprehensive investments we made for the future, significant improvement has been achieved over the years. Svoboda: “But there’s still some room for further improvement; in the medium term, we have even more demanding goals for the technical result. In other words, we continue to work tirelessly on optimisation of both the core business and the capital structure.”

Advantages for all stakeholders

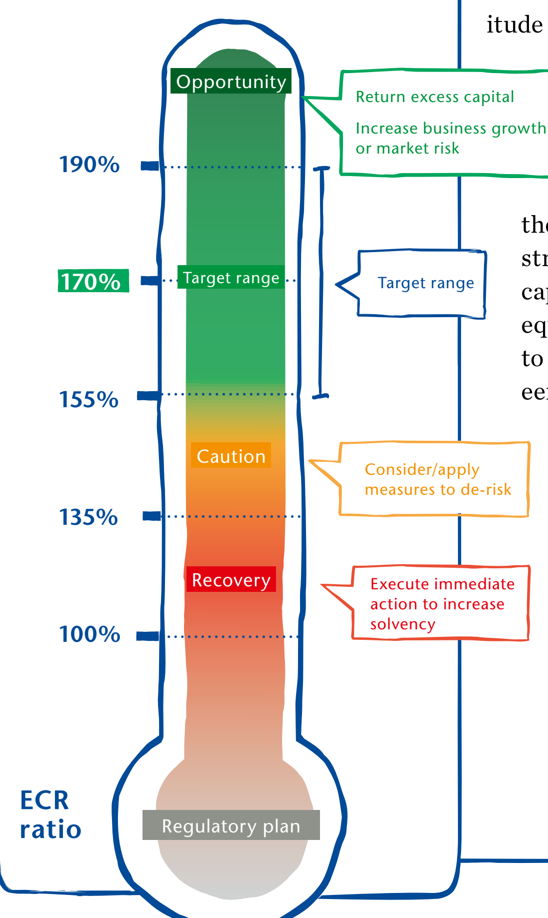
Of course, all of this is not an end in itself. “All stakeholders benefit from properly dimensioned capital cover,” says Svoboda. “We can also offer our customers security by meeting our benefit commitments, even in economically difficult times. This also makes us a reliable, long-term counterpart for our sales partners. The same applies to our role as an employer. At the same time, we are meeting the ever more complex, and sometimes excessive, requirements of the regulatory authorities. We also receive positive scores from the rating agencies, thanks to our sound capital positioning, which in turn has a favourable effect on the price of capital. And last but not least, our shareholders profit from a dividend yield that is 6 to 7 per cent above the industry average.”

Springboard into the future

But above all, he says, the way is clear for the future: building on a solid financial foundation, UNIQA will be able to address challenges such as increasing digitalisation and the low-interest environment, which Svoboda believes will continue for years, in a proactive way. “At the same time, we have sufficient latitude for investments, such as the investment program of €500 million which began in 2016. Of course merger and acquisition (M&A) activities are also conceivable, as long as the geographical footprint and the strategic fit are a match. Our solid capital structure makes us well-equipped for all of this. To return to my metaphor of the mountaineering tour: UNIQA should be able to climb any mountain with these resources.”

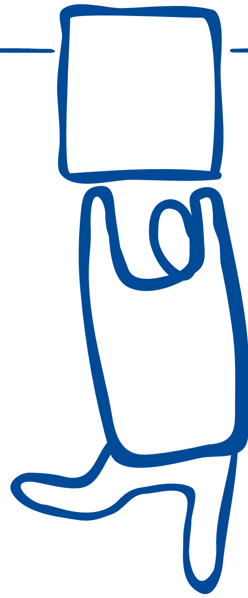
Risk strategy

UNIQA defines the risk appetite on the basis of an economic capital model (ECM). The cover for quantifiable risks with eligible own funds – the economic capital ratio (ECR ratio) – should lie between 155 and 190 per cent, and the target is 170 per cent.



LIFE INSURANCE

A balancing act



Peter Eichler, the Management Board member responsible for personal insurance at UNIQA Austria and UNIQA International, speaks in an interview with Thomas Jaklin (Head of Life Insurance) and René Knapp (Head of Actuarial Mathematics and Risk Management) about how difficult it is in the current low-interest environment to offer endowment pension products. And explains why it was necessary to bring a new generation of products to the market.

You are responsible on the Management Board for personal insurance, including classic life insurance. How difficult are things right now?
Peter Eichler: The entire situation is a paradox. Interest guarantees are extremely expensive today – the key words are "Solvency II" and "increased equity capital requirement" – because of ongoing low interest rates, and therefore such guarantees are de facto not economically feasible. And yet these guarantees have been at the heart of every classic life insurance product for a long time. At the same time, the demand for pension insurance is greater than ever. It was clear to us as early as 2014 that classic life insurance as we have always known it was on its way out. This is why we've overhauled the product. Our new classic life insurance features a 100 per cent capital guarantee on paid-up net premiums, instead of actuarial interest in the classic sense. Also, the costs correlate with the percentage of profit and, with today's earnings level, are significantly lower than in previous models. That is a real advantage for our customers. So we've found a balance between a good solution for our customers and a viable product for us. We're very proud of that.

How will interest rates develop in future?
René Knapp: We are assuming that interest rates will remain at this low level over the next five years.

And how would you react if interest rates fell into the negative range over the long term?
Thomas Jaklin: Then classic life insurance as we know it today would no longer be feasible – nor would it make sense for our customers. No one wants to get a guarantee that they will receive noticeably less money in 30 years than they paid in. In this situation, regulators would have to intervene. We would have to readjust the asymmetrical distribution of profit and loss between the customer and the insurer. To do this, the legal framework would have to be significantly changed – for example with guaranteed buy-back values that could vary during the term to maturity.

Retirement savings have all but disappeared from the market. What would legislators have to change so that these products could be offered again?
Jaklin: Regulations for investment would have to be liberalised, above all the mandatory minimum percentage of investments to be held in equities would have to be dropped. It is technically difficult to structure, and from a risk and return perspective, it's not useful either to customers or to us.

Is classic life insurance still profitable?
Eichler: From today's perspective – yes, but only as long as the environment does not deteriorate further in a major way.

How high is the average guarantee commitment for all classic life insurances?
Knapp: Currently it stands just under 2.5 per cent.

You have to make supplementary reserves to meet long-term liabilities for endowment life insurance. How high are these reserves right now?
Knapp: The supplementary reserves serve to strengthen our equity. We are ploughing money back now so that, if we need it, we can provide it to our customers to fulfil our guarantee commitments in a "worst case" scenario at

some later point in time. So far, we have set aside provisions of about €100 million according to Austrian reporting regulations (the Austrian Commercial Code), and this amount will be tripled by 2020. The financing for building up this reserve is coming from our shareholders and customers, through a lower profit participation. At the present time we are not assuming that we will need this reserve, however. In other words, we are confident that this money will again benefit our shareholders and customers in the future.

Will you offer new retirement products in the coming year?

Eichler: We want to launch a new unit-linked life insurance in 2018. This product will be very attractive for our customers, above all due to its low cost. Customers who pursue a long-term savings goal and are prepared to accept some risk can spare themselves the 27.5 per cent capital gains tax that usually has to be paid for profits from funds or shares. This is because this tax does not apply in the insurance context.

Peter Eichler, 56

Peter Eichler has been the Management Board member responsible for Austrian personal insurance since 1999. In 2016, he also assumed responsibility for the personal insurance of the entire Group. Eichler studied law and commerce at the University of Vienna, completed the International Management programme in St. Gallen and started his career in 1988 at Austria Versicherung.

René Knapp, 35

René Knapp has been responsible for overall risk management functions at the UNIQA Group since early April 2015. His career at UNIQA began in 2007, directly after completing his degree in applied mathematics at the Technical University of Vienna. After working as an actuary and head of actuarial practice in life insurance for the Austrian companies of the UNIQA Group, in 2012 he was entrusted with the leadership of actuarial services for the entire UNIQA Group.

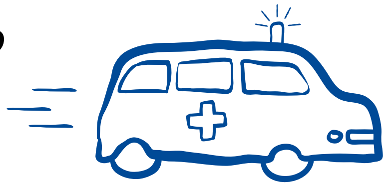
Thomas Jaklin, 39

Thomas Jaklin has been the head of underwriting for life insurance at UNIQA Austria since February 2012. Before assuming this post, he spent more than seven years gaining industry experience in actuarial mathematics. Jaklin has a degree in mathematics and has been responsible for the actuarial obligations of all UNIQA Group life insurance companies in Austria since April 2016.

RENÉ KNAPP, Head of Group Actuarial Mathematics & Risk Management
PETER EICHLER, Management Board member responsible for personal insurance
THOMAS JAKLIN, Head of Life Insurance

HEALTH INSURANCE

"... want to become the first point of contact when it comes to health ..."



PETER EICHLER, Management Board member responsible for personal insurance

We interviewed Peter Eichler about the future of medicine. He explains why it's necessary to develop new products and provides a first glance at the new UNIQA Mobile app, which will allow customers to view and settle bills for future health benefits on their smartphone.

How will health insurance as a product change in the future?
We are holding a series of future workshops right now to find that out. In these workshops, we are working together with employees from a broad variety of departments and concentrating on exactly this question. The idea is to focus on topics that make the product more viable in the future. For example, we are examining what the world might look like in the year 2030. In a second step, we are thinking about how we can take what we learned in the first step and let it flow into product solutions. And what has emerged from this is the realisation that it's not just digitalisation that we have to overcome. People also have age-old needs that we can't yet satisfy in this form.

Such as?
For example, the question of how we can avoid extremely long waiting times in the outpatient section of the hospital outside of office hours, especially in urban areas. At the beginning of the year, we launched a new product for acute care insurance "Akut-Versorgt" that allows patients with acute problems to seek first treatment in the Döbling Private Hospital. And that's been extremely well received. The first step was to offer acute care insurance to existing customers in Vienna, Lower Austria and Burgenland for a current monthly premium of just under €6.

What kind of products are you thinking about when you look to the more distant future?
I imagine that UNIQA will become a positive companion for life. People should turn to us if they need advice about health-related topics. Above all, I would like us to be there for our customers with medical assistance whenever their own physician isn't available.

What kind of medical developments do you expect by 2030 and how will that change things for you as a health insurer?
Many people are only thinking about how processes and customer needs will change. They forget that a major decisive factor is the development of medicine itself. And there is a real revolution underway here, ranging from genetic engineering – meaning the manipulation of genes for medical purposes – through artificial intelligence, telemedicine and robotics, to nanomedicine. The networking of knowledge will become much more important. The same will apply to prevention, meaning the targeted avoidance of disease onset by means of early detection. Last but not least, it's also about finding a way to align the costs that we will incur with the needs of our customers.

What does this mean for private health insurance – will insurance benefits become more expensive?
Yes, in moderation. Digitalisation may lower costs per se, but the consequence of digitalisation and medical development is that it is always possible to do more. In principle, this is good, and it's exactly what everyone wants: more and more illnesses can truly be healed, ideally even avoided. But of course this requires a significant expansion of services, and that has its price. This development will very likely lead to a further shift towards health care spending in every individual's expense portfolio. Hopefully this will continue to be countered by falling payments in other areas such as energy, clothing, etc. It will be our job to keep price developments affordable.

Let's come back to the world of today. UNIQA has long offered products which customers can use to receive advice from physicians from the Medical Experts Centre – or can receive money back if they perform well on a fitness test. Are there going to be any other innovations going forward?
We will continue offering customers even more support in their efforts to stay healthy. This could lead to the logging of biometric data. Of course, the question here is what we plan to do with the data. But I can reassure you that we do not intend to use these recordings to further differentiate premiums. The data will be used exclusively to serve customers and help them to assess their own behaviour properly and to help them change themselves for the better.

UNIQA is currently developing a mobile app that will allow customers to view and settle bills for health insurance benefits. When will the app be ready?
The app is ready, in principle. But we want to test it in-house first, to play it safe. About 100 employees who are privately insured are going to try out the app. I think the app will be market-ready in the fourth quarter of 2017.

The old truck has done its time.

After a total of 70,000 check-ups across Europe, the second UNIQA truck is now being sent into retirement. The success story now continues with two innovative box concepts. By mid-2017, two boxes will go into service, making it possible once again to offer fitness profiles and health check-ups, regardless of location.

Acute care insurance "Akut-Versorgt" offers patients from Vienna, Lower Austria and Burgenland the choice to get primary care for acute conditions at the Döbling Private Hospital.

PROPERTY AND CASUALTY INSURANCE (P&C)

Significant reduction in the combined ratio in property insurance

Andreas Kößl, the Management Board member responsible for property insurance in the Group, speaks in an interview about the package of measures that UNIQA wants to use to lower the combined ratio, how driverless cars will change the automobile business, and the differences between the markets in Austria and in CEE.

Which segments in the property insurance line make you happy, and which ones are difficult?
Currently automobile liability insurance and private household and homeowner's insurance are going swimmingly in Austria; the classic property insurance business is developing very positively in the commercial sector. What is not so simple in Austria is the rest of the commercial business, industrial liability insurance, and comprehensive auto insurance. Comprehensive insurance is exposed to very strong price pressure. Revenues hover around zero in this line. But those lines in which we have some room to be creative also give us some pleasure. Of course we have to work to cover our costs and attain a certain profitability.

What isn't working with the comprehensive auto business in Austria?
One example is replacement parts, which have become more expensive because cars are equipped with more and more technology. Before, a side-view mirror was made of metal and a mirror. Today, it can swivel and dip, has special non-mirroring glass and integrated indicator lights.

How does the business in Austria and CEE differ?
In Austria, the policy portfolio is much broader. Also, the insurance penetration is higher. One example is household insurance: 98 per cent of Austrians buy it, but only 50 per cent of people in CEE. Auto insurance products dominate the business in CEE. The profit situation in CEE often varies with the profit situation in Austria. In CEE, we have managed to make comprehensive auto insurance profitable, but auto liability insurance remains under high pressure.

The **combined ratio** indicates the ratio of expenditures for insurance operations and benefits to premiums.

Why is that?
The legal regulations, which are developing and change often – in some countries, such as Poland, changes are even retroactive. That means that we have to pay out higher benefits for old claims, yet we have premiums in our portfolio that were calculated at the levels that existed before the law was modified.

There are several developments in the auto industry that could influence the business, such as car sharing or driverless cars. What do you think of these developments?
I believe that the auto business is going to change massively due to technological developments and new mobility behaviour. This topic comes up with increasing frequency, especially in urban areas: "using instead of owning." Many people don't have a car anymore; they just rent one when they need one. We're already seeing this trend in Vienna. Add to that technological developments that make cars increasingly independent. It's a fact that most accidents are caused by a chain of human mistakes.

This could change with driverless vehicles. However, many questions still have to be answered; for example, who is liable for an accident? It could be the software or product manufacturer. What's comforting is that we will of course continue to serve our existing auto insurance customers for a long time.

These developments may have positive effects in future on the combined ratio. In 2016, the combined ratio was at 98.1 per cent, and not at the average target value of 95 per cent. Why?
Our progress in increasing earnings performance was neutralised by counteracting factors: in Austria, there were unexpected losses from the processing of older claims from legal insurance. In CEE, especially in Poland and Romania, we were confronted with changes in the law that made the automobile line profits deviate significantly from the plan.

What measures are there to attain the target combined ratio in future?
We are working on a plan consisting of six measures (see the box). For example, we want to increase the accuracy of the risk calculation, but also improve fraud detection – not least for the benefit of all of our honest customers. We will also bring more innovative products to market. If we are successful with all of these measures, we will bring our combined ratio under 95 per cent by 2020, and for the long term.

Which innovations do you have in mind?
The trend is heading in the direction of pay-as-you-use. We are already well underway with SafeLine, our telematics tariff, and we are doing a product refresh in the middle of the year. Furthermore, we are planning to offer telematics products in CEE too – specifically in Warsaw, Prague, Budapest and Zagreb. →

Lowering the combined ratio – the action plan

1. Portfolio management

Reducing expensive risks in favour of more profitable ones.

2. Pricing

Continue to offer sound premiums.

3. Claims management

Optimisation of regulation partner landscape in the field of international auto claims.

4. Product innovation

Roll out additional telematics tariffs for auto insurance and other successful products in the CEE markets.

5. Anti-fraud

Uncover and prevent insurance fraud.

6. Corporate business

Technical support for sales partners and underwriters to be able to better assess risks in large transactions.

ANDREAS KÖSSL,
Management Board member
responsible for property insurance

Andreas Kößl, 51

Andreas Kößl has been on the Management Board of UNIQA International since January 2014. He has also been a member of the Management Board of UNIQA Austria, responsible for property insurance since June 2016. He studied business and began his career in the Internal Audit department at UNIQA in 1995. He has held a series of senior posts in his many years with the Company, including as CEO of UNIQA Slovakia.

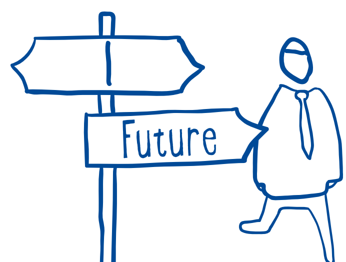
Many of the activities in claims processing are supposed to be outsourced to the UNIQA Group Service Centre in Slovakia. How many Austrian jobs will this cost?
It's true that we are relocating more activities in the coming years, including in claims processing, to Nitra in Slovakia. The switch to Nitra, however, is being done via natural fluctuation. Almost every position that falls away here – due to retirements, for example – will move to Nitra.

Can you promise shareholders that the combined ratio for 2017 will be lower than it was last year?
That's the goal we've set, and we're going to work hard to reach it. Our target is a maximum of 97.5 per cent. That would be an improvement in profit of €18 million.

Since 2008, UNIQA has been offering the telematics tariff SafeLine in motor vehicle insurance. This should help keep drivers safer. One third of all accidents happen because they are distracted by a mobile phone while driving. To counter this trend, UNIQA rewards car drivers who put their smartphones away.

TARGET OPERATING MODEL (TOM)

Always serving our customers, also behind the scenes



Since the beginning of the UNIQA 2.0 strategy programme in 2011, the Group has been working on making all of its customer processes more efficient, faster and less expensive. A team has been working with Erik Leyers, COO of the UNIQA Group, since last year on a new target operating model for UNIQA Austria, also called TOM. But what exactly is this model?

Erik Leyers explains what aims UNIQA Austria is pursuing with TOM and what the implementation is supposed to achieve: "At the general level, the target operating model is about making processes 'behind the curtain' more efficient and more comfortable and modern for customers ('in front of the curtain')." This is made possible by bundling business development units at the places where services can be provided well and affordably, and also by standardising many individual processes and, above all, products. Before the start of UNIQA 2.0, every regional headquarters acted like its own small insurance company; the first step, however, has concentrated the processing of a majority of business transactions in three central service centres (CSCs). "In recent years, we have developed best-practice examples that we have used to standardise our work," says Leyers.

The target operating model is now the next step

In the target operating model, business transactions are assigned to one of two categories: simple/standardised and complex business transactions. In the future, all standardised business transactions will be handled automatically or will be taken care of in Nitra in Slovakia (first-level processing). It goes without saying that current service levels and all regulatory requirements have to be met. All complex transactions (second-level processing) on the other hand will be handled in central processing units under the guidance of specialised management. Specifically this means that Peter Eichler, Management Board member responsible for personal insurance, will be responsible for the personal insurance CSCs. Andreas Kößl, Management Board member responsible for property insurance, will supervise the property insurance CSCs.

The number of employees who work at UNIQA Austria in processing and customer and sales partner servicing will fall from the current number of 2,800 to about 2,500 by 2020. But the target operating model is not a termination-based dismantling programme. "We are assuming that capacity changes will take place as much as possible in the course of natural fluctuations and in concert with our employees. I am sure that we will reach our goal by 2020."

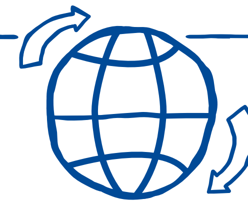
The implementation of the new target operating model will make it even easier for customers to get in touch with UNIQA Austria. Along with the private customer business, the corporate customer business will also be shifted step by step from the regional headquarters to the new target structure by 2020. Leyers: "The regional headquarters will be able to focus more on sales and customer service on-site."

The **target operating model** increases efficiency by means of standardisation. By 2020, about 20 per cent of all business transactions will be categorised as complex.

The savings potential that comes about with the implementation of the new target operating model rises gradually and will reach the level of double-digit millions of annual savings before 2020.

Erik Leyers, 47

Erik Leyers has been a Group Management Board member since 2016 and oversees the operating processes at both UNIQA Austria and UNIQA International. He has been with UNIQA since 2014. Prior to that, he worked at the Allianz Group in Munich in various operations departments. Erik Leyers did a degree in economics in Munich and began his career in 2001 at McKinsey.



UNIQA INSURANCE PLATFORM (IT CORE)

Reforming the IT landscape

The UNIQA Group is starting the transformation of its business with a far-reaching renovation of its IT landscape, calling this the UNIQA Insurance Platform (UIP). It lays the foundation for a comprehensive re-design of the UNIQA business model. The UIP creates the necessary conditions for better satisfying the expectations and wishes of customers in future, which will change faster and more radically in an increasingly digital world. The UIP will soon send a fresh breeze through UNIQA's IT landscape. Read about how it's going, what's needed, and why the IT system is required for remaining attractive against the competition.

Stable IT processes prevent breakdowns

Whenever an insurance contract is concluded today, hardly anyone thinks about the IT processes that run in almost real time in the background. A glance behind the curtain shows how complicated the network of various programmes truly is. "If a customer would like to know how much the premium is for a specific product, we have to take a lot of parameters into account, such as the customer's creditworthiness, age, or how many of our insurance products they already hold. It's a complex, multi-layered process," says Erik Leyers, COO of the UNIQA Group.

It is clear that even a small breakdown in a critical IT system can have a major impact. "A robust IT system has the uppermost priority to ensure the seamless functioning of our daily business," says Leyers. This is why intense work continues to minimise interruptions in business-critical systems, so-called major incidents. And with success. The IT systems at UNIQA have become measurably more stable in the past year.

Yet in comparison with the complete restructuring of the IT platform, it is business as usual. That is because ensuring high stability is one part of the largest project in UNIQA's history: the general overhaul of the entire process and IT landscape.

New platform creates flexibility

"This project is designed to last for more than ten years and will put our business on a completely new foundation. To do this, we rely on standard products that help us become more efficient and agile. In an increasingly globalised world, these are the basic requirements for staying competitive. Digitalisation isn't just blurring national boundaries; it is also completely transforming customer requirements and will continue to do so at a rapid tempo. The new UIP may not be the reinvention of space travel, but it will bring us unbelievably far forward," says Leyers.

After comprehensive analyses, UNIQA decided to go with IBM Austria as its general contractor and integration partner. The subcontractors are msg life (Germany), innovas (Germany) and Guidewire (US).

The purpose of the new platform implementation is to create a uniform basic structure on which as many products as possible can be built in a modular manner. Leyers: "In the automobile industry, the platform idea was turned into a reality. The same basic components, for example floor panels or a chassis, are used for several models. This makes production more efficient, faster and less expensive for customers. Development and innovation cycles were reduced in a major way." This will also be the case in the insurance industry. In the end, customers will benefit the most from the investment. Erik Leyers puts it in concrete terms: "Only with a new IT platform can we offer our excellent products and services in the digital age, thereby keeping our promise to our customers for 'Safer, better, longer living'."

Preparations in full swing

The first product to be integrated into the new UIP will be presented to customers by mid-2018. “We are starting with unit-linked life insurance in the bank assurance segment in Austria. In addition, the ‘electronic documentation’ for the sales force will be ready for use by mid-2017”, says Leyers about the first steps, which are currently being implemented. This digitally supported tool helps sales advisers to approach their customers interactively and individually, and to understand their needs, requirements and preferences in a structured way. But that’s only the first step. The support documentation is similar to the car configurator used for buying a new car. It was developed gradually in such a way that the customer can go through the record of the meeting at a later point on their own.

UNIQA is investing a total of €300 million (€240 million of this will be recognised in profit or loss) over the next four years to realise the initial essential parts of the overall transformation programme.

EXPENSES 2016–2020

	Expenses affecting earnings
Operational Excellence (optimisation measures that make processes more efficient and orient them more towards customer needs)	~ €60 million
Digitalisation	~ €65 million
UNIQA Insurance Platform (IT core system)	~ €115 million
Total	**~ €240 million**

INNOVATION

“Modern banking is revolutionising our relationship with the customer.”

THOMAS POLAK,
Chief Innovation Officer

Thomas Polak, 44

Thomas Polak has been on board at UNIQA since April 2016 and is serving in the newly created position of Chief Innovation Officer. Throughout his career as an investment banker and entrepreneur, Polak has helped establish 15 companies in a variety of cutting-edge sectors, from telecommunications and software to pharmaceuticals and life sciences as well as design and media. Most recently, he played a major role in making I-NEW Unified Mobile Solutions a success.

Has the insurance industry let digitalisation pass it by?
Basically, yes. But the pressure has increased since banks began digitalising their relationship with customers. Until now, the sale of insurance policies has always been a protected zone, and there hasn’t been any particular urgency to develop new sales models. But the positive experience with modern banking is now revolutionising our relationship with the customer.

Which megatrends should the industry prepare for?
The customer is looking for a comprehensive ecosystem of financial services. We will continue to evolve towards becoming an integrated service provider. I expect to see a relentless trend reversal in this regard.

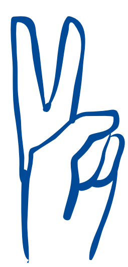
And how is the industry reacting to this trend?
I can only assess that to a limited degree. But there’s one thing I can say: at UNIQA, we have definitely come to appreciate the degree to →

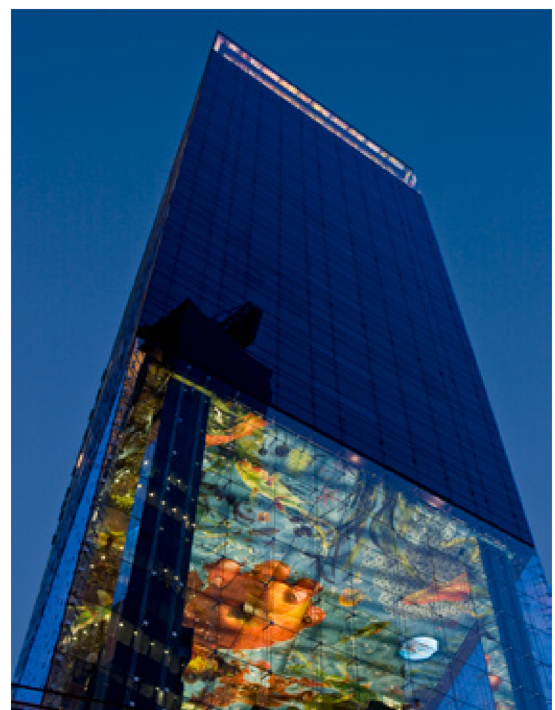
which digitalisation permeates our entire sector. It's something that the Group management has internalised 100 per cent.

You've been with the Company for almost a year, are there already specific programmes in place?
Yes, in two respects. On the one hand, our four work streams in Finance, Mobility, Home and Health have come up with some very specific ideas on how to improve our existing business. And along with that, we're also trying out some completely new things. An example is our participation in the platform "fragnebenan.at", which people in the community can use to network with one another better. This is an initial small venture – but we are confident that we can use it to acquire new customers or to generate leads for potential customers.

You are on the Senior Advisory Committee at weXelerate – how should this initiative be classified?
It's going to be Austria's largest innovation hub. In the Design Tower, a prime downtown location in Vienna, UNIQA is assisting exceptionally innovative start-ups with extensive resources and numerous events. We are expecting to receive more than 10,000 applications annually from innovative start-ups from around the world for the Accelerator Programme, which the winning candidate can use free of charge for 100 days. It offers us an exciting opportunity to create a new innovation landmark for the entire CEE region.

Andreas Brandstetter at the kick-off event for the new innovation centre weXelerate in March 2017.





weXelerate fast tracks innovation

As an integral part of a proactive innovation and digitalisation strategy, UNIQA is getting ready to open the Design Tower – which also houses the Sofitel Vienna Stephansdom – for top international start-ups. In over 8,000 square meters of space, on the lower four floors of the tower, weXelerate is creating one of the world's largest start-up hubs. Starting in the summer of 2017, the centre will be open 365 days a year around the clock and will serve as home to a public co-working space on the ground floor. The Accelerator Programme will be located on the first floor, with a Champions Floor on the second floor for established start-ups. The third floor is available to channel partners, investors, business angels, corporates, consultants and funding bodies. Up to 100 start-ups from the internet of things, FinTech and media will be working here alongside large enterprises, incubators, venture partners, investors and service providers to create new digital business models. This is how UNIQA is bringing together the who's who of the Austrian start-up ecosystem at an attractive location.

DIGITALISATION

“We want to be more relevant for our customers.”

ALEXANDER BOCKELMANN,
Chief Digital Officer

What comes into your mind when you think about digitalisation in the insurance world?
Digitalisation is changing customers’ expectations, but there is no “silver bullet” solution yet. In recent years, huge amounts of money have been pumped into venture capital and start-ups in this area. That has produced many excellent innovations, but so far I haven’t seen a real breakthrough which is going to revolutionise the insurance business.

Does that mean you are not afraid of Amazon or Google as they enter the market?
Not when I think about our core business – insuring risks on a collective basis. But there is a danger that we may lose direct access to our customers. Then we would become just another replaceable supplier.

What changes does UNIQA need to make to prevent customers from switching to competitors?
We have to be visible all the time, wherever customers look for us, and whenever they need us. That means we need to offer additional services which are used with greater frequency.

Do you have any specific plans? What sort of services do you have in mind?
UNIQA could become a provider in the mobility sector, offering solutions for getting from A to B. Regardless of whether someone owns a vehicle or not. If UNIQA were to enter that market, we would be connecting with our customers almost every day. I could imagine something similar in the health sector. I’m thinking about nutrition, fitness or e-health.

How will these new topics be prepared?
We are implementing our digital projects with small, focussed project teams who work interactively on one solution at a time. These teams consist of specialists, designers and IT colleagues who work together to develop solution approaches in two-week sprints. Every two weeks the results are evaluated and the next sprint is adjusted to reflect what we have learned. This way we can watch the new solutions grow over time, just like little plants.

So when do you expect the first digital projects to be launched?
Right now we are working on electronic documentation for UNIQA Austria’s sales force. That will be introduced in the first quarter of 2017. We also want to get UNIQA employees involved in the product design for our mobile solutions. The health sector app will initially be launched within the Company, and we will use the feedback from colleagues to fine-tune the details, before we actually put the solution online for our customers.

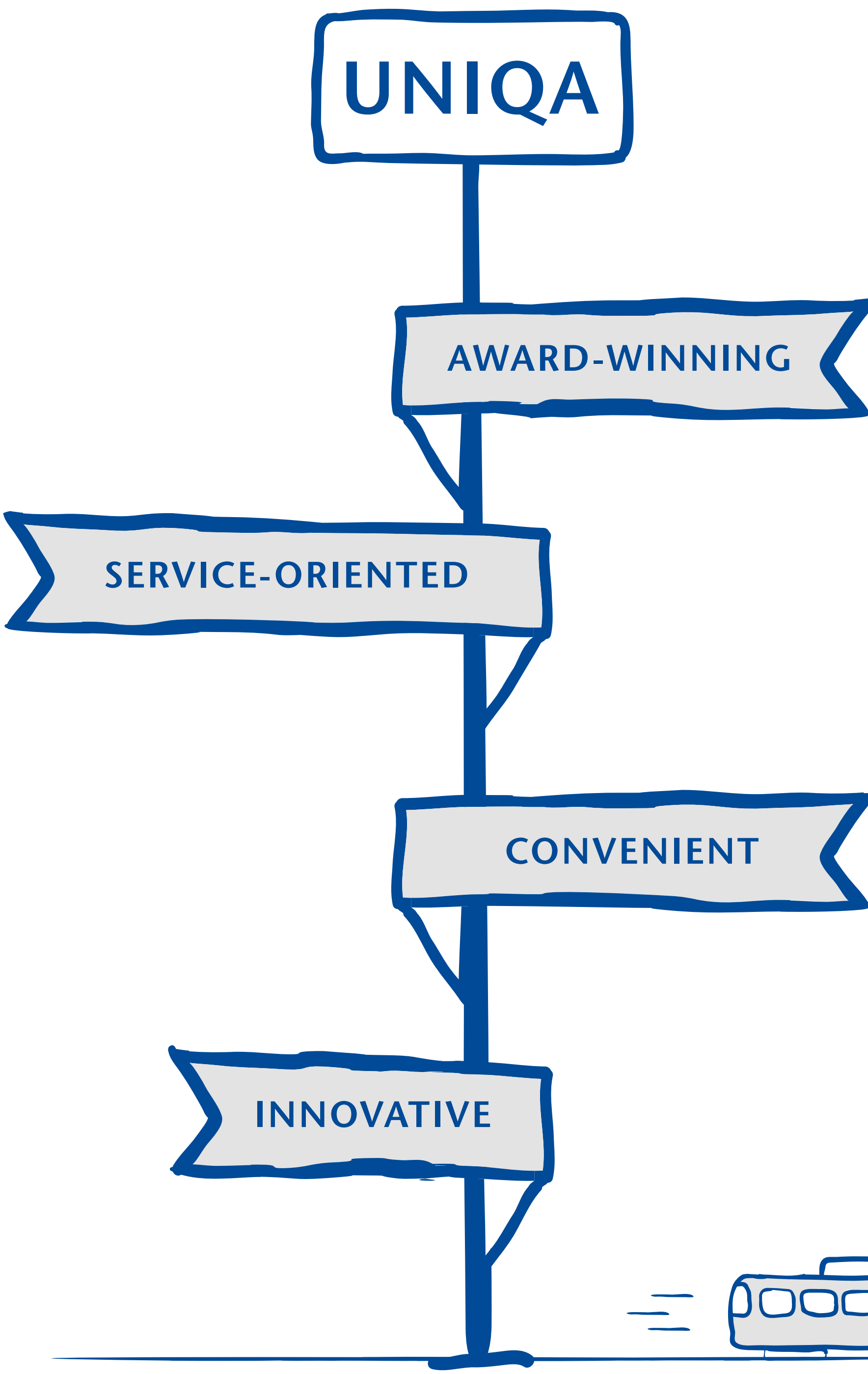
Is that a health insurance app which allows you to submit doctors’ bills through the app?
Yes, exactly. In fact we have renamed the app UNIQA Mobile, as the aim is to offer services across a range of sectors on a mobile basis.

Why was the app renamed?
Across the whole group there are at least 13 apps. It’s my assumption that customers don’t want multiple UNIQA apps. So over time we will aim to consolidate all our app solutions in a single app.

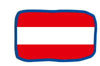
Alexander Bockelmann, 43

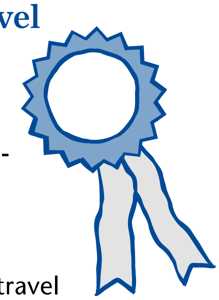
Since June 2016 UNIQA has had its own Chief Information Officer and Chief Digital Officer. Alexander Bockelmann, who has a PhD in environmental science and extensive experience in the German and US insurance industries, joined UNIQA in October 2013 and has been responsible for the Group’s IT since then. He began his career at the Boston Consulting Group.

Attractive to customers

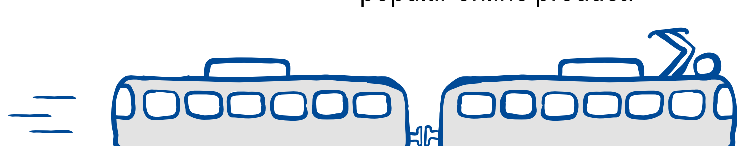


UNIQA travel insurance wins in the category Full Coverage Individual Travel





The Austrian Association for Consumer Studies (Österreichische Gesellschaft für Verbraucherstudien, ÖGVS) conducted a thorough review of travel insurance in early 2016. Their finding: the comprehensive travel protection offered by UNIQA scored an overall grade of "good", and in the cat egory "total protection individual travel" the company ranked first out of nine providers tested. The decisive factors for the top ranking were above all the pricing structure, the convenience and the customer service line. Almost 30,000 travel insurance policies have been concluded online since the introduction of UNIQA travel insurance in 2013, making it the most popular online product.

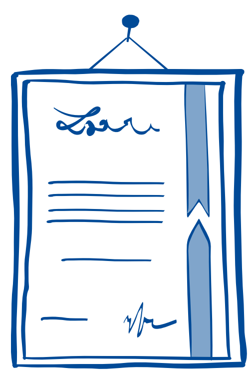


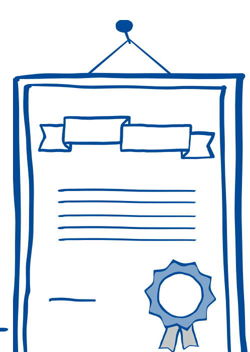
UNIQA legal expenses insurance is test champion

Thanks to utmost satisfaction in the categories premium, benefits and quality of service, UNIQA's legal expenses insurance took first place in a test of legal protection policies carried out by the ÖGVS. The product, newly launched in 2014, made an impression with its supplementary modules, such as patient and property rights protection, legal protection for motor vehicle policy owners and coverage of up to €140,000.

UNIQA takes several awards in Hungary

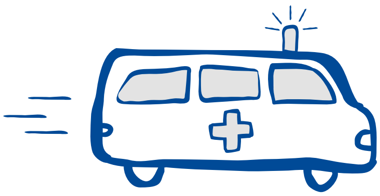
In September 2016, the UNIQA subsidiary pocketed several awards in Hungary. The Association of Independent Insurance Agents awarded it not only best private property and casualty insurance but also best life insurance. And at the annual competition between best asset managers – "MoneyMoon Best Choice 2016" – UNIQA won first place as "Best Insurer of the Year".





UNIQA wins Czech Business Superbrands Award

For the second consecutive year UNIQA was awarded the "Czech Business Superbrands Award". This makes the Company one of the top B2B brands in the Czech market and an outstanding example for the successful implementation of a brand management strategy. Every year, the global organisation Superbrands honours B2B and B2C brands in 90 markets worldwide that are the absolute leaders in their respective fields.



Austria launches online health insurance

In early 2016, UNIQA Austria began offering the first two health insurance plans that can be concluded online. Both variants, "Sonderklasse Select – Kompakt" and "Sonderklasse nach Unfällen" (Premium treatment after accidents), guarantee a private insurance level of care while in the hospital and a choice of doctors in the event of serious illness or accident. The new online service is aimed primarily at young people between the ages of 18 and 35, who almost always check online first before buying insurance. It's a success: since its launch, more than 15,000 online visitors have calculated the premium for private health insurance.

Health insurance now also available in Romania

With iMed, UNIQA Romania introduced a private health insurance plan to the market in October 2016. The plan focuses primarily on prevention and provides customers with services such as nutrition counselling and fitness classes for a healthier lifestyle. In addition to dental insurance, pregnancy check-ups and a medical call centre, customers can draw on a network of 500 medical partners.

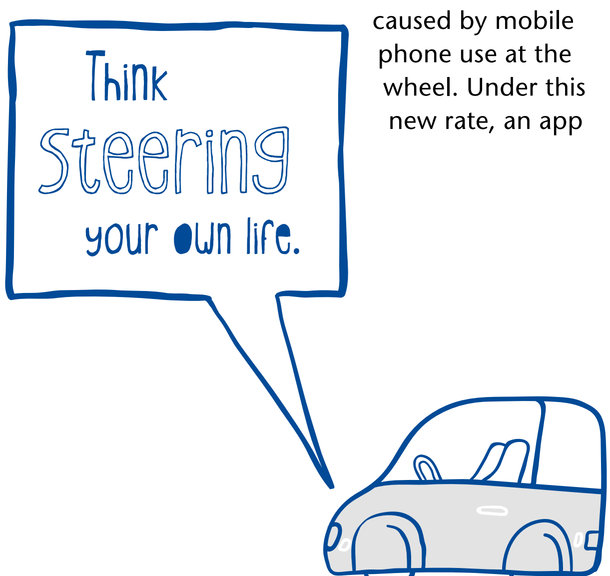
Currently, Romania comes in last in Europe in terms of health insurance. While the annual average per capita premium in Europe is €203, in Romania it is a mere €0.4. With an expected growth rate of 20 to 30 per cent, Romania is considered an enormous growth market in this sector.

UNIQA customers who have taken out private health insurance enjoy first-class treatment in hospital.

Christian Korzinek works in our Service Centre at the motor vehicle registration office of the Vienna regional office and helps our customers register their cars.

UNIQA Ukraine insures devices immediately upon purchasing

Since October 2016, electrical appliances purchased at an Auchan or Onay hypermarket in Ukraine can be insured by UNIQA right in the store. With this new product, UNIQA Ukraine provides, among other things, protection against damage caused by voltage drops in the power grid, which occur frequently, especially in rural parts of the country. This allows customers to extend the warranty on their devices. In the event of damage, they can receive a refund not only for transport and repair costs, but they can also be reimbursed any remaining value if the device cannot be repaired.



Innovative motor vehicle rate rewards foregoing mobile phone use and reduces drink driving

Since 2016, the advanced motor vehicle rate SafeLine from UNIQA Austria allows customers to enjoy reduced premiums if they forego the use of mobile phones while driving. It not only helps them reduce their personal budget, it also prevents accidents, because about 28 per cent of all accidents in Austria are caused by mobile phone use at the wheel. Under this new rate, an app is used to record when a phone is not in use while driving. On the one hand, the points collected reduce the insurance premium while on the other hand the points can be redeemed for goodies worth up to €200 per annum.

Young customers under the age of 25 receive an additional bonus if they leave their car parked on weekend evenings and instead use public transport or driving services. That's another way UNIQA Austria is providing an innovative answer to a pressing issue: one in four of those killed in traffic accidents in Austria is under the age of 24, and drink driving plays a major role in a quarter of all accidents in this age group.

Strong position in sales and service

Lots happening on the Eastern front

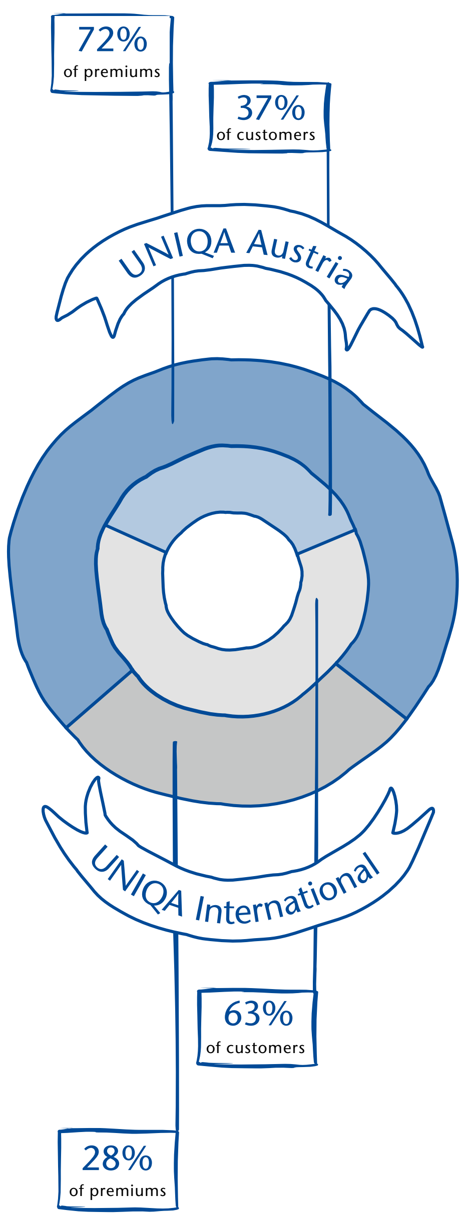
In Central and Eastern Europe (CEE) we are delighted to report not only solid growth, but also good potential for further development. Key success factors in the region include the strongly anchored UNIQA brand identity, a broad mix of sales channels, as well as our established partnership with Raiffeisen.

The UNIQA Group is represented in 15 countries in CEE. And with its diverse sales channels and strong branding, we are well placed in all these markets to participate in the overall upswing in the region. “We now serve more than six million customers in CEE”, Wolfgang Kindl, CEO of UNIQA International, outlines the importance of the Group’s international business.

Attractive long-term potential

However, while two thirds of UNIQA customers live in CEE, only approximately one third of the Group’s premiums are currently generated from this region. “This isn’t necessarily a bad thing – quite the opposite, it represents an enormous market potential”, emphasises Kindl. “International studies and our experience show that insurance premiums in emerging markets are growing at a much faster rate than overall economic output. This should continue the catching-up process with Western Europe in terms of insurance density, as well as premiums per capita.”

Distribution of premiums and customers by core markets



The formula is as follows: when the overall economic situation improves, the demand for products beyond basic coverage also increases. In addition to motor vehicle liability insurance, there is also a growing demand for household and homeowners insurance, as well as products for personal protection such as accident and health insurance.

Rising insurance density

As a matter of fact, the CEE region, with its 160 million inhabitants, has experienced a noticeable economic recovery since 2016. Indicators such as increased employment, rising wages and increased registration of new vehicles should also bring growing prosperity and form the basis for an ever-growing demand for insurance benefits.

Currently in the 15 UNIQA CEE markets, the premium per capita per year is, on average, €150. In comparison, each Austrian citizen spends €1,995 per year on insurance. “In the more developed insurance markets in this region – Czech Republic, Hungary, Poland and Slovakia – the average is about €360, and in the medium term, the remaining CEE countries will also catch up to this level”, says Wolfgang Kindl confidently. →

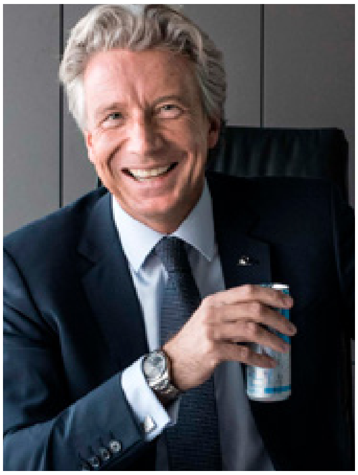
Strong growth in the last few years

The development in the past few years proves that this optimism isn't unfounded. "In CEE alone, premium volumes have grown by more than 9 per cent in 2016 – and this after adjusting for exchange rates," says Zoran Višnjić, Sales Director at UNIQA International. "In some key markets – Poland, Czech Republic, Slovakia and Romania – UNIQA achieved considerable success, partly through improved pricing in vehicle insurance and also due to double-digit growth in car sales." While the competitive landscape remains challenging, "a certain consolidation effect can be observed in some CEE markets," explains Višnjić.

Focus on non-life and accident insurance

Most of the business in the region is comprised of non-life and accident insurance; more than two thirds, followed by life insurance with 30 per cent. The medical insurance division plays a minor role, with only 3 per cent of the total premium income. Wolfgang Kindl: "Offering health insurance in CEE is seen above all as an investment in the future. This is because neither the infrastructure nor the legal framework is available here to the same extent as in Austria. We nevertheless have to start with basic products. In this way, we can build upon our experience as the market leader of this division in Austria."

In some markets, there were difficult decisions to make in 2016 in the area of life insurance, in order to enable us to re-position UNIQA's product range appropriately for the low interest rate environment. Thus the Group reduced the guaranteed discount interest rate for new business in many countries and discontinued the classic life insurance in favour of single-premium insurance. Having completed these measures in the second half of the year, the companies in the affected countries are now able to implement the next strategic steps and begin 2017 on a solid footing.



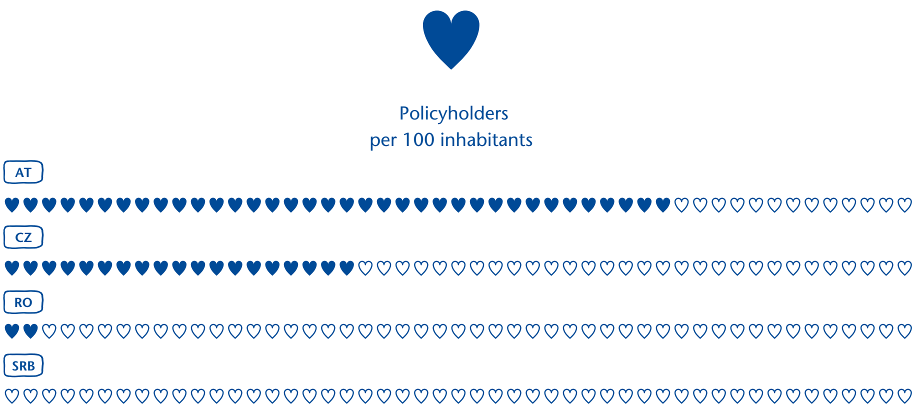
Wolfgang Kindl, 51

Wolfgang Kindl has been responsible for UNIQA International AG as CEO since 2011, before which he was managing director of UNIQA International. He was the CEO of UNIQA Assurances in Geneva from 2000 to 2004. Wolfgang Kindl has worked at the Group since 1996. The doctor of social and economic sciences began his career in sales. His degree focused primarily on insurance and personnel management.

Successful strategic partnership with Raiffeisen

An important strategic success factor for UNIQA is the long-term partnership with Raiffeisen, above all in CEE. Specifically, the cooperation with Raiffeisen Bank International (RBI) extends to 13 countries in CEE. In light of the past successes, this partnership was strengthened in 2013 by a consolidated, indefinite sales cooperation. Johannes Porak, Director of Banking Sales at UNIQA International, is satisfied with the result: "Thanks to this sales cooperation we can reach approximately 14 million Raiffeisen customers in CEE with our insurance solutions specifically tailored to the needs of the bank's customers. The sale of our continuously expanding product range is mainly carried out through the more than 2,500 branches of RBI, as well as through alternative distribution methods such as call centres or digitally. We are convinced that through the joint development of the partnership, we will continue to take full advantage of our existing potential in the coming years." →

CEE: Great potential in health insurance



Johannes Porak, 56

Johannes Porak has been the UNIQA International AG Group Management Board member responsible for Bancassurance & Affinity in the international business since July 2011. He has worked at UNIQA since December 2000, prior to which he worked at the former Creditanstalt in Vienna and at J.P. Morgan Group in London. Johannes Porak has a degree in economics from Canterbury, England. He began his career at Coopers&Lybrand in his native Argentina.

Combined women's power in Southeastern Europe: UNIQA CEOs in Southeastern Europe – Saša Krbavac (Croatia), Senada Olević (Bosnia and Herzegovina), Nela Belević (Montenegro) and Gordana Bukumirić (Serbia) – in intensive discussion with Vinzenz Benedikt (head of Controlling at UNIQA International).

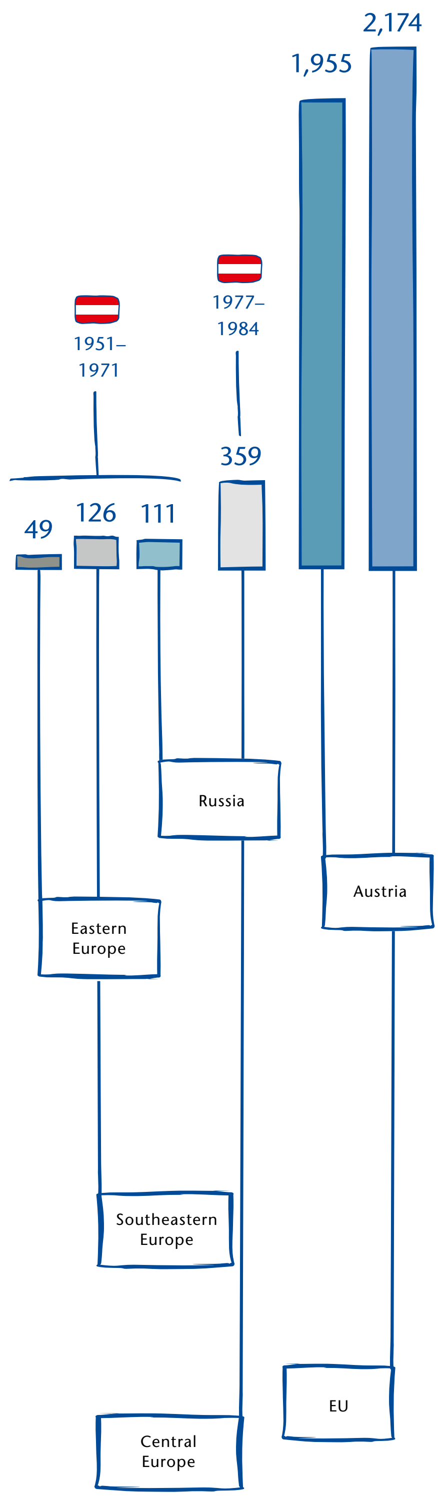
Faster digitalisation than in Western Europe

Though digitalisation is already causing massive changes in the domestic market in Austria, UNIQA expects even more significant effects in CEE. Wolfgang Kindl: “The transition to digital will be more pronounced in CEE because the insurance industry there does not have as long a tradition as it does in Austria.” In addition, the maturities of the policies in CEE are, on average, shorter than those in Western Europe, so that the disruptive replacement of the traditional business model can take place starting at a certain point in time without having too much of a detrimental effect. “This is particularly true for private customers, and, here in particular, the commodity sector with such products as, for example, simple vehicle and household insurance,” says Kindl. “In ten years, the new business models will become highly relevant in CEE. In Austria, the transformation will probably be somewhat slower.”

And how does UNIQA International react to these challenges? “Through investment in online solutions and the development of new partnerships, UNIQA International continued to diversify its sales channels over the course of 2016,” says Wolfgang Kindl. “The primary objective here is to be market leaders in customer satisfaction. Although some independent studies already confirm UNIQA’s lead position in many markets, the Group continues to strive for ongoing improvement.”

High potential in CEE

(Insurance spending per capita and year in EUR)



Zoran Višnjić, 48

Zoran Višnjić has been the Group Management Board member at UNIQA International AG responsible for sales (not including banks) since 2011. Prior to this, he worked for five years as CEO of UNIQA Insurance in Belgrade. He worked as a manager in the banking and insurance sector in Canada for twelve years before moving to UNIQA. Zoran Višnjić holds degrees in economics from Belgrade and in finance (FRM, CFA) from Canada.

Sustainable further growth

We continue to place an emphasis on developing our CEE business, while keeping an eye on the balance between growth in premiums on the one hand and costs and risks on the other. A balanced product portfolio and a good mix of sales channels form a robust foundation for this. Our committed and professional sales team, supported by strong back office staff and the strength of the UNIQA brand identity in the CEE region, are excellent ambassadors for us in this market.

1) Market shares in Russia refer to life insurance only.

"Advisors who only care about selling contracts – and not about quality – are going to have a hard time in the future."

Hartwig Löger, 51

Hartwig Löger has been the Chairman of the Management Board of UNIQA Austria since 2011. He also oversees sales. Prior to that, he was the head of exclusive distribution at the UNIQA Group and managing director of UNIQA International Versicherungs-Holding GmbH. Hartwig Löger graduated from the International Management programme at the University of St. Gallen. His career began traditionally – in sales at AON Jauch & Hübener – followed by stints at Allianz, Grazer Wechselseitige and Donau Versicherung.

For Hartwig Löger, CEO of UNIQA Austria, closeness to customers requires individual service. Consultation and sales may take place online more often in future but service quality does not have to suffer at all. UNIQA's new electronic documentation is an important tool for this.

UNIQA Austria advertises that it has a great many locations so that it can be available locally to the customer. What kind of advantages does this bring, and doesn't that stand in diametrical opposition to online sales?
No, our basic principle relies on an integrated model. Regardless of whether customers buy a product on the Internet or in person from an advisor, they can always count on personal advice. It is precisely this direct contact and highly individualised consultation that set our sales operation apart. We have a total of nine regional headquarters in Austria and over 400 regional locations that offer on-site insurance. Our network of advisors is comprised of a 3,000-strong exclusive sales force and more than 4,000 independent brokers. However, customer behaviour is in a state of constant flux when it comes to information and communication, as well as buying products and services – and that means that we will have to make the appropriate adjustments.

"This direct contact and highly individualised consultation set our sales operation apart."

What will this mean for the sales force once this homework is completed?
The ways in which we measure success will change. Today, the focus is on the commission that is directly associated with a successful sale. In future, the quality of service will be the criterion for advisor commissions. The new sales guidelines, called IDD, are already restructuring sales in this direction.

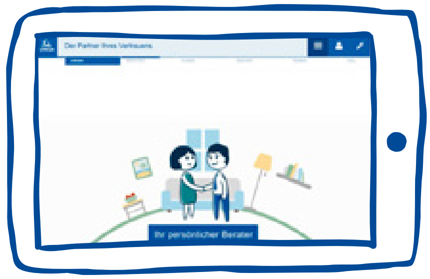
How can the quality of consultation be assessed if not by the signing of a contract?
It will create a system in which the customer evaluates the quality of service and expresses their satisfaction.

Will there be fewer sales employees?
Customers' behaviour will ultimately decide this. But clearly, if customers are able to do certain things themselves because of digitalisation, such as change their address themselves or add components to their contracts online, then this will influence the number of salespeople. This will require even more concentration on the quality of service.

Currently, only about 2 per cent of all contracts are completed online at UNIQA Austria. Why is this figure still so low?
This is because customer demand remains restrained, and our online services are not yet fully developed. However, consultation will continue to be done very often in person. Of course we are aware that a great number of our customers gather information online before they come to us, and certainly the trend of buying products online will only get stronger in the future.

How many contracts were completed online in 2016, and which new premiums were you able to realise with them?
At www.uniqa.at our customers can already calculate premiums for 15 products and also take out contracts for 13 of these products. Travel insurance is the bestseller. Here we saw an increase in sales of 81 per cent in 2016. In 2015, 7,500 travel insurance policies were completed online, and last year we sold over 13,600. Since we started the health insurance needs calculator in the first half of 2016, we've already made almost €300,000 in new premiums.

What do you expect from the new IT system that is being implemented right now?
The UNIQA Insurance Platform (UIP) is a long-overdue reformation of our entire IT system. The new platform will support us in becoming even more efficient and in further optimising our processes. I expect that our customers will benefit in particular from this because, thanks to our new IT system, we will be able to offer products solutions that can be processed better and more quickly.



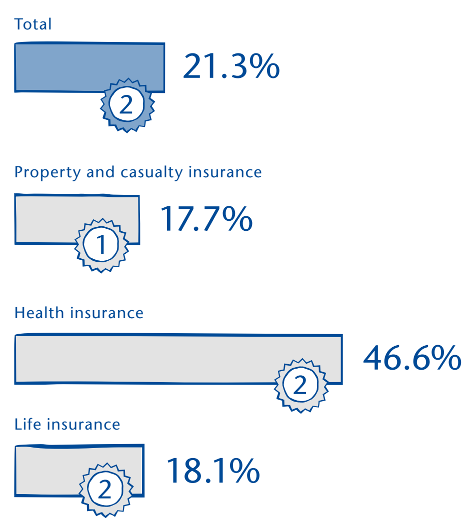
What is electronic documentation?

From pinpointing needs to underwriting.

Electronic documentation is being tested in the sales force in the first quarter of 2017. This will then be used in the entire business. What is new is that this innovative tool helps us assess customer demand electronically, and keep track of it digitally. The new consumer protection guideline, IDD, which is entering into force in 2018, means that a very individual and exact needs assessment must be done, in a transparent and comprehensible way, before the product sale. The new electronic documentation provides precisely this puzzle piece and makes data collection and underwriting even more modern and efficient. It also enables targeted customer relationship management (CRM), meaning integrated data implementation and use.

Where do you see opportunities in the portfolio to establish insurance products in additional areas?
In all of the lines. Even if at the moment it is incredibly difficult to present classic life insurance, the product still remains very important for our customers. This is because the basic public pension system is increasingly hitting its limits. It will be our responsibility, despite the prevailing conditions, to offer products that are relevant and interesting for our customers. In the automobile insurance line, we are seeing a trend from car owners to users. In urban areas, such as Vienna, there is already a shift towards car-sharing models. I believe that the new circumstances will create new opportunities in certain niche segments, or as a service provider. In our core area, health insurance, we are already in a good position, but I see major demand especially in this line.

UNIQA market share in Austria 2016



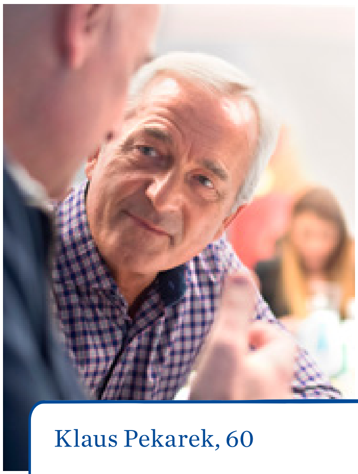
Source: Market forecast statistics February 2017 from the Austrian Insurance Association (VVO)

Partnership with Raiffeisen: attractive products, successful dual-brand strategy

In Austria last year, UNIQA generated almost a quarter of new premiums through banks. Klaus Pekarek, member of the Management Board of UNIQA Austria with responsibility for overseeing bank sales, sees the partnership with Raiffeisen as a clear win-win for everyone involved. With its innovative products and deliberate choice of a dual-brand strategy, UNIQA Austria is aiming to develop the significant potential this area of business presents.

"Customers who purchase a policy over the counter generate benefits in three different ways," says Klaus Pekarek in answer to the question of what makes bank sales so attractive. They conveniently receive all services from a single provider, while the bank benefits from stronger, more sustainable customer loyalty, and for UNIQA Austria sales through banks present an additional business opportunity. "That makes it a clear win-win-win strategy," notes Pekarek.

In fact, bank sales offer tremendous potential for insurance companies, which in Austria have been confronted by a saturated market for quite some time. Pekarek: "Our goal is clear: have bank sales grow faster than the market as a whole. Thanks to our close partnership with Raiffeisen, we're able to make that happen on a regular basis." While the Austrian insurance market as a whole grew by an average of 1.3 per cent over the last five years, Raiffeisen Insurance Austria grew by 2.8 per cent. "Customer demand is particularly strong in private pension and risk prevention," says Pekarek.



Klaus Pekarek, 60

Klaus Pekarek has been responsible for UNIQA Austria's banking sales since 2016. Prior to that, he was the Chairman of the Management Board at Raiffeisen Versicherung. Before he switched to UNIQA, he held various positions within Raiffeisen Landesbank Kärnten, ultimately as Director-General. Klaus Pekarek studied law as well as social science and economics in Graz.

"Win-win-win strategy"

"Benefits customers in three different ways"

Attractive products ...

The ingredients of success are a collaborative partnership and attractive products. In the life insurance sector – the traditional focus of bank sales – the Raiffeisen Insurance brand has recently even proven to be a trendsetter. In view of a changed market environment brought about by low interest rates, classic life insurance has

Working together with **pilot banks,** we will conduct an evaluation of the nationwide sales launch of health insurance in 2018. Parallel to that, we are preparing to launch a new unit-linked life insurance next year as well. Moreover, we are working with sales partners to implement the joint omni-channel strategy and, as a consequence, on digitalisation of the bank sales business model. This involves fully integrating Raiffeisen insurance products into Raiffeisen Banking Group's new digital banking system scheduled for 2018.

had to completely adapt to new circumstances. Pekarek: "We responded with a very innovative product. We created a classic life insurance, which – although it foregoes a traditional discount rate – offers a 100 per cent guarantee on paid net premiums as well as maximum flexibility. This is made possible by a fair and transparent compensation model that spreads the premium over the entire term."

... under the Raiffeisen brand

The products in bank sales are marketed under the brand name "Raiffeisen Insurance". Pekarek: "We have deliberately opted for a dual-brand strategy, because it accords with Raiffeisen's philosophy of a sole-source provider with the original look-and-feel of the brand identity 'Raiffeisen. My bank'." The customer's personal banker at his regional bank serves as his exclusive point of contact, while UNIQA Austria provides support in the background as product and service provider, furnishing policies for bank sales under the Raiffeisen Insurance brand. Pekarek: "The insurance policies may be produced by UNIQA Austria. But it's like when someone buys a Fanta. They don't really care that it's actually produced by the Coca-Cola Company. What's important is that the product is from a strong, well-known and trusted brand name. And for Raiffeisen customers, that's Raiffeisen."

To make sure this "background activity" functions perfectly, UNIQA Austria significantly streamlined its own structures last year and merged Raiffeisen Insurance with UNIQA Austria. Pekarek: "We not only successfully optimised our products and services, we revamped internally as well." The merger of the two companies creates significant synergies while retaining the greatest possible continuity for customers and sales partners.

1.3

million customers

At the end of 2016, bank sales accounted for about 1.3 million customers and 1.8 million contracts.

New products and online services

The newly emerging UNIQA Insurance Platform (UIP) will for the first time offer new unit-linked life insurance for bank sales. "In 2017 we will be completely revising unit-linked life insurance and specifically adapting it for bank sales," says Pekarek.

Meanwhile, in bank sales we are also working on implementing an omni-channel strategy, "digital regional bank", and, thus, moving ahead with the digitalisation of our business model. Pekarek: "Specifically, this involves the full integration of our insurance products into digital banking at the Raiffeisen Banking Group: in future, this will let Raiffeisen customers take out and manage their Raiffeisen insurance electronically via online banking." Pekarek sums up: "We are constantly working to provide our mutual customers with the best at every level. Our partnership with Raiffeisen is the perfect synthesis."

Safer, better, longer living

All it takes is four words to get to the heart of UNIQA's mission. We look to support our customers in living safer, better and longer lives. And thereby contributing, in our small way, to their experience of the "joy of life". That's the message that should be expressed in all of the services UNIQA provides, both within our company and outside it. And in this annual report as well. To achieve this, UNIQA draws on a whole set of measures.

How does the positioning of "joy of life" fit with an insurance company like UNIQA? "Better than you might think at first glance," says Gabriela Rusu, Head of Group Marketing & Communication. "For one thing, it's supposed to show that we are providing customers with more security and freedom, and therefore greater joy in life, through our products and services. But it also means that the company wants to model this same spirit and transmit it to others; in other words,

it's also about how we treat each other as well as the customers. In 2016 we settled on a very concise way of saying this: 'Safer, better, longer living'. That's our mission statement in a nutshell."

Genuine customer focus

We aim to make the Group's positioning constantly palpable. Gabriela Rusu: "Everything that serves as a 'tangible' point of contact for customers – for example, our branch offices, general agents, sales materials, brochures, as well as our website or e-mails and letters." And that applies across the entire shared "journey" that customers undertake with UNIQA: starting with the information stage, through concluding a contract and settling a claim in the event of an accident, to ongoing support and servicing.

"We are currently scrutinising all the stages of this journey, taking a detailed look at all the contact points to see whether they actually convey the Company's values, whether they really represent the world of UNIQA," Rusu says. A broad-based process carried out in Austria and in international markets ensures that necessary changes and improvements are identified and implemented. Regular reviews using internal and external surveys and mystery shopping serve as the basis for continuous readjustment. More than 500 brand coaches throughout the Group are responsible internally for creating awareness and inspiring morale.

"A sense of joy should be present at all points of contact."

Honest, transparent and digital communication

And of course joy of life provides the central approach to marketing and advertising. Gabriela Rusu: "As a company with almost ten million customers, UNIQA relies on all the usual channels of broad-based communication – television commercials as well as print ads and direct mail, websites as well as leaflets and brochures." The Company considers it particularly important that the latter not only look good, but are also easy to understand. Rusu: "That also holds true for our correspondence, whether it's by post or email – all the originals are carefully reviewed with a view to their clarity and are progressively revised."

Digital communication clearly plays a central role and will become even more important in the years to come. "We want to go where the digital natives live – and that's the internet," said Rusu. "We also want to process information very differently." UNIQA is therefore working intensively to develop a newsroom, where the Company wants to provide its stakeholders with a broad portfolio of information on relevant topics, but also an opportunity to engage in an exchange of information. Gabriela Rusu on this important innovation project: "Through coordinated, targeted and media-savvy communication with our customers, we can improve our products and services to ensure – with UNIQA's support – safer, better, longer living."

GABRIELA RUSU
Gabriela Rusu has been Head of Group Marketing & Communication at the UNIQA Group since 2016.

Social responsibility? Surely yes!

Sustainable economic success is inconceivable without a social and environmental vision. This is why UNIQA supports a wide range of initiatives to benefit people and the environment. The overriding aim, as ever, is to ensure safer, better, longer living.

Since 2016 the central contact person in the Group for corporate social responsibility (CSR) and sustainability has been Andreas Rauter, Head of Regulatory & Public Affairs. In 2017 UNIQA is publishing its first-ever separate sustainability report, which will go well beyond the statutory requirements of the latest Global Reporting Initiative (GRI).

So how exactly does UNIQA define social responsibility? "As Austria's largest health insurer, we care a great deal about our customers' quality of life," explains Carl Gabriel, Head of Sponsoring at the Group. "The aim is to ensure that our customers, our employees and all those to whom we provide direct or indirect support have safer, better and longer lives – that is our mission and gives us credibility."

Young people's health is particularly important to the Company. The spectrum here ranges from sport and nutrition right through to mental health. Unlike some competitors, UNIQA is not content just to have a presence as sponsor through advertising banners at sporting events, or to have top athletes representing the Company as brand ambassadors: "We want to reach parents and children through sports idols," explains Gabriel. Motivation is provided here by Olympic ski champion Matthias Mayer, along with Benjamin Raich and Marlies Raich-Schild, who after careers in Austrian skiing are now spreading enthusiasm for a sustainably healthy lifestyle.

LARA FELIX, FOOTBALLER

"It's great that UNIQA supports the girls' school football league like this. We can kick just as well as the boys."

Elite sport and sports for all

Lara Felix shows just how quickly a sport-loving child can become an up-and-coming star: the fourteen-year-old girl from Vienna not only helped her own team to win the title at the UNIQA Girls' Football League in 2016, she also scored the deciding goal at the final victory in 2016, as the only girl in a team of boys.

UNIQA also supports school leagues for handball, volleyball and basketball – but anyone who thinks that the Group is only interested in promising up-and-coming professional talent is mistaken: in 2016 UNIQA also helped more than 200 children, young people and their parents to get moving again with the free one-day "Fit aufwachsen Camps" ("Grow-Up-Fit Camps"). The parallel initiative "Vital4Brain" aims to balance learning with exercise in schools.

The Special Olympics are another very important story, where, as is well known, the focus is not on new sporting records, but rather on integrated experiences, pursuing goals and developing the potential of intellectually disabled athletes. "The participants in the Special Olympics radiate a joy for life, so they fit well into our brand positioning," says Gabriel, explaining why UNIQA is the main sponsor for the 2017 Special Olympics World Winter Games, which were held this year in Austria for the second time. →

From 14 to 25 March, the 2017 Special Olympics World Winter Games were held in Schladming, Ramsau and Graz with UNIQA as the main sponsor. A total of 3,000 athletes with intellectual disabilities from 110 nations went to the starting line.


1

PHOTO © ELISABETH KESSLER


2


3

MARION KRÖLL, REGIONAL OFFICE STYRIA/SCHLADMING, UNIQA AUSTRIA

"I'm proud that UNIQA sponsored the 2017 Special Olympics World Winter Games. Being able to share this joy with intellectually disabled people was an amazing experience. I have a special connection with the Games since my father was president of the Special Olympics movement in Austria for 23 years. I think it's great too that 200 colleagues helped with the games as volunteers."


4


5

1 Lara and Luis, the two mascots of the Special Olympics World Winter Games, were already present live at the UNIQA Christmas party to get all the employees into the spirit of this outstanding event.

2–5 Grow up fit: at the Grow-Up-Fit Camp, youngsters between the ages of eight and twelve spend a day learning about exercise, healthy nutrition, mental strength and safe media use in a playful and diverse way. Because parents are the most important role model for children, UNIQA also offers a special parent-coaching programme at the Grow-Up-Fit Camp.

Commitment & integration

Sponsorship may be a matter for the bosses, but providing employees with the opportunity to get involved in social issues also reflects UNIQA's corporate culture. Since 2013 we have allowed our employees to take one day off from work each year – known as a "social day" – to take part in charity projects. In special circumstances, the UNIQA Group even doubles this offer to two free days per employee, for instance, to help refugees or for the Special Olympics in 2017. And there's a good reason for that: more than 200 company employees volunteered within just a few days at the Special Olympics alone, for activities ranging from serving food to dismantling stages.

The extent to which the concept of integration is ingrained in UNIQA employees' thinking is also shown through their commitment to refugees. Management Board members set the example by spending time at the Haus Damaris refugee centre, provided by UNIQA and run by Caritas, in Vienna's 19th District, and working to alleviate the hardship suffered by asylum seekers through donations of food, clothes and money.

SHUKRIA JAFFARI, ASYLUM SEEKER FROM AFGHANISTAN

"My family and I have found a new home at Haus Damaris in Vienna. Thank you UNIQA!"

Culture & creativity

Whether from a migrant background or otherwise – Carl Gabriel is convinced that "Language is the key to a successful future and, as insurers, we always need to be thinking about the future." That is why UNIQA is once again supporting the "SAG'S MULTI" ("Say it multilingually!") speech competition in the 2016/2017 academic year, as main sponsor for the eighth time; this year's competition includes not only German and a wide range of mother tongues, but also sign language for the first time.

Culture of course involves more than just language, and music also has the ability to connect people without words. From this perspective, UNIQA's sponsorship of the children's opera at the Salzburg Festival as well as the CEE Film Festival can most definitely be seen as a further contribution to integration and education. As Austria's biggest art insurer, the Group also focuses on sponsoring museums, but smaller and younger institutions abroad enjoy support from UNIQA too, such as a gallery for street art in Łódź, Poland, along with various other art projects. Creativity is also the theme at the UNIKATE ideas competition, through which UNIQA has since 2011 been encouraging students' technical innovations aimed at making life easier for disabled people. →

UNIQA stakeholder management – selection of key topics

- Sparing use of resources
- Regional value added
- **Responsible investment**
- Social commitment
- Health and safety
- **Economic benefits for all stakeholders**
- **Sustainable and solid business**
- Demographic change

PHOTO © UNIQA POLEN

US artist Crystal Wagner created the three-dimensional installation "Hyperbolic" on the front of an art nouveau building in Łódź's old town for the UNIQA Art Łódź project.

Making decisions together: at UNIQA, we take seriously what employees think and contribute.

In cooperation with our external partner, KibisCare, we offer our employees comprehensive childcare, even on long weekends, tutoring, as well as a wide range of health and sports activities.

Work & life

In terms of making life easier: "A work-life balance is important," says Head of Group Human Resources Robert Linke, "which is why 'UNIQA Freiraum' services offer our employees all sorts of help, from arranging child care to a laundry service right at company headquarters." The UNIQA Sport Club also helps everyone stay in shape with sports such as running, sailing, tennis and volleyball.

Setting a good example is not enough for us. We want to help our customers achieve improved health and well-being through preventive measures such as advice from vitality coaches, or wellness retreats and preventive screening, all consolidated in the "UNIQA VitalPlan". Healthy lifestyles are rewarded with a Fitness Bonus and there are premium refunds for unused benefits. Of course, we think about companies as well as private customers: "UNIQA Vitalbilanz" ("Vitality balance") offers 120 modules for occupational health management.

Training & empowering women

For Head of HR Robert Linke, training is also important on another level. "A key component in meeting our strategic objectives is the provision of customised training and development programmes," says the Head of HR. "Our SHAPE programme is aimed directly at senior managers and Management Board members, while NEXT is targeted at selected up-and-coming talents within the Group."

The leadership team at UNIQA features a mediocre ratio of women – although internationally the proportion of female board members and of women in executive positions is 29 per cent, in Austria it is just 20 per cent; for Linke this clearly needs to be improved. "We want to increase this percentage further," he says, "which is why we give preference to women in the recruitment process, if skills and qualifications are the same."

Green & clean

The UNIQA Group also sets a clear example in environmental issues. Environmentally friendly behaviour is rewarded with sustainable insurance products such as SafeLine car insurance, and unit-linked life insurance provides customers with the option of investing their premiums in sustainable funds.

In 2008, UNIQA Tower was one of the first buildings in Europe to receive the EU Green Building Certificate, along with the Facility Prize awarded by M+W Zander Facility Management GmbH for the best cost/benefit ratio; it was also awarded the LEEDS Certificate by the U.S. Green Building Council. Since that beginning, the Group has always believed that it has

UNIQA has nine electric cars for employees to use.

CARL GABRIEL
is responsible for sponsorship activities at the UNIQA Group.

ROBERT LINKE
has been Head of Group HR since 2016.

ANDREAS RAUTER
heads the Regulatory &Public Affairs department, and also coordinates CSR and sustainability.

a duty to be an environmental pioneer. The Company procures 100 per cent of the power it requires in Austria from suppliers that have the "Green Electricity" certification, while the use of heat pumps decreases CO_2 emissions by 84 tonnes per year, and 33 per cent of the power for heating and cooling comes from geothermal sources – not to mention the fact that the UNIQA Tower uses 40 per cent less energy than comparable office buildings.

"Even our vehicle fleet plays its part in protecting healthy living spaces for future generations," says Andreas Rauter, the Group's lead Sustainability Coordinator. He is proud of their exemplary performance: "A company car from UNIQA uses on average 119 grams of CO_2 per kilometre, which is not only our best result so far, but also around 8 per cent less than the year before." Eleven of approximately 200 company cars used in Austria are powered by electricity. Employees who do without a car altogether receive a discount when they buy tickets for public transport.

Ideas & innovation

"An insurance company fulfils the role of absorbing and containing the risks in our environment as effectively as possible," says Rauter, explaining UNIQA's commitment to the environment and climate protection. The Group awards prizes both internally and externally for innovative environmentally friendly solutions, through competitions such as the Raiffeisen Sustainability Challenge or through its support for the world's biggest competition for sustainable business ideas, the EU-founded ClimateLaunchpad.

Employees can even win prizes for efficient use of resources at home, for instance with the electricity reduction competition. The award goes to the employee who manages to save the most electricity in a year. A Climate Protection Manual also provides practical tips for private and professional everyday life.

UNIQA Group – the most important stakeholders

UNIQA

CUSTOMERS
- Private customers
- Corporate customers
- Austria
- CEE

EMPLOYEES
- Austria
- CEE
- Works council

PUBLIC
- Lawmakers/regulators
- The authorities
- Sectoral associations
- NGOs
- Special interest groups
- Media

OWNERS/PROVIDERS OF CAPITAL
- Private investors
- Institutional investors
- Core shareholders
- Employees
- Analysts

BUSINESS PARTNERS
- Raiffeisen banking group
- Sales partners and brokers
- Suppliers

An attractive investment

The economic environment remained very challenging in 2016. Our Group's steady business development nevertheless allows a further dividend increase to €0.49 per share. UNIQA is an interesting investment option in other ways too, with a strong brand, good market positioning, enduringly successful partnerships and solid capital resources.

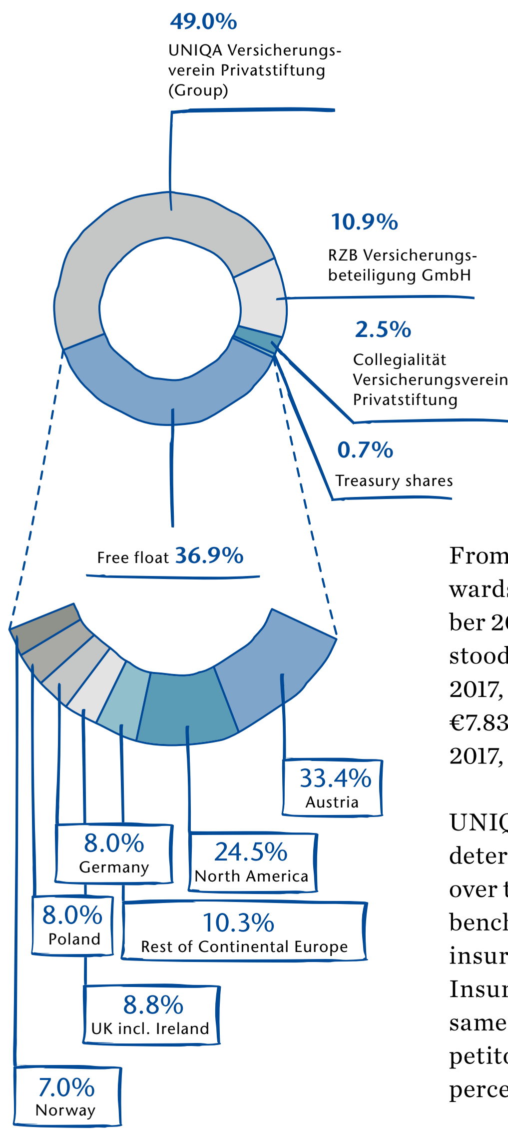
The leading European index Euro Stoxx 50 increased by 0.7 per cent to 3,290.52 points in 2016. Including distributed dividends, a total return of 5.0 per cent was attained. Over the course of the year, only the Brexit vote and the presidential elections in the USA managed to cast a dark cloud, albeit short-term, over the development of share prices. The index profited particularly from the sound performance of the banks in the second half of the year.

European insurance values fell by about 6.0 per cent in comparison to the 2016 leading index, due to the low-interest environment. After dividend distributions, however, the difference was only 1.6 per cent. Among the greatest losers in 2016 were Italian insurers, a development attributable primarily to their proximity to the Italian banking sector, which by year-end was relying increasingly on restructuring measures.

The Vienna Stock Exchange – in alignment with international share price performance – made a slow start in 2016: the ATX leading index even fell below the 2,000-point mark and reached its lowest value of the year in mid-February. The subsequent recovery phase was interrupted again by the Brexit turbulence, and the ATX sank again below 2,000 points. From the middle of the year, however, a powerful upward surge began, based on favourable fundamental company data and positive economic developments in the expanded domestic market in Central and Eastern Europe. By the end of 2016, the ATX had climbed 9.2 per cent over its high point of the previous year to 2,618.43 points. This was the highest year-end figure since 2010.

UNIQA shares, which are listed in the prime market of the Vienna Stock Exchange have since 2014 also been listed in Austria's leading ATX index, after the successful re-IPO in October 2013 and the resulting sharp increase in liquid funds. The share price declined noticeably in early 2016 and reached its low point for the year on 11 February 2016 at €5.04. In addition to general market developments, the announcement of an investment and innovation programme on 18 January 2016 also had an effect. By early June 2016, the UNIQA share price had recovered to over €6.50, after which it fell slightly. By the end of October 2016, the price was oscillating between €5.20 and €6.10.

Shareholder structure



Equity story

- Austria's strongest insurance brand
- Comprehensive sales platforms
- Market leader in health insurance
- Successful sales partnership with Raiffeisen
- Interesting growth potential in CEE
- Solid capital position
- Attractive dividend policy

From there on it climbed steeply upwards, reaching €7.28 on 28 December 2016. At year-end, UNIQA shares stood at €7.20. At the beginning of 2017, the share price rose, reaching €7.83 on 1 February 2017. On 31 March 2017, the share price was €7.28.

UNIQA shares posted an overall deterioration in price of 4.4 per cent over the course of 2016 – while the benchmark index for the European insurance industry, EURO STOXX Insurance, lost 2.1 per cent in the same period of time, with some competitors even reporting double-digit percentage drops. →

UNIQA SHARES – KEY FIGURES

In €	2012	2013	2014	2015	2016
UNIQA share price as at 31 December	9.86	9.28	7.78	7.53	7.20
High	13.40	11.14	10.02	9.41	7.45
Low	8.75	8.12	7.34	7.04	5.04
Average daily turnover (in € million)	0.1	1.5	3.2	4.5	5.2
Market capitalisation as at 31 December (in € million)	1,672.3	2,183.5	2,397.6	2,320.6	2,218.5
Average number of shares in circulation	169,599,813	235,294,119	308,180,350	308,180,350	308,129,721
Earnings per share	0.75	1.21	0.94	1.09	0.48
Dividend per share	0.25	0.35	0.42	0.47	0.49[1]

[1] Proposal to the Annual General Meeting

Research

The following investment banks currently publish regular research reports on UNIQA shares:

- Berenberg Bank
- Commerzbank
- Deutsche Bank
- Erste Group Bank
- J.P. Morgan
- Keefe, Bruyette & Woods
- Kepler Cheuvreux
- Raiffeisen Centrobank
- UBS

Change in the shareholder structure

The sale of a package of shares in UNIQA Insurance Group AG to UNIQA Versicherungsverein Privatstiftung, as announced in July 2016 by Raiffeisen Zentralbank Österreich AG, was legally executed on 15 December 2016 after approval by the relevant authorities. This means that the core shareholder UNIQA Versicherungsverein Privatstiftung (Group) now holds 49.0 per cent of UNIQA shares (Austria Versicherungsverein Beteiligungs-Verwaltungs GmbH: 41.3 per cent, UNIQA Versicherungsverein Privatstiftung: 7.7 per cent). Raiffeisen Bank International AG now holds only 10.9 per cent through RZB Versicherungsbeteiligung GmbH as a core shareholder. The core shareholder Collegialität Versicherungsverein Privatstiftung still holds 2.5 per cent of UNIQA shares. The Company's portfolio of treasury shares remains at 0.7 per cent. The free float increased slightly due to the transaction and amounted to 36.9 per cent by the end of 2016, more than one third of total shares. On 31 December 2016, market capitalisation based on the free float amounted to approximately €823 million.

Because of their pooled voting rights, shareholdings of UNIQA Versicherungsverein Privatstiftung, Austria Versicherungsverein Beteiligungs-Verwaltungs GmbH, Collegialität Versicherungsverein Privatstiftung and RZB Versicherungsbeteiligung GmbH are counted together. Reciprocal purchase option rights were agreed.

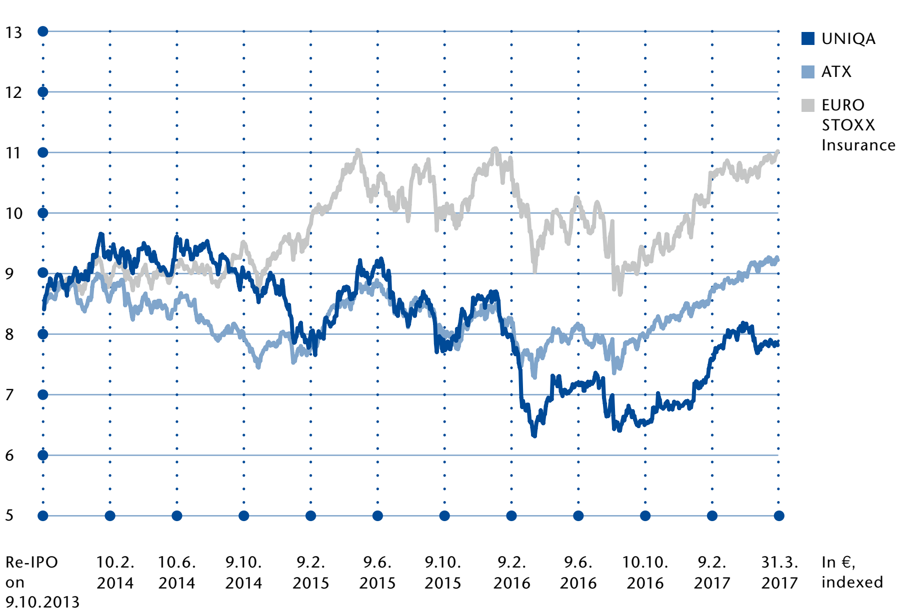
Progressive dividend policy

One of our prime concerns is to ensure that UNIQA's shareholders participate in the success of the Company to an appropriate extent. To this effect, dividend distributions have been raised consistently over recent years. On the basis of the separate financial statements of UNIQA Insurance Group AG, the Management Board will therefore propose to the Annual General Meeting the payment of a dividend of €0.49 per dividend-bearing share for the 2016 financial year. This constitutes a total distribution of €150 million or 102 per cent of Group profit.

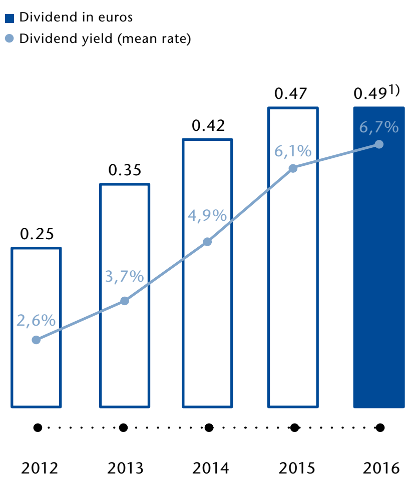
In connection with the sale of the Italian companies, the related goodwill value of €115 million was impaired by €73 million. This impairment had a negative effect in 2016 on the period results. However, it did not affect the operational results or the economic capital ratio (ECR ratio) – two critical parameters of dividend policy. The dividend payout for 2016, subject to the result of the Annual General Meeting, amounts to 47 per cent of the operational results. Compared to the previous year, the dividends have increased by more than 4 per cent.

Despite planned investments of around €500 million over the next ten years and the challenging economic environment, UNIQA plans to continuously increase annual dividend payments per share over the coming years as part of a progressive dividend policy.

UNIQA SHARE PERFORMANCE



Development of the UNIQA dividend



1) Proposal to the Annual General Meeting

In constant dialogue with analysts and investors

We attach the utmost importance to providing our shareholders as well as the entire financial community with regular, comprehensive, up-to-date information about the ongoing performance of the Company. To this end, the UNIQA management team was again available in 2016 to answer the questions of investors and analysts at numerous roadshows and banking conferences and also held a large number of one-on-one meetings during the year. The first UNIQA capital markets day took place in London on 14 March 2016. All reports and corporate information can be accessed online at: www.uniqagroup.com. In addition, our investor relations team is happy to answer individual questions: investor.relations@uniqa.at

"UNIQA is continuing on the right track."

Andreas Wosol, Pioneer Investments

What do you see as the main questions and issues for investments in the insurance sector?
Depending on regulatory requirements, the main factors for insurance companies are the strength of the balance sheet and the ongoing ability to generate cash flow and capital. Ultimately, this affects the sustainability of the shareholder return and the capacity to distribute dividends. Depending on the business model, the crucial factor in the life insurance sector is the question of the point at which reinvestment starts to yield returns, especially in the persistent low interest environment we have been experiencing for some years now.

How do investors perceive UNIQA compared to the competition?
UNIQA's position as market leader in the Austrian health insurance business means it offers a diversified and attractive business model. Insurance business in the CEE region also offers long-term growth potential. UNIQA has also managed to significantly reduce risk in the balance sheet. This is reflected in very stable and conservative capitalisation.

What do you think of UNIQA's strategic focus?
As far as I can see, UNIQA has made good progress with implementing the UNIQA 2.0 strategic programme since this was launched in 2011. The current programme was redefined in 2016 and will now run until 2020; its focus on improved efficiency and earnings, as well as digitalisation means it is continuing on the right track. As I mentioned, I am particularly impressed to see a reduction in risk on the balance sheet, most recently through the sale of the Italian life insurance business. Equally positive aspects are the reorganisation of the Group and the resulting increase in efficiency and transparency.

Where do you think there might still be room for development?
The UNIQA 2.0 programme and the digital strategy have defined important strategic issues and objectives. I think there is still some potential for improvement in cost management, particularly in complexity costs. I think it would also be important to continue to reduce investments that are not part of the core business.

FINANCIAL CALENDAR 2017

19.5.	Record date for the Annual General Meeting
24.5.	First Quarter Report 2017
29.5.	Annual General Meeting
8.6.	Ex-dividend date
9.6.	Dividend record date
12.6.	Dividend payment date
23.8.	Half-year Financial Report 2017
16.11.	First to Third Quarter Report 2017

UNIQA SHARES – INFORMATION

Ticker symbol	UQA
Reuters	UNIQ.VI
Bloomberg	UQA AV
ISIN	AT0000821103
Market segment	Vienna Stock Exchange – prime market
Trade segment	Official market
Indices	ATX, ATX FIN, MSCI Europe Small Cap
Number of shares	309,000,000

“Rules are not an end in themselves.”

Rita Wittmann, Director of the Legal & Compliance Division of UNIQA Insurance Group AG and UNIQA Österreich Versicherungen AG, talks about the exploding density of regulations, sensitive data and uncontrolled development in the regulatory jungle.

Rita Wittmann, 39,

has been responsible for Legal & Compliance since September 2016. Previously she was a lawyer at Schönherr Rechtsanwälte GmbH. A registered attorney since 2010, she studied law and international business. Before joining Schönherr in 2012, she worked as an associate at international and Austrian law firms for five years.

The Legal and Compliance departments were merged in 2016. What are the main priorities of your job?
We see ourselves as a service department for the Group. Insurance companies face major challenges because the density of regulations has practically exploded, and legal requirements are becoming increasingly strict. The implementation of these rules means an enormous effort for the Group, but I also view this as an opportunity: it is forcing us to develop efficient processes, to harmonise process flows, and to practise self-discipline. This leads to more transparency and efficiency, which in the final analysis benefits customers and the Company.

Customers aren’t always happy about all the questions that they have to answer now.
That’s true. They have to fill out a ton of forms and answer questions that are sometimes quite personal. But we aren’t doing this to spy on our customers; it’s because the regulatory net is getting tighter and we have to meet certain legal requirements. Let’s take the example of FATCA (Foreign Account Tax Compliance Act) & CRS (Common Reporting Standard): the implementation of these reporting laws, which are meant to facilitate international data exchange to prevent tax evasion and money laundering, means a lot of effort that basically does nothing for us (laughs). Aside from incurring costs. But seriously, this is sensitive data that no one likes to give up, and the value for the customer is not immediately apparent. This is why it is all the more important to do a good job of explaining the background so that customers can also go through a process of learning and rethinking – as with banking secrecy, which was the holy grail in Austria but can’t be upheld any longer.

Stock exchange compliance, which was also strengthened in 2016, is also about secrets, right?
Various organisational measures, including the establishment of constant and project-related confidentiality areas inside the Company, have been introduced to prevent market abuse and guarantee compliance with legal requirements. People who work with confidential information, which of course includes the Management Board and the Supervisory Board, but also employees in departments such as Finance or Investor Relations, are receiving training in the basic rules of confidentiality.

What other tasks did you focus on in 2016?
An important topic in Group management was and is international compliance. The Group is represented in 18 countries, sometimes even with multiple companies, that we review with annual company visits. We ask questions, collect random samples, take a look at local documents and write reports about each country's status. Since 2016 we also have an assessment tool that enables the countries to assess themselves by means of questions and answers in a traffic light system. Of course we check whether the countries' self-reporting agrees with our background information. In the final analysis, the tool is meant to make those responsible at the local level more aware of their duties and to deepen their familiarity with the topic.

> "Guidelines have a tendency to spiral out of control, but rules are not an end in themselves. They must be streamlined and manageable."

The implementation of the General Data Protection Regulation by 2018 – is this also a major topic?
Yes, because new functionalities had to be planned for our existing systems for administering contracts, so that we can meet the requirements of the General Data Protection Regulation. These include for example pseudonymisation, limitation of processing or ensuring data portability. The information obligations in data collection are being expanded comprehensively, and that makes the revision of several forms necessary. Achieving all of this in a timely manner requires enormous administrative and technical effort.

When people hear data protection mentioned, they automatically think of whistleblowers. Do you have a hotline for informants?
We are currently setting up our own platform, which should start to be operational in the first half of 2017.

What could be reported there? Insurance fraud? Corruption?
Insurance fraud is dealt with primarily by the specialists in underwriting, but we want to dedicate more effort to this area because there is a lot of money lying around there. Corruption falls into the category of reputation compliance: our Code of Conduct, which is summarised in a handy brochure, defines – along with ethical and legal business management – reasonable modes of behaviour – with customers as well as with agencies, business partners and colleagues – as well as how to deal with gifts and invitations. Certainly there are no objections to small gifts or a modest invitation to dinner, but if the value of the gift exceeds €100, then permission has to be granted. Even stricter rules apply to dealing with officeholders.

How do you coordinate all of these internal rules?
We are currently working on streamlining and restructuring our policy management – both as an instrument of Group management and in terms of implementing new regulations. Our Governance Policy stands above all of this, defining how the Group functions. It includes, at various levels and in differing degrees of detail, policies, standards, guidelines and manuals – something like a set of internal laws that govern how processes are supposed to run. These provisions have to be aligned so that whenever we make an adjustment here or there, the equivalent part of the mechanism in Bosnia or in Slovakia also moves in parallel. Guidelines tend toward uncontrolled growth, but rules are not an end in themselves. They have to be streamlined and manageable. And above all they have to be practicable.

Corporate Governance

Consolidated Corporate Governance Report

Since 2004, the UNIQA Group has pledged to comply with the Austrian Code of Corporate Governance and publishes the declaration of conformity both in the Group annual financial report and on the Group website at www.uniqagroup.com in the Investor Relations section. The Austrian Code of Corporate Governance is also publicly available at www.uniqagroup.com and www. corporate-governance.at

The Corporate Governance Report and the Consolidated Corporate Governance Report of the UNIQA Insurance Group AG are summarised in this report in accordance with Section 267b in conjunction with Section 251(3) of the Austrian Commercial Code.

Implementation and compliance with the individual rules in the Austrian Code of Corporate Governance, with the exception of Rules 77 to 83, are evaluated annually by PwC Wirtschaftsprüfung GmbH. Rules 77 to 83 of the Austrian Code of Corporate Governance are evaluated by the law firm Schönherr Rechtsanwälte GmbH. The evaluation is carried out largely using the questionnaire for the evaluation of compliance with the Code published by the Austrian Working Group for Corporate Governance (as amended January 2015). The reports on the external evaluation in accordance with Rule 62 of the Austrian Code of Corporate Governance can also be found at www.uniqagroup.com

UNIQA also declares its continued willingness to comply with the Austrian Code of Corporate Governance as currently amended. However, UNIQA deviates from the provisions of the Code as amended with regard to the following C rules (comply or explain rules) and the explanations are set out below.

Rule 49 of the Austrian Code of Corporate Governance

Due to the growth of UNIQA's shareholder structure and the special nature of the insurance business with regard to the investment of assets, there are a number of contracts with individual members of the Supervisory Boards of related companies, in which these Supervisory Board members discharge duties as members of governing bodies. If such contracts require approval by the Supervisory Board in accordance with Section 95(5)(12) of the Austrian Stock Corporation Act (Rule 48 of the Austrian Code of Corporate Governance), the details of these contracts cannot be made public for reasons of company policy and competition law. All transactions are in any case entered into and processed on an arm's length basis.

COMPOSITION OF THE MANAGEMENT BOARD

Name	Responsible for	Supervisory Board appointments or comparable functions in other domestic and foreign companies not included in the consolidated financial statements
Andreas Brandstetter, Chairman Chief Executive and Investment Officer (CEO/CIO) *1969, appointed 1 January 2002 until 30 June 2020	Innovation, Investor Relations, Group Communication, Group Marketing, Group Human Resources, Group Internal Audit, Group Asset Management, Group General Secretary	
Erik Leyers, Member Chief Operating Officer (COO) *1969, appointed 1 June 2016 until 30 June 2020	Strategic Business Organisation, Group IT, Digital Services/Digital Data Management, OPEX (Operational Excellence), Group Service Centre Slovakia	• Member of the Supervisory Board of Raiffeisen Informatik GmbH, Vienna (since 1 June 2016)
Kurt Svoboda, Member Chief Financial and Risk Officer (CFO/CRO) *1967, appointed 1 July 2011 until 30 June 2020	Group Finance – Accounting, Group Finance – Controlling, Group Actuarial and Risk Management, Group Reinsurance, Regulatory & Public Affairs, Legal & Compliance, Group Internal Audit	
Hannes Bogner, Member Chief Investment Officer (CIO) *1959, appointed 1 January 1998 until 31 May 2016	Group Asset Management (until 31 May 2016), Legal & Compliance (until 31 May 2016), Group Internal Audit (until 31 May 2016)	• Member of the Supervisory Board of Casinos Austria Aktiengesellschaft, Vienna • Member of the Supervisory Board of CEESEG Aktiengesellschaft, Vienna • Member of the Supervisory Board of Niederösterreichische Versicherung AG, St. Pölten • Member of the Supervisory Board of Wiener Börse AG, Vienna
Wolfgang Kindl, Member *1966, appointed 1 July 2011 until 31 May 2016	UNIQA International (until 31 May 2016)	
Thomas Münkel, Member Chief Operating Officer (COO) *1959, appointed 1 January 2013 until 31 May 2016	Group Operations (until 31 May 2016), Group IT (until 31 May 2016), Group Project Office (until 31 May 2016)	• Member of the Supervisory Board of Raiffeisen Informatik GmbH, Vienna (until 31 May 2016)

Management and monitoring duties in significant subsidiaries	Number of UNIQA shares held
• Chairman of the Supervisory Board of UNIQA Österreich Versicherungen AG, Vienna (until 31 May 2016) • Chairman of the Supervisory Board of UNIQA International AG, Vienna (until 31 May 2016) • Chairman of the Supervisory Board of Raiffeisen Versicherung AG, Vienna (until 1 October 2016; company merged with UNIQA Österreich Versicherungen AG) • Chairman of the Supervisory Board of SIGAL UNIQA Group AUSTRIA sh.a., Tirana • Chairman of the Supervisory Board of SIGAL LIFE UNIQA Group AUSTRIA sh.a., Tirana • President of the Board of Directors for UNIQA Re AG, Zurich (since 25 October 2016)	as at 31 December 2016: 25,219 shares
• Member of the Management Board of UNIQA Österreich Versicherungen AG, Vienna • Member of the Management Board of UNIQA International AG, Vienna (since 1 June 2016) • Member of the Managing Directors of UNIQA internationale Beteiligungs-Verwaltungs GmbH, Vienna (since 16 August 2016) • Member of the Supervisory Board of FINANCE LIFE Lebensversicherung AG, Vienna (until 1 October 2016; company merged with UNIQA Österreich Versicherungen AG) • Member of the Supervisory Board of UNIQA Asigurari S.A., Bucharest • Member of the Supervisory Board of UNIQA Asigurari de Viata S.A., Bucharest • Member of the Supervisory Board of UNIQA Towarzystwo Ubezpieczeń na Życie S.A., Lodz (since 29 June 2016) • Member of the Supervisory Board of UNIQA Biztosító Zrt., Budapest (since 13 September 2016) • Member of the Supervisory Board of UNIQA pojišťovna, a.s., Prague (since 14 September 2016)	as at 31 December 2016: 1,391 shares
• Member of the Supervisory Board of UNIQA Österreich Versicherungen AG, Vienna (until 31 May 2016) • Member of the Management Board of UNIQA Österreich Versicherungen AG, Vienna (since 1 June 2016) • Member of the Supervisory Board of UNIQA International AG, Vienna (until 31 May 2016) • Member of the Management Board of UNIQA International AG, Vienna (since 1 June 2016) • Member of the Managing Directors of UNIQA internationale Beteiligungs-Verwaltungs GmbH, Vienna (since 16 August 2016) • Member of the Supervisory Board of PremiQaMed Holding GmbH, Vienna (since 1 June 2016) • Member of the Supervisory Board of Raiffeisen Versicherung AG, Vienna (until 1 October 2016; company merged with UNIQA Österreich Versicherungen AG) • Member of the Supervisory Board of UNIQA Asigurari S.A., Bucharest • Member of the Supervisory Board of UNIQA Asigurari de Viata S.A., Bucharest • Member of the Supervisory Board of UNIQA Towarzystwo Ubezpieczeń S.A., Lodz (since 29 June 2016) • Member of the Supervisory Board of UNIQA poistovňa a.s., Bratislava (since 28 June 2016) • Member of the Supervisory Board of UNIQA Towarzystwo Ubezpieczeń na Życie S.A., Lodz (since 29 June 2016) • Member of the Supervisory Board of the UNIQA Insurance Company, Private Joint Stock Company, Kiev (since 1 August 2016) • Member of the Supervisory Board of UNIQA LIFE Private Joint Stock Company, Kiev (since 1 August 2016) • Member of the Supervisory Board of UNIQA Biztosító Zrt., Budapest (since 13 September 2016) • Member of the Supervisory Board of UNIQA pojišťovna, a.s., Prague (since 14 September 2016) • Vice Chairman of the Board of Directors for UNIQA Versicherung AG, Vaduz (until 28 June 2016) • Chairman of the Board of Directors for UNIQA Versicherung AG, Vaduz (since 29 June 2016) • President of the Board of Directors for UNIQA Re AG, Zurich (until 24 October 2016) • Vice President of the Board of Directors for UNIQA Re AG, Zurich (since 25 October 2016)	as at 31 December 2016: 11,697 shares
• Vice Chairman of the Supervisory Board of UNIQA Österreich Versicherungen AG, Vienna (until 31 May 2016) • Vice Chairman of the Supervisory Board of UNIQA International AG, Vienna • Vice Chairman of the Supervisory Board of Raiffeisen Versicherung AG, Vienna (until 1 October 2016; company merged with UNIQA Österreich Versicherungen AG) • Member of the Supervisory Board of UNIQA Asigurari S.A., Bucharest (until 31 May 2016) • Member of the Supervisory Board of UNIQA Asigurari de Viata S.A., Bucharest (until 31 May 2016) • Member of the Supervisory Board of UNIQA Assicurazioni S.p.A., Milan (until 30 August 2016) • Member of the Supervisory Board of UNIQA Previdenza S.p.A., Milan (until 30 August 2016) • Member of the Supervisory Board of UNIQA Life S.p.A., Milan (until 30 August 2016)	as at 31 May 2016: 9,341 shares
• Chairman of the Management Board of UNIQA International AG, Vienna • Chairman of the Supervisory Board of UNIQA Österreich Versicherungen AG, Vienna (since 1 June 2016) • Member of the Supervisory Board of UNIQA Österreich Versicherungen AG, Vienna (until 31 May 2016) • Member of the Supervisory Board of Raiffeisen Versicherung AG, Vienna (until 1 October 2016; company merged with UNIQA Österreich Versicherungen AG) • Member of the Supervisory Board of SIGAL UNIQA Group AUSTRIA sh.a., Tirana • Member of the Supervisory Board of SIGAL LIFE UNIQA Group AUSTRIA sh.a., Tirana • Chairman of the Supervisory Board of UNIQA osiguranje d.d., Sarajevo • Chairman of the Supervisory Board of UNIQA Insurance plc, Sofia • Chairman of the Supervisory Board of UNIQA osiguranje d.d., Zagreb • Chairman of the Supervisory Board of UNIQA Asigurari S.A., Bucharest • Chairman of the Supervisory Board of UNIQA Asigurari de Viata S.A., Bucharest • Chairman of the Supervisory Board of UNIQA poisťovňa a.s., Bratislava (since 28 June 2016) • Chairman of the Supervisory Board of the UNIQA Insurance Company, Private Joint Stock Company, Kiev • Chairman of the Supervisory Board of UNIQA LIFE Private Joint Stock Company, Kiev (since 1 August 2016) • Chairman of the Supervisory Board of UNIQA Towarzystwo UbezpieczeńS.A., Lodz (since 7 September 2016) • Chairman of the Supervisory Board of UNIQA Towarzystwo Ubezpieczeń na Życie S.A., Lodz (since 7 September 2016) • Member of the Supervisory Board of UNIQA Biztosító Zrt., Budapest (until 12 September 2016) • Chairman of the Supervisory Board of UNIQA Biztosító Zrt., Budapest (since 13 September 2016) • Member of the Supervisory Board of UNIQA pojišťovna, a.s., Prague (until 13 September 2016) • Chairman of the Supervisory Board of UNIQA pojišťovna, a.s., Prague (since 14 September 2016) • Chairman of the Board of Directors for UNIQA Versicherung AG, Vaduz (until 28 June 2016) • Vice Chairman of the Board of Directors for UNIQA Versicherung AG, Vaduz (since 29 June 2016) • Chairman of the Board of Directors for UNIQA Assurances SA, Geneva • Member of the Board of Directors for UNIQA Re AG, Zurich (until 24 October 2016) • Chairman of the Supervisory Board of UNIQA Assicurazioni S.p.A., Milan • Chairman of the Supervisory Board of UNIQA Previdenza S.p.A., Milan • Chairman of the Supervisory Board of UNIQA Life S.p.A., Milan	as at 31 May 2016: 7,341 shares
• Member of the Supervisory Board of UNIQA Österreich Versicherungen AG, Vienna (until 31 May 2016) • Member of the Supervisory Board of UNIQA International AG, Vienna (until 31 May 2016) • Member of the Supervisory Board of Raiffeisen Versicherung AG, Vienna (until 31 May 2016; company merged with UNIQA Österreich Versicherungen AG)	as at 31 May 2016: 10,341 shares

The work of the Management Board

The work of the members of the Management Board of UNIQA Insurance Group AG is regulated by the rules of procedure. The division of the business responsibility as decided by the entire Management Board is approved by the Supervisory Board. The rules of procedure govern the obligations of the members of the Management Board to provide the Supervisory Board and each other with information and approve each other's activities. The rules of procedure specify a list of activities that require consent from the Supervisory Board. The Management Board generally holds meetings every two weeks in which the members of the Management Board report on the current course of business, determine what steps should be taken and make strategic corporate decisions. The meetings of UNIQA Insurance Group AG are typically scheduled to correspond with the meetings of the Management Boards for UNIQA Österreich Versicherungen AG and UNIQA International AG. In addition, there is a continuous exchange of information between the members of the Management Board regarding relevant activities and events.

The meetings of the Management Board of UNIQA Insurance Group AG are typically attended by the CEOs of UNIQA Österreich Versicherungen AG and Raiffeisen Versicherung AG – Hartwig Löger and Wolfgang Kindl respectively – as well as Klaus Pekarek (Director of Banking Sales at UNIQA Österreich Versicherungen AG), with an advisory vote. The resulting body is known as the Group Executive Board.

The Management Board informs the Supervisory Board at regular intervals, in a timely and comprehensive manner, about all relevant questions of business development, including the risk situation and the risk management of the Group. In addition, the Chairman of the Supervisory Board is in regular contact with the CEO to discuss the Company's strategy, business performance and risk management.

MEMBERS OF THE SUPERVISORY BOARD

Name	Supervisory Board appointments in domestic and foreign listed companies	Monitoring duties in significant subsidiaries	Number of UNIQA shares held
Walter Rothensteiner, Chairman *1953, appointed 3 July 1995 until the 20th Annual General Meeting (2019)	• Chairman of the Supervisory Board of Raiffeisen Bank International AG, Vienna		
Christian Kuhn, First Vice Chairman *1954, appointed 15 May 2006 until the 20th Annual General Meeting (2019)			
Erwin Hameseder, Second Vice Chairman *1956, appointed 21 May 2007 until the 20th Annual General Meeting (2019)	• Chairman of the Supervisory Board of AGRANA Beteiligungs-Aktiengesellschaft, Vienna • Vice Chairman of the Supervisory Board of STRABAG SE, Villach • First Vice Chairman of the Supervisory Board of Flughafen Wien Aktiengesellschaft, Vienna Airport • First Vice Chairman of the Supervisory Board of Raiffeisen Bank International AG, Vienna • Second Vice Chairman of the Supervisory Board of Südzucker AG, Mannheim		
Eduard Lechner, Third Vice Chairman *1956, appointed 25 May 2009 until the 20th Annual General Meeting (2019)			
Markus Andréewitch, Member *1955, appointed 26 May 2014 until the 20th Annual General Meeting (2019)			
Ernst Burger, Member *1948, appointed 25 May 2009 until the 20th Annual General Meeting (2019)	• Vice Chairman of the Supervisory Board of Josef Manner & Comp. Aktiengesellschaft, Vienna		
Peter Gauper (until 30 May 2016), Member *1962, appointed 29 May 2012 until 30 May 2016			
Jutta Kath (since 30 May 2016), Member *1960, appointed 30 May 2016 until the 20th Annual General Meeting (2019)		• Member of the Board of Directors for UNIQA Re AG, Zurich (since 24 October 2016)	
Rudolf Könighofer (since 30 May 2016), Member *1962, appointed 30 May 2016 until the 20th Annual General Meeting (2019)			
Johannes Schuster, Member *1970, appointed 29 May 2012 until the 20th Annual General Meeting (2019)	• Member of the Supervisory Board of Raiffeisen International AG, Vienna		
Kory Sorenson, Member *1968, appointed 26 May 2014 until the 20th Annual General Meeting (2019)	• Member of the Board of Directors of SCOR SE, Paris • Member of the Board of Directors of Phoenix Group Holdings, Cayman Islands • Member of the Board of Directors of Pernod Ricard, Paris		as at 31 December 2016: 10,000 shares
Delegated by the Central Works Council			
Johann-Anton Auer *1954, from 18 February 2008 until 30 May 2016			as at 30 May 2016: 10,106 shares
Peter Gattinger *1976, from 10 April 2013 until 26 May 2015, and since 30 May 2016			
Heinrich Kames *1962, since 10 April 2013			as at 31 December 2016: 56 shares
Harald Kindermann *1969, since 26 May 2015			
Franz-Michael Koller *1956, since 17 September 1999			as at 31 December 2016: 912 shares
Friedrich Lehner *1952, from 31 May 2000 to 1 September 2008 and since 15 April 2009			as at 31 December 2016: 912 shares

COMMITTEES OF THE SUPERVISORY BOARD

Committee	Chairman	Vice Chairman	Members	Delegated by the Central Works Council
Committee for Board Affairs	Walter Rothensteiner	Christian Kuhn	Erwin Hameseder, Eduard Lechner	
Working Committee	Walter Rothensteiner	Christian Kuhn	Ernst Burger, Erwin Hameseder, Eduard Lechner, Johannes Schuster	Johann-Anton Auer (until 30 May 2016), Peter Gattinger (since 30 May 2016), Heinrich Kames, Franz-Michael Koller
Audit Committee	Walter Rothensteiner	Christian Kuhn	Erwin Hameseder, Jutta Kath (since 30 May 2016), Eduard Lechner, Kory Sorenson	Johann-Anton Auer (until 30 May 2016), Peter Gattinger (since 30 May 2016), Heinrich Kames, Franz-Michael Koller
Investment Committee	Erwin Hameseder	Christian Kuhn	Peter Gauper (until 30 May 2016), Jutta Kath (since 30 May 2016), Rudolf Könighofer (since 30 May 2016), Eduard Lechner, Kory Sorenson	Johann-Anton Auer (until 30 May 2016), Peter Gattinger (since 30 May 2016), Heinrich Kames, Franz-Michael Koller
IT Committee (appointed on 7 September 2016)	Markus Andréewitch	Johannes Schuster	Jutta Kath, Rudolf Könighofer	Heinrich Kames, Franz-Michael Koller

The work of the Supervisory Board and its committees

The Supervisory Board advises the Management Board in its strategic planning and projects. It decides on the matters assigned to it by law, the Articles of Association and its rules of procedure. The Supervisory Board is responsible for supervising the management of the Company by the Management Board. Since the Annual General Meeting of 30 May 2016, it is again comprised of ten shareholder representatives (formerly there were only nine shareholder representatives), and it convened for seven meetings in 2016. Three decisions were made by way of circular resolution.

A Committee for Board Affairs has been appointed to handle the relationship between the Company and the members of its Management Board relating to employment and salary; this committee also acts as the Nominating and Remuneration Committee. The Committee for Board Affairs dealt with legal employment formalities concerning the members of the Management Board and with questions relating to remuneration policy and succession planning at its four meetings in 2016.

The Working Committee of the Supervisory Board is called upon to make decisions only if the urgency of the matter means that the decision cannot wait until the next meeting of the Supervisory Board. It is the Chairman's responsibility to assess the urgency of the matter. The decisions passed must be reported in the next meeting of the Supervisory Board. Generally, the Working Committee can make decisions on any issue that is the responsibility of the Supervisory Board, but this does not include issues of particular importance or matters that must be decided upon by the full Supervisory Board by law. The Working Committee did not convene for any meetings in 2016. It made one decision by way of circular resolution.

The Audit Committee of the Supervisory Board performs the duties assigned to it by law. The Audit Committee held four meetings, which were also attended by the auditors of the (consolidated) financial statements. The meetings discussed all the documents relating to the financial statements, the Corporate Governance Report and the appropriation of profit proposed by the Management Board. Furthermore, the audit of the 2016 financial statements of the companies of the consolidated group was planned and the auditor reported on the results of preliminary audits.

In particular, the Audit Committee was provided on a quarterly basis with the reports of the Internal Auditing department concerning audit areas and material findings based on the audits conducted.

The Investment Committee advises the Management Board with regard to its investment policy; it has no decision-making authority. The Investment Committee held four meetings at which the members discussed the capital investment strategy, questions concerning capital structure and the focus of risk and asset liability management.

The IT Committee was founded on 7 September 2016. Its tasks and competences include the ongoing monitoring of the progress of the project implementing UNIQA's insurance platform (new IT core system), especially in relation to compliance with financial frameworks.

The IT Committee held one meeting and made one decision by circular resolution in preparation to take a decision regarding the award of contract for implementing the UNIQA insurance platform.

The various chairmen of the committees informed the members of the Supervisory Board about the meetings and their committee's work.

For information concerning the activities of the Supervisory Board and its committees, please also refer to the details in the Report of the Supervisory Board.

Independence of the Supervisory Board

All elected members of the Supervisory Board have declared their independence under Rule 53 of the Austrian Code of Corporate Governance. Kory Sorenson and Jutta Kath satisfy the criteria in Rule 54 of the Austrian Code of Corporate Governance.

A Supervisory Board member is considered independent if he or she is not in any business or personal relationship with the company or its Management Board that represents a material conflict of interests and is therefore capable of influencing the behaviour of the member concerned.

UNIQA has established the following points as additional criteria for determining the independence of a Supervisory Board member:

- The Supervisory Board member should not have been a member of the Management Board or a managing employee of the Company or a subsidiary of the Company in the past five years.
- The Supervisory Board member should not maintain or have maintained within the last year any business relationship with the Company or a subsidiary of the Company that is material for the Supervisory Board member concerned. This also applies to business relationships with companies in which the Supervisory Board member has a significant economic interest but does not apply to functions performed on decision-making bodies in the Group.
- The Supervisory Board member should not have been an auditor of the Company or a shareholder or salaried employee of the auditing company within the last three years.
- The Supervisory Board member should not be a member of the Management Board of another company in which a Management Board member of our Company is a member of the other company's Supervisory Board unless one of the companies is a member of the other company's group or holds an investment in the other company.
- The Supervisory Board member should not be a member of the Supervisory Board for longer than 15 years. This does not apply to Supervisory Board members who are shareholders with a business investment or who are representing the interests of such a shareholder.
- The Supervisory Board member should not be a close family relative (direct descendant, spouse, life partner, parent, uncle, aunt, sibling, niece or nephew) of a Management Board member or of persons who are in one of the positions described in the above points.

Measures to promote women on the Management Board, the Supervisory Board and in executive positions

UNIQA is convinced that a high degree of diversity can enhance its success on a sustainable basis. Diversity at management levels has a positive impact on the corporate culture. We understand diversity as different nationalities, cultures and a collective of men and women.

In 2016, Jutta Kath became the second woman appointed to the Supervisory Board of UNIQA Insurance Group AG, thereby increasing the percentage of female Supervisory Board members to 20 per cent.

Over the course of 2016, the proportion of women on Management Boards and in senior executive positions throughout the Group rose to 25 per cent. The proportion of female managers in top positions in Austria, below the Management Board level, stands at precisely 20 per cent, while the proportion of women in Management Board functions in the international field is over 29 per cent.

In autumn 2016, UNIQA started a Group-wide Leadership Development Programme with multiple kick-off events. Women make up 20 per cent of the participants in the SHAPE programme for leading managers, and 35 per cent of the NEXT programme for management talent of the next hierarchical level. In terms of professional development for managers, we believe that a very promising approach is to undertake joint development activities for both women and men.

Enabling employees to achieve a work-life balance and providing them with easy access to services that make everyday life easier, especially for mothers, are key factors in promoting women. UNIQA has created a comprehensive range of services known as “Freiraum” (Latitude) that addresses these needs.

In conjunction with an external partner (KibisCare), this range of services includes a comprehensive childcare service even on “bridging days” (between a public holiday and the weekend), private tuition, as well as a broad range of health and sports activities. Advice and support with caring for family members is also offered as part of the “Elder Care” scheme. More female than male participants took advantage of the offer for individual management coaching as a further development measure in Austria in 2016.

UNIQA also supports flexible working hours and offers the option of teleworking. In 2016, 22 per cent of administrative employees in Austria made use of part-time working, while 13 per cent opted for teleworking.

Remuneration Report

Remuneration of the Management Board and Supervisory Board

The members of the Management Board receive their remuneration exclusively from UNIQA Insurance Group AG, the Group holding company.

In € thousand	2016	2015
The expenses attributable to the financial year in question for the remuneration of the members of the Management Board amounted to:		
Fixed remuneration[1]	2,379	2,469
Variable remuneration	2,242	1,029
Current remuneration	4,622	3,498
Termination benefit entitlements	2,513	0
Total	**7,135**	**3,498**
of which proportionately recharged to operating subsidiaries:	3,883	2,157
Former members of the Management Board and their surviving dependants received:	2,815	2,751

[1] The fixed salary components included remuneration in kind equivalent to €68,940 (2015: €86,661).

The breakdown of the total Management Board remuneration among the individual members of the Management Board was as follows:

Member of the Management Board In € thousand	Fixed remuneration	Variable remuneration (STI)[1]	Multi-year share-based remuneration (LTI)[2]	Total current remuneration	Termination benefit entitlements	Total for the year
Andreas Brandstetter	650	493	0	1,144	0	1,144
Hannes Bogner (until 31 May 2016)	192	388	0	580	1,663	2,243
Wolfgang Kindl (until 31 May 2016)	491	325	0	816	0	816
Erik Leyers (since 1 June 2016)	354	299	0	653	0	653
Thomas Münkel (until 31 May 2016)	202	362	0	564	850	1,414
Kurt Svoboda	490	375	0	865	0	865
Total 2016	**2,379**	**2,242**	**0**	**4,622**	**2,513**	**7,135**
Total 2015	2,469	1,029	0	3,498	0	**3,498**

[1] The Short-Term Incentive (STI) includes the variable remuneration for the 2015 financial year, paid out in 2016.
[2] The Long-Term Incentive (LTI) corresponds with a share-based remuneration agreement that was introduced in 2013 for the first time, with the beneficiary entitled to receive a cash settlement following a four-year term. Details can be found in the notes to the consolidated financial statements.

In 2017, it is expected that the members of the Management Board of the UNIQA Insurance Group AG will be paid variable remuneration (STI) in the amount of €1.7 million for the 2016 financial year. Payments in the amount of €383,000 are expected to be made in 2017 to cover the 2013 allocation of a long-term incentive (LTI) with a term to 2016.

In addition to the remuneration listed above, the following pension fund contributions were paid in the financial year for the existing pension commitments to the members of the Management Board. The compensation payments arise if a member of the Management Board steps down before the age of 65 because pension entitlements are generally funded in full until the age of 65 to avoid overfinancing.

Pension funds contributions In € thousand	Current contributions	Compensation payments	Total for the year
Andreas Brandstetter	84	0	**84**
Hannes Bogner (until 31 May 2016)	53	1,072	**1,125**
Wolfgang Kindl (until 31 May 2016)	119	0	**119**
Erik Leyers (since 1 June 2016)	14	0	**14**
Thomas Münkel (until 31 May 2016)	102	1,758	**1,861**
Kurt Svoboda	105	0	**105**
Total 2016	**478**	**2,830**	**3,308**
Total 2015	681	0	**681**

The remuneration paid to the members of the Supervisory Board for their work in the 2015 financial year was €425,000. Provisions of €470,000 have been set aside for the remuneration to be paid for this work in 2016. A total of €77,000 was paid out in 2016 to cover attendance fees and out-of-pocket expenses to employee representatives (2015: €49,100).

In € thousand	2016	2015
Current financial year (provision)	470	425
Attendance fees and out-of-pocket expenses	77	49
Total	**547**	**474**

The breakdown of the total remuneration (including attendance fees and out-of-pocket expenses to employee representatives) paid to the individual members of the Supervisory Board was as follows:

Name of Supervisory Board member In € thousand	2016	2015
Walter Rothensteiner	75	74
Christian Kuhn	67	65
Erwin Hameseder	67	65
Eduard Lechner	66	65
Markus Andréewitch	40	33
Ernst Burger	39	37
Peter Gauper	16	39
Jutta Kath	33	0
Rudolf Könighofer	29	0
Johannes Schuster	45	37
Kory Sorenson	46	43
Out-of-pocket expenses for employee representatives	26	17
Total	**547**	**474**

Former members of the Supervisory Board did not receive any remuneration.

The disclosures in accordance with Section 239(1) of the Austrian Commercial Code in conjunction with Section 80b of the Austrian Insurance Supervision Act, which must be included as mandatory disclosures in the notes to the consolidated financial statements for IFRS financial statements to release the Company from the requirement to prepare financial statements in accordance with the Austrian Commercial Code, are defined more broadly for the separate financial statements in accordance with the provisions of the Austrian Commercial Code. The separate financial statements include not only the remuneration for the decision-making functions (Management Board) of UNIQA Insurance Group AG, but also the remuneration paid to the Management Boards of the subsidiaries if such remuneration is based on a contract with UNIQA Insurance Group AG.

Principles of profit-sharing for the Management Board

A short-term incentive (STI) is offered in which a one-off payment is made based on the relevant earnings situation if the specified individual objectives for the payment of the incentive have been met. From the 2017 financial year the STI shall be paid out in annual partial payments. A long-term incentive (LTI) is also provided in parallel as a share-based payment arrangement with cash settlement, and this provides for one-off payments after a period of four years in each case based on virtual investments in UNIQA shares each year and the performance of UNIQA shares, the P&C Net Combined Ratio, and the return on risk capital over the period. Maximum limits are agreed. This LTI is subject to an obligation on the members of the Management Board to make an annual investment in UNIQA shares with a holding period of four years in each case. The system complies with Rule 27 of the Austrian Code of Corporate Governance.

Following the Solvency II requirements for remuneration policy for board members, payment of the STI shall be made in two stages from the 2017 financial year. Part will be paid out directly after the determination of earnings, and the remainder will be allocated. Upon a positive sustainability audit for the vesting period, this amount will then be paid out three years later. The STI is thereby designed to ensure an appropriate balance between fixed and variable remuneration elements.

Principles and requirements for the Company pension scheme provided for the Management Board

UNIQA has agreed retirement pensions, occupational disability benefits and surviving dependants' pensions for the members of the Management Board. The beneficiaries' actual pension entitlements are a contractual arrangement with Valida Pension AG, which is responsible for managing the pensions. The retirement pension generally becomes due for payment when the beneficiary reaches 65 years of age. The pension entitlement is reduced in the event of an earlier retirement, with the pension eligible for payment once the beneficiary reaches the age of 60 at the earliest. In the case of the occupational disability pension and survivor's benefits, basic amounts are provided as a minimum pension.

The pension plan at Valida Pension AG is funded by UNIQA through ongoing contributions for the individual members of the Management Board. Compensation payments must be made to Valida Pension AG if members of the Management Board step down before the age of 65 (imputed contribution payment duration to prevent overfunding).

Principles for vested rights and entitlements of the Management Board of the Company in the event of termination of their position

Termination payments have been agreed based on the earlier provisions of the Austrian Salaried Employee Act. These severance payments, which are made if the employment contract of a member of the Management Board is terminated prematurely, comply with the criteria set out in Rule 27a of the Austrian Code of Corporate Governance. The member of the Management Board generally retains his or her pension entitlements if his or her function is terminated, but the entitlements are subject to curtailment rules.

Essential principles of remuneration policy for the companies included in the consolidation (UNIQA Österreich Versicherungen AG, UNIQA International AG and all international insurance subsidiaries)

Bearing in mind the UNIQA business strategy, as well as legal and regulatory requirements, UNIQA's remuneration policy aims to create a direct connection between the company's economic goals and board member remuneration. Thus, in addition to the base salary, there is a performance-based, variable remuneration component (STI) which is regularly compared with the external market. This is a bonus payment that depends on the attainment of agreed qualitative and quantitative objectives in the relevant financial year. An essential criterion for determining and formulating the objectives is that they support UNIQA's Group strategy and are therefore in harmony with the overall strategic orientation. The structure of the total remuneration – the ratio of the basic salary to the variable salary – depends on the respective position. In principle, the variable portion of the total remuneration increases with the size of the area of responsibility.

The sustainability of the business activity and its contribution to sustainable corporate growth is an essential component. This is incentivised in part by delaying the payment of a portion of the STI.

The Solvency II requirements for remuneration policy for board members are met by the above. Furthermore, the Management Boards for UNIQA Österreich Versicherungen AG and UNIQA International AG (insofar as they do not have a claim as an identical board member of UNIQA Insurance Group AG) are included in the long-term incentive programme described above.

Supervisory Board remuneration

The remuneration paid to the Supervisory Board is approved at the Annual General Meeting as a total amount for the work in the previous financial year. The remuneration applicable to the individual Supervisory Board members is based on their position within the Supervisory Board and the number of committee positions held.

D&O insurance, POSI insurance

UNIQA has taken out directors' & officers' (D&O) insurance and, in connection with the implementation of the re-IPO in 2013, public offering of securities insurance (POSI) for the members of the Management Board, Supervisory Board and senior executives (including Group companies). The costs are borne by UNIQA.

Risk report, directors' dealings

A comprehensive Risk report (Rules 69 and 70 of the Austrian Code of Corporate Governance) is included in the notes to the consolidated financial statements. The notifications concerning directors' dealings in the year under review (Rule 73 of the Austrian Code of Corporate Governance) can be found in the Investor Relations section of the Group website at www.uniqagroup.com

External evaluation

Implementation of, and compliance with, the individual rules in the Austrian Code of Corporate Governance were evaluated by PwC Wirtschaftsprüfung GmbH for the 2016 financial year – with the exception of Rules 77 to 83. Rules 77 to 83 of the Austrian Code of Corporate Governance are evaluated by the law firm Schönherr Rechtsanwälte GmbH. The evaluation is carried out largely using the questionnaire for the evaluation of compliance with the Code published by the Austrian Working Group for Corporate Governance (as amended January 2015).

The evaluation by PwC Wirtschaftsprüfung GmbH and Schönherr Rechtsanwälte GmbH confirmed that UNIQA had complied with the rules of the Austrian Code of Corporate Governance in 2016 – to the extent that these rules were covered by UNIQA's declaration of conformity – will be published simultaneously with the annual financial report for the 2016 financial year. Some of the rules were not applicable to UNIQA in the evaluation period.

Vienna, 10 March 2017

Andreas Brandstetter
Chairman of the
Management Board

Erik Leyers
Member of the
Management Board

Kurt Svoboda
Member of the
Management Board

Report of the Supervisory Board

Dear Shareholders,

The 2016 financial year was, like 2015, a very challenging year for the European insurance industry. The low interest rate environment which has prevailed for years was intensified even further in 2016, although at the end of the year returns on long-term investments did begin to bottom out worldwide. In spite of these conditions, in 2016 – the fifth full year of UNIQA 2.0 – the Group was able to complete further crucial steps of the long-term strategic programme (2011 to 2020).

At the start of 2016 the UNIQA Group Management Board, with the agreement of the Supervisory Board, decided to launch a comprehensive investment programme. This investment programme is split over several years and has a total value of around €500 million. The investments are predominantly aimed at redesigning the business model and at the modernisation of IT systems required for this development. This innovation programme will create the conditions needed to allow UNIQA's planned growth to continue successfully in future, despite major changes to the structural conditions.

The decision was also taken in 2016 to reorganise the Group structure, and this was successfully completed over the course of the year. Our four operational direct insurance companies in Austria were merged into one company. FINANCE LIFE Lebensversicherung AG, Raiffeisen Versicherung AG and Salzburger Landes-Versicherung AG were merged with UNIQA Österreich

Versicherungen AG as the acquiring company. The insurance portfolios of the existing four companies were thereby consolidated in UNIQA Österreich Versicherungen AG. This has allowed greater speed, more efficiency and increased innovative capacity, while ensuring a significant reduction in Board positions at the same time.

The focus on the core insurance business in Austria as well as Central and Eastern Europe continues as before. The Italian Group companies UNIQA Assicurazioni S.p.A., UNIQA Previdenza S.p.A. and UNIQA Life S.p.A. were sold to an Italian insurance group. UNIQA also sold its minority holdings in Niederösterreichische Versicherung AG and Raiffeisen evolution project development GmbH in 2016.

UNIQA is on very solid ground for the start of 2017. After the closing of the sale of the Italian companies, UNIQA expects a further significant improvement in its already strong capital adequacy position under Solvency II. The consistent strategy of focusing on our core business is being pursued further in early 2017 with the decision to sell the share in Casinos Austria Aktiengesellschaft.

The changes taking place at shareholder level will secure the Group's successful bank assurance concept over the long term.

Activities of the Supervisory Board

During 2016, the Supervisory Board was regularly informed by the Management Board about the business performance and position of UNIQA Insurance Group AG and the Group as a whole. It also supervised the Management Board's management of the business and fulfilled all the tasks assigned to the Supervisory Board by law and the Articles of Association. At the Supervisory Board meetings, the Management Board presented detailed quarterly reports and provided additional oral as well as written reports. The Supervisory Board was given timely and comprehensive information about those measures requiring its approval.

The members of the Supervisory Board are regularly invited to participate in information events on relevant topics. Three special seminars took place in 2016 on the topics of "UNIQA International", "Innovation & Digitalisation" and "Update from the divisions (Legal & Compliance, Group Actuarial & Risk Management, Group Finance)", as well as the informational event "Introduction of a new core IT system".

Focus of the deliberations

The Supervisory Board met on seven occasions in 2016. It also adopted three decisions by circulating a written resolution.

Discussions focused on the Group's earnings situation and its further strategic development.

At the meeting held on 18 January, the Supervisory Board approved the budget for the 2016 financial year and the medium-term forecast up to the year 2020. It also addressed the ORSA Report 2015 (Own Risk and Solvency Assessment) and took a decision in principle to implement a new core IT system for the Group, together with the necessary financial framework.

At the meeting held on 9 March, the Supervisory Board mainly discussed the Group's preliminary results for 2015 and the trends so far in the 2016 financial year. A reorganisation of the Group's governance structure, together with changes to the Group Management Board, were resolved on 1 June, along with the corporate reorganisation of the Austrian insurance Group.

The Supervisory Board meeting on 13 April focused on the audit of the annual financial statements and consolidated financial statements for the year ended 31 December 2015 and on the reports from the Management Board with up-to-date information on the performance of the Group in the first quarter of 2016. The Supervisory Board also discussed the agenda for the 16th Annual General Meeting held on 30 May 2016. The report by auditors PwC Wirtschaftsprüfung GmbH and lawyers Schönherr Rechtsanwälte GmbH, regarding compliance with the provisions of the Austrian Code of Corporate Governance (ÖCGK) in the 2015 financial year, was acknowledged.

The meeting of the Supervisory Board held on 25 May was dedicated to a discussion of the Group's earnings situation in the first quarter of 2016. The contractual basis for the Group reorganisation was approved, as were changes to the segmentation of the business in UNIQA Insurance Group AG's Group Management Board from 1 June 2016. Discussions also covered the composition of the Supervisory Boards at UNIQA Österreich Versicherungen AG and UNIQA International AG as at 1 June 2016.

The Supervisory Board was constituted in the meeting on 30 May after the appointment of two new members, Jutta Kath and Rudolf Könighofer.

On 27 July, the Supervisory Board passed a resolution by way of circular to sell UNIQA Insurance Group AG's 13.22 per cent stake in Niederösterreichische Versicherung AG and to appoint the auditor for the prospective merger of BL Syndikat Beteiligungs Gesellschaft m.b.H. as the transferring company, with UNIQA Insurance Group AG as acquiring company.

At its meeting on 7 September, the Supervisory Board discussed the Group's earnings situation in the first half of the 2016, the latest developments in the third quarter of 2016, and the forecast for the 2016 financial year. The Supervisory Board agreed the contractual basis for the merger of BL Syndikat Beteiligungs Gesellschaft m.b.H. as the transferring company, with UNIQA Insurance Group AG as acquiring company, as at the merger reference date of 31 July 2016. It also approved the selection of possible suppliers to implement the UNIQA Insurance Platform as part of the new core IT system for the Group. An IT Committee of the Supervisory Board was appointed to oversee the implementation. The Supervisory Board furthermore approved the sale of the 20 per cent share in Raiffeisen evolution project development GmbH.

In addition to reporting on the results of the Group in the first three quarters of 2016 and the latest performance information for the fourth quarter of 2016, at the Supervisory Board meeting on 23 November detailed discussions were held about the forecast for the 2016 financial year, planning for the 2017 financial year and the medium-term planning up to 2021. The Supervisory Board also evaluated its activities in accordance with the Austrian Code of Corporate Governance (ÖCGK) and discussed the submission of the ORSA Report 2016, along with the status report on the pending sale of the Italian Group companies.

On 16 December the Supervisory Board approved by way of circular resolution the contractual basis for implementation of the UNIQA Insurance Platform as part of the new core IT system for the Group.

Committees of the Supervisory Board

To facilitate the work of the Supervisory Board and to improve its efficiency, other committees have been set up in addition to the mandatory financial Audit Committee.

The **Working Committee** did not hold any meetings in the past financial year. In a circular resolution dated 2 December the Working Committee approved the sale of the Italian Group companies based on the authorisations granted by the full Supervisory Board.

The **Committee for Board Affairs**, which also exercises the functions of the **Nominating and Remuneration Committee**, dealt with legal employment formalities concerning the members of the Management Board and with questions relating to remuneration strategy and succession planning at four separate meetings.

The **Investment Committee** held four meetings at which the members discussed the capital investment strategy, questions concerning capital structure and the focus of risk and asset liability management.

The newly appointed **IT Committee** addressed the preparations for the award of contracts to implement the UNIQA Insurance Platform at a meeting and in a decision by way of circular resolution.

The **Audit Committee** held four meetings in 2016 and these meetings were also attended by the auditors of the (consolidated) financial statements. All of the documents relating to the financial statements and the appropriation of profit proposed by the Management Board were discussed at the meeting on 13 April, with the Compliance Manager's annual activity report for 2015 also submitted and acknowledged in particular. At the meeting held on 25 May, the auditor presented the planning for the audits of the 2016 financial statements prepared by the companies in the UNIQA Group and coordinated this planning and strategy with the committee. At the meeting on 7 September, the statutory auditor reported on the reforms resulting from the Audit Law Amendment Act 2016. At the meeting held on 23 November, the auditor informed the committee about the findings from its preliminary audits to date. The meeting acknowledged a report by the auditor assessing the extent to which the risk management system was fully functioning. A UNIQA Group policy was decided for the purposes of appointing auditors for non-audit services. In addition, the Audit Committee received quarterly reports from Internal Audit on the areas audited by this department and any material findings that arose from these audits.

The various chairmen of the committees informed the members of the Supervisory Board about the meetings and their committee's work.

Separate and consolidated financial statements

The separate financial statements prepared by the Management Board, the management report of UNIQA Insurance Group AG, the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) – as adopted by the EU – and the Group management report for the year ended 31 December 2016 were audited by PwC Wirtschaftsprüfung GmbH, which issued an unqualified audit opinion.

The Supervisory Board noted the findings of the audit with approval.

The audit of the compliance of the Corporate Governance Report with Section 96(2) of the Austrian Stock Corporation Act and the evaluation of UNIQA's compliance with the rules of the Austrian Code of Corporate Governance in the 2016 financial year was carried out by PwC Wirtschaftsprüfung GmbH, whereas compliance with Rules 77 to 83 of the Austrian Code of Corporate Governance was assessed by Schönherr Rechtsanwälte GmbH. The audits found that UNIQA had complied with the rules of the Austrian Code of Corporate Governance in the 2016 financial year to the extent that the rules were included in UNIQA's declaration of conformity.

The Supervisory Board acknowledged the consolidated financial statements for 2016 and approved the 2016 annual financial statements of UNIQA Insurance Group AG. It also endorsed both the management report and the Group management report. The 2016 annual financial statements were thereby adopted in accordance with Section 96(4) of the Austrian Stock Corporation Act.

The Supervisory Board reviewed and approved the proposal for the appropriation of profit submitted by the Management Board. Accordingly, a dividend distribution of €0.49 per share will be proposed to the Annual General Meeting on 29 May 2017.

The Supervisory Board would like to take this opportunity to thank all employees of the UNIQA Group for the immense personal commitment and dedication they have shown over the past year.

Vienna, April 2017

On behalf of the Supervisory Board

Walter Rothensteiner
Chairman of the Supervisory Board

Financial Report

Group Management Report

Economic environment

Economic growth in the eurozone was driven in 2016 by a stable, resilient expansion of domestic demand. In the fourth year after the euro crisis of 2011–2012, the total gross domestic product (GDP) grew last year by 1.7 per cent, after gains of 2.0 per cent were reported in 2015. Early indicators at the turn of the year also suggested a positive start to 2017. However, quite positive economic development in 2016 was overshadowed by major political events in June, such as the United Kingdom's landmark decision to leave the European Union. Despite devaluation of the British pound, there has not yet been an economic downturn in the United Kingdom. The rejection of voting reform in Italy in a referendum held in December 2016 led to a regime change in Italy, yet did not lead to a political or economic crisis. Nevertheless, the Italian economy lagged behind general expectations and the entire eurozone with about 0.9 per cent economic growth.

The recovery in Austria, however, gained momentum last year. Real GDP growth accelerated year-on-year to 1.5 per cent. Rising fixed asset investments underscored an improvement in mood and future expectations among Austrian businesses. Furthermore, general demand is being supported, at least temporarily, by positive effects emanating from tax reforms. Nonetheless, the unemployment rate in 2016 climbed again to an average of 6.0 per cent (Eurostat). In contrast, the unemployment rate in the eurozone experienced a downward trend, but remained at a significantly higher 10.0 per cent on average.

The inflation rate in the eurozone in 2016 stood at an average of 0.2 per cent, however, towards the end of the year it increased again primarily due to volatility in the energy price index. The European Central Bank's (ECB) expansive monetary policy was able to prevent a deflationary phase from taking hold. Still, considerations of the negative side effects of expansive monetary policy – such as increasing difficulties with private pensions, the formation of new asset bubbles, or the postponement of economic reforms –

as pointed out by the German Council of Experts, for example, is strengthening public discussion. Although the core inflation rate remains far below the ECB inflation target, forecasts indicate higher price increases – and, as a consequence, a slight relaxation of the low-interest phase – in the coming years. In December 2016, as part of its slow interest rate increase programme, the US Federal Reserve ("the Fed") enacted a second base rate increase of 25 basis points since December 2015, from a range of 0.5 to 0.75 per cent.

Central and Eastern Europe (CEE) reported generally positive macroeconomic conditions in the past year, and the GDP in those countries in which UNIQA does business saw a rise on average of about 2.8 per cent, excluding Russia. Longer-term growth forecasts also show an annual difference in growth between CEE and Western Europe of up to +1.5 per cent. One may therefore expect that the convergence processes in these countries will continue, even if at a slower speed than before the financial crisis. In general, the recovery in the region has been supported by solid domestic demand and moderate growth in per capita income. An improvement in mood among consumers and companies, recovery in a few local credit markets, and growth in new vehicle registrations are just a few of the factors that are supporting the overall catching-up process, especially in the last year, in the Eastern European insurance markets.

In Central Europe (Poland, Slovakia, Czech Republic and Hungary), economic growth last year was about 2.5 per cent. In part, interruptions in the demand for funds from the EU cohesion and structural funds, which appeared in the course of converting to the new budget cycle (2014–2020), led to lower fixed asset investments. Economists now expect a normalisation of financial flows from EU funding sources so that growth rates will again approach the region's potential (about 3.0 per cent annually). The unemployment rates are sinking to levels (an average of 5.9 per cent) that were last recorded before the financial crisis (2008–2009). After somewhat deflationary trends, consumer prices appear to be normalising again since the beginning of 2017.

In the Ukraine, macroeconomic development and the banking sector have largely stabilised and, surprisingly, the economy was able to finish out with slight GDP growth in 2016. Russia's economy is also slowly working its way out of a recession. Rising crude oil prices and currency stabilisation are having a positive effect, while the recovery of private demand is still lagging. Driven by such factors as one-time fiscal effects, Romania attained one of the highest GDP growth rates in 2016, anticipated at 4.8 per cent.

Southeastern Europe also recorded an increase in economic activity in 2016, with GDP growth at an average of 2.8 per cent. Recovery in the larger countries in the region (Bulgaria, Croatia and Serbia) is gaining momentum, while economic development in the southwestern Balkan countries is being supported by public investment projects, the construction sector and growth in the tourism industry.

In general, 2017 saw a continuation of the good overall economic environment in CEE. Central Europe's GDP growth should come close to the 3 per cent mark again, while the recovery in the Ukraine and Russia will continue after their deep recession. Moreover, economists are expecting a stable price environment and continuing positive trends on the labour markets.

Single premiums dampen premium revenue in Austria

In 2016, the upward trend of recent years in life insurance came to a halt; premium revenue fell year-on-year by 6.3 per cent to almost €6.3 billion. The main reason for this development was a decrease in single premiums of 22.0 per cent to €1.3 billion. Moreover, the single premium life insurance business also recorded a decline of 1.2 per cent, reaching a volume of €5.1 billion. Premiums in health insurance continued to climb in 2016, yet slightly slower than in the previous year, at 3.8 per cent. Premium revenue from property and casualty insurance also increased in 2016 by 1.7 per cent to almost €8.9 billion. The vehicle liability insurance line posted a slight premium increase of 0.3 per cent, and the comprehensive vehicle insurance and casualty insurance posted increases of 3.1 per cent and 3.2 per cent.

Signs again indicate growth in Central and Eastern Europe

The insurance markets in CEE stabilised further in conjunction with positive economic developments in 2016. Even the insurance markets in the Ukraine and Russia, affected as they were by negative economic and political events, were able to recover and attain double-digit premium growth (in local currency).

Supported by positive economic conditions and rising premiums in own markets, the non-life insurance business in CEE (excluding Russia), according to currently available results, was able to record the strongest growth since the beginning of the financial crisis: an increase in premiums of 6.0 to 7.0 per cent in 2016. All of the markets in Central and Eastern Europe reported a significant rise in premiums in the property insurance business. Growth stimulus here came mainly from the vehicle insurance line, in which higher vehicle inventories and rising average premiums for vehicle liability insurance in some markets led to high growth in premiums.

Developments in the life insurance markets, however, were fair to middling. As in previous years, countries with underdeveloped life insurance businesses were able to achieve high premium growth. Both the demographic developments and the shortcomings of state pension systems in these markets suggest rising demand for supplementary private insurance products. However, in the larger CEE markets – especially Poland and Czech Republic – the negative trend in life insurance continued also in 2016. A decisive factor here was a marked decrease in business with short-term single premium products, which also was the case in recent years.

The aggregated data on premium developments in CEE on a euro basis were also influenced in 2016 by negative currency exchange developments in major markets (above all Poland, Russia and the Ukraine).

UNIQA Group

With a premium volume written (including savings portions from the unit-linked and index-linked life insurance) of €5,048.2 million, the UNIQA Group is among the leading insurance groups in Central and Eastern Europe. The savings portion from the unit-linked and index-linked life insurance in the amount of €405.1 million was set off against the change in insurance provision, pursuant to FAS 97 (US GAAP). Without taking the savings portion from the unit-linked and index-linked life insurance into consideration, the premium volume written amounted to €4,643.1 million.

UNIQA in Europe

UNIQA offers its products and services via all distribution channels (hired sales force, general agencies, brokers, banks and direct sales) and covers the entire range of insurance lines. UNIQA is the second-largest insurance group in Austria, with a presence in 15 countries of the CEE growth region: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Kosovo, Macedonia, Montenegro, Poland, Romania, Russia, Serbia, Slovakia and Ukraine. In addition, insurance companies in Switzerland and Liechtenstein are also part of the UNIQA Group.

The listed holding company UNIQA Insurance Group AG manages the Group and also operates the indirect insurance business. Moreover, it carries out numerous service functions for UNIQA Österreich Versicherungen AG and international Group companies, in order to take best advantage of synergy effects and to consistently implement the Group's long-term corporate strategy.

UNIQA International AG manages the international activities of the Group. This entity is also responsible for the ongoing monitoring and analysis of the international target markets and for acquisitions and post-merger integration.

Property and casualty insurance

The property and casualty insurance line includes property insurance for private persons and companies, as well as private casualty insurance. The UNIQA Group received premiums written in property and casualty insurance in 2016 in the amount of €2,518.4 million, which is 49.9 per cent of total premium volume. The largest share by far in the volume of property and casualty insurance comes from consumer business. Most property and casualty insurance policies are concluded at short notice, with a term of up to three years. Broad distribution across a great many customers and the relatively short duration of these products enables moderate capital requirements and makes this field of business attractive.

Health insurance

Health insurance includes voluntary health insurance for private customers, commercial preventive healthcare and opt-out offers for certain independent contractors such as lawyers, architects, and chemists. Group-wide in 2016, premiums written totalled €1,003.7 million, or 19.9 per cent of total premium volume. UNIQA is the undisputed market leader in this strategically important line of insurance in Austria with a 47 per cent market share. The overwhelming majority – about 95 per cent of premiums – come from Austria, with the remaining 5 per cent from international business.

Life insurance

Life insurance includes savings products such as classic and unit-linked life insurance. There are also biometric products to secure against such risks as occupational disability, nursing or death. Life insurance covers economic risks that stem from the uncertainty as to how long a customer will live. In life insurance, UNIQA reached a premium volume (including savings portions from unit-linked and index-linked life insurance) Group-wide in 2016 of €1,526.1 million, or 30.2 per cent of overall premium volume. The life insurance business model is oriented towards the long term: policy terms are around 25 years on average. Life insurance is currently facing major challenges though, as the low-interest environment particularly affects all long-term forms of saving and investment, and therefore life insurance as well.

UNIQA creates a new corporate group structure

In January 2016 the UNIQA Group Management Board, with the agreement of the Supervisory Board, approved a comprehensive investment programme to reorient processes and products to the changing needs and expectations of customers in the context of digital transformation. This innovation and investment programme, which is the biggest in the Company's history, is split over several years and has a total value of around €500 million.

Following the decision to implement this programme, UNIQA is also aligning the Group structure to meet the strategic objectives and challenges of the future. The Group Management Board and the Supervisory Board decided in early March 2016 to create a new, tight Group structure with a functional organisation and Group-wide responsibilities. Since 1 June 2016 the Management Board of the listed holding company UNIQA Insurance Group AG has consisted of three members.

Our four operational direct insurers in Austria were merged into one company. FINANCE LIFE Lebensversicherung AG, Raiffeisen Versicherung AG and Salzburger Landes-Versicherung AG were merged with UNIQA Österreich Versicherungen AG as the acquiring company. The insurance portfolios of the existing four companies were thereby consolidated in UNIQA Österreich Versicherungen AG. This has allowed greater speed, more efficiency and increased innovative capacity, while ensuring a significant reduction in Board positions at the same time.

Concentration on the core business

In early December 2016, with the approval of the Supervisory Board, the Group Management Board of UNIQA decided to sell the Italian subsidiaries UNIQA Assicurazioni SpA, UNIQA Previdenza SpA and UNIQA Life SpA to an Italian insurance group. This strengthens our focus on the core insurance business in Austria as well as Central and Eastern Europe.

The sale of the Italian companies is classified as discontinued operations. The assets and liabilities associated with the discontinued operations are stated in the consolidated statement of financial position under the assets and liabilities in disposal groups held for sale. The profit and loss of the discontinued operations is presented in the consolidated income statement under the item "Profit/(loss) from discontinued operations (after tax)". The closing of the transaction is expected in the first half of 2017 once all necessary official approvals have been obtained.

The UNIQA Group also sold its minority holdings in Niederösterreichische Versicherung AG and Raiffeisen evolution project development GmbH in 2016.

In early 2017, UNIQA decided to dispose of indirect holdings in the amount of 11.35 per cent in Casinos Austria Aktiengesellschaft to CAME Holding GmbH. The required permissions are expected by the first half of 2018 at the latest. After concluding the transaction, UNIQA expects a capital profit of about €47.6 million.

Rating
In 2016 the rating agency Standard & Poor's confirmed the rating of UNIQA Insurance Group AG as "A–". The ratings of UNIQA Österreich Versicherungen AG and the Group's reinsurer UNIQA Re AG in Switzerland also remained "A". UNIQA Versicherung AG in Liechtenstein received an "A–". Standard & Poor's rates the outlook for all the companies as stable. The rating of the UNIQA subordinated capital bond continues to be "BBB".

Companies included in the IFRS consolidated financial statements
In addition to the annual financial statements of UNIQA Insurance Group AG, the consolidated financial statements include the financial statements of all subsidiaries in Austria and abroad. The basis of consolidation comprised – including UNIQA Insurance Group AG – 54 Austrian (2015: 56) and 62 international (2015: 67) subsidiaries. The associates are six domestic (2015: 8) and one international company (2015: 1) that were included in the consolidated financial statements using equity method accounting.

Details on the consolidated companies and associates are contained in the corresponding overview in the consolidated financial statements. The accounting policies are also described in the consolidated financial statements.

Risk reporting
UNIQA's comprehensive risk report is included in the notes to the 2016 consolidated financial statements.

Corporate Governance Report
Since 2004, UNIQA has pledged to comply with the Austrian Code of Corporate Governance. UNIQA publishes its consolidated Corporate Governance Report at www.uniqagroup.com in the Investor Relations section.

Group business development

- Premiums written (including savings portions from unit-and index-linked life insurance) fell to €5,048.2 million on account of a decrease in single premiums in Austria
- Combined ratio increased slightly from 97.9 per cent to 98.1 per cent
- Earnings before taxes of €225.5 million in 2016
- Consolidated profit/(loss) of €148.1 million
- Dividends of €0.49 per share proposed for 2016
- A slight increase in premium revenue and pre-tax earnings expected in 2017

UNIQA Group In € million	**2016**	**2015**
Premiums written including savings portions from unit-linked and index-linked life insurance	5,048.2	5,211.0
Cost ratio (after reinsurance)	26.6%	23.7%
Combined ratio (after reinsurance)	98.1%	97.9%
Earnings before taxes	225.5	397.8
Consolidated profit/(loss) (proportion of the net profit for the year attributable to the shareholders of UNIQA Insurance Group AG)	148.1	337.2

UNIQA provides life and health insurance and is active in almost all lines of property and casualty insurance. It serves about 9.6 million customers with over 18.8 million insurance contracts with a premium volume written (including savings portions from the unit-linked and index-linked life insurance) of about €5.0 billion (2015: €5.2 billion) and investments of €25.5 billion (2015: €29.4 billion). UNIQA is the second-largest insurer in Austria. UNIQA has a strong network in Central and Eastern Europe with a presence in 15 countries and is additionally active in Liechtenstein and Switzerland.

Premium development

UNIQA's total premium volume decreased in 2016, taking into account the savings portions of the unit-linked and index-linked life insurance in the amount of €405.1 million (2015: €382.0 million), by 3.1 per cent to €5,048.2 million (2015: €5,211.0 million).

In the area of insurance policies with recurring premium payments, there was a rise of 2.3 per cent to €4,879.0 million (2015: €4,770.4 million). In the single premium business, the premium volume decreased by 61.6 per cent to €169.2 million (2015: €440.6 million) due to restraint in the Austrian single premium business.

Premiums written in property and casualty insurance grew in 2016 by 3.2 per cent to €2,518.4 million (2015: €2,439.2 million). In health insurance, premiums written in the reporting period increased by 4.1 per cent to €1,003.7 million (2015: €964.4 million). In life insurance, the premiums written including savings portions from the unit-linked and index-linked life insurance fell overall by 15.6 per cent to €1,526.1 million (2015: €1,807.5 million). The general lack of single premiums in the UNIQA Austria segment was the reason for this.

The Group premiums earned, including savings portions from the unit-linked and index-linked life insurance (after reinsurance) in the amount of €384.7 million (2015: €365.9 million), fell by 3.8 per cent to €4,827.7 million (2015: €5,017.0 million). The volume of premiums earned (net, in accordance with IFRSs) fell by 4.5 per cent to €4,443.0 million (2015: €4,651.1 million).

Property and casualty insurance In € million	2016	2015
Premiums written	2,518.4	2,439.2
Insurance benefits (net)	– 1,550.6	– 1,553.7
Claims rate (after reinsurance)	65.7%	67.5%
Operating expenses (net)	– 763.2	– 699.6
Cost ratio (after reinsurance)	32.4%	30.4%
Combined ratio (after reinsurance)	98.1%	97.9%
Net investment income	132.6	117.2
Earnings before taxes	57.9	71.4
Technical provisions (net)	2,708.4	2,869.6

Development of insurance benefits

The insurance benefits before reinsurance (see note 32 in the consolidated financial statements) decreased in the 2016 financial year by 8.1 per cent to €3,478.2 million (2015: €3,786.4 million). Consolidated net insurance benefits also fell in the past year by 7.8 per cent to €3,385.6 million (2015: €3,671.3 million). In 2016, the loss ratio after reinsurance in property and casualty insurance fell to 65.7 per cent (2015: 67.5 per cent), primarily on account of lower damages caused by natural disasters and despite an extraordinary claim load in Poland. The combined ratio after reinsurance increased slightly, however, at the Group level – despite an improved loss ratio – to 98.1 per cent (2015: 97.9 per cent) due to increased costs incurred by the innovation and investment programme.

Operating expenses

Total consolidated operating expenses (see note 33 in the consolidated financial statements) less reinsurance commission and share of profit from reinsurance ceded increased in the 2016 financial year by 8.1 per cent to €1,286.4 million (2015: €1,190.4 million). Expenses for the acquisition of insurance less reinsurance commission and share of profit from reinsurance ceded in the amount of €21.3 million (2015: €19.1 million) rose – due to a limited increase in provisions in the health insurance and life insurance businesses – by 3.0 per cent to €869.4 million (2015: €844.2 million). Other operating expenses (administrative expenses) increased as a result of expenses amounting to approximately €55 million in connection with the innovation and investment programme by 20.4 per cent to €417.0 million (2015: €346.3 million). Furthermore, adjustments in the works agreements for the pension fund scheme in the previous year had a positive effect on operating expenses.

UNIQA's cost ratio after reinsurance, i.e. the ratio of total operating expenses less the amounts received from reinsurance commission and share of profit from reinsurance ceded to the Group premiums earned including savings portions from the unit-linked and index-linked life insurance, increased to 26.6 per cent during the past year (2015: 23.7 per cent) as a result of the developments mentioned above. The cost ratio before reinsurance was 26.1 per cent (2015: 23.3 per cent).

Investment income

The overall investment portfolio (including investment property, financial assets accounted for using the equity method, unit-linked and index-linked life insurance investments, and cash and cash equivalents) fell in the 2016 financial year due to the sale of Italian subsidiaries by €3,961.4 million to €25,454.6 million (31 December 2015: €29,416.1 million).

Net investment income fell by 19.5 per cent to €588.9 million (2015: €732.0 million) as a result of the low interest rates and significantly reduced gains from the disposal of property. In addition, the restructuring of strategic asset allocation for economic optimisation of capital and positive currency effects from investments in US dollars had a positive effect. In the 2016 financial year, one of the positive factors was the sale of the stake in Niederösterreichische Versicherung AG, which resulted in investment income amounting to €37.2 million. Due to the recognition of the 14.3 per cent holding in STRABAG SE using the equity method, there was a positive contribution in the amount of €30.9 million in 2016 (2015: €23.7 million). A detailed description of the investment income can be found in the consolidated financial statements (see note 34).

Other income and other expenses

Other income rose in 2016 mainly due to differences in the exchange rate of the Russian rouble by 18.8 per cent to €42.6 million (2015: €35.8 million). Other operating expenses for the year fell by 4.6 per cent to €53.1 million (2015: €55.7 million).

Results

The technical result of the UNIQA Group fell significantly in 2016 by 60.3 per cent to €73.9 million (2015: €185.9 million). Operating profit fell by 31.6 per cent to €318.8 million (2015: €466.2 million). Earnings before taxes at UNIQA fell by 43.3 per cent to €225.5 million (2015: €397.8 million), mainly because of a decrease in investment income and increased finance costs. Profit/(loss) for the year fell by 56.1 per cent to €149.6 million (2015: €340.7 million). This includes losses from discontinued operations (after tax) amounting to €–53.1 million (2015: €23.1 million) due to the sale of Group companies in Italy. Income tax expense fell in 2016 by €57.5 million to €22.8 million (2015: €80.3 million) due to higher tax-free investment income, tax revenues from previous years, as well as a reduction in tax rates. The consolidated profit/(loss), i.e. the proportion of the net profit for the year attributable to the shareholders of UNIQA Insurance Group AG, amounted to €148.1 million (2015: €337.2 million). Earnings per share fell accordingly to €0.48 (2015: €1.09). Operating return on equity (earnings before taxes and amortisation of goodwill and impairment losses in relation to average equity including non-controlling interests and excluding the accumulated profits of the measurement of financial instruments available for sale) came to 10.0 per cent in 2016 after the exclusion of the Italian Group companies (2015: 17.2 per cent). The return on equity (after tax and non-controlling interests) was 4.7 per cent (2015: 10.9 per cent).

On this basis therefore the Management Board will propose a dividend of 49 cents per share to the Supervisory Board and the Annual General Meeting (2015: 47 cents per share).

Own funds and total assets

Total equity attributable to the shareholders of UNIQA Insurance Group AG increased slightly in the past financial year by €41.7 million to €3,186.3 million (31 December 2015: €3,144.5 million). The non-controlling interests came to €26.5 million (31 December 2015: €21.9 million). The total assets of the Group remained almost unchanged in the reporting period and amounted to €33,639.2 million as at 31 December 2016 (31 December 2015: €33,297.9 million).

Cash flow

UNIQA's net cash flow from operating activities amounted to €976.9 million in 2016 (2015: €146.8 million). Of this, €586.5 million came from discontinued operations. Net cash flow from investing activities amounted to €–919.5 million (2015: €–586.4 million), of which €–593.3 million resulted from discontinued operations. Net cash flow from financing activities fell to €–398.5 million (2015: €–354.3 million). due to the repayment of subordinated capital bonds (Tier 2). Overall, cash and cash equivalents fell by €340.1 million to €549.9 million (2015: €890.1 million).

Health insurance In € million	2016	2015
Premiums written	1,003.7	964.4
Insurance benefits (net)	– 843.6	– 781.7
Operating expenses (net)	– 175.5	– 153.7
Cost ratio (after reinsurance)	17.5%	15.9%
Net investment income	114.9	140.1
Earnings before taxes	96.1	171.3
Technical provisions (net)	2,880.1	2,779.0

Life insurance In € million	2016	2015
Premiums written including savings portions from unit-linked and index-linked life insurance	1,526.1	1,807.5
Insurance benefits (net)	– 991.4	– 1,335.9
Operating expenses (net)	– 347.7	– 337.1
Cost ratio (after reinsurance)	23.7%	19.2%
Net investment income	341.4	474.7
Earnings before taxes	71.6	155.2
Technical provisions (net)	16,224.3	19,990.3

Employees

In 2016 the average number of employees (full-time equivalents, or FTEs) at UNIQA fell to 12,855 (2015: 13,782). These included 4,630 (2015: 5,397) field sales employees. The number of employees in administration amounted to 8,225 (2015: 8,385).

In the 2016 financial year the Group had 2,533 FTEs (2015: 2,591) in the Central Europe region (CE) – Poland, Slovakia, the Czech Republic and Hungary) – while 2,359 FTEs (2015: 2,561) worked in the Southeastern Europe region (SEE) – Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Croatia, Macedonia, Montenegro and Serbia – and 1,834 FTEs (2015: 2,068) in the Eastern Europe region (EE) of Romania and Ukraine. There are 102 FTEs (2015: 96) working in Russia (RU). The average number of FTEs in the Western European markets in 2016 was 41 (2015: 38). A total of 5,986 FTEs were employed in Austria (2015: 6,428). Including the employees of the general agencies working exclusively for UNIQA, the total number of people (FTEs) working for the Group amounts to 19,578.

In 2016, 57 per cent of the staff working in administrative positions at UNIQA in Austria were women. Among sales employees, the ratio was 55 per cent men to 45 per cent women. The average age in the past year was 42 years (in Austria 44; internationally 40 years).

In Austria in 2016, a total of 15.0 per cent (2015: 14.8 per cent) of the employees participated in UNIQA's bonus system – a variable remuneration system that is tied both to the success of the Company and to personal performance. In addition, UNIQA offers young people in training the opportunity to get to know foreign cultures and make international contacts. Currently, 28 apprentices are being trained. Thirteen new apprentices were accepted in 2016.

Operating segments

UNIQA Austria

- Premiums written (including savings portions from unit-and index-linked life insurance) fell to €3,631.5 million due to a decrease in single premiums
- Cost ratio rose to 20.0 per cent due to initial investments
- Combined ratio increased slightly from 92.9 per cent to 93.7 per cent
- Earnings before taxes of €232.2 million in Austria

UNIQA Austria In € million	2016	2015
Premiums written including savings portions from unit-linked and index-linked life insurance	3,631.5	3,883.5
Cost ratio (after reinsurance)	20.0%	16.8%
Combined ratio (after reinsurance)	93.7%	92.9%
Earnings before taxes	232.2	399.7

Premiums

At UNIQA Austria the premiums written including savings portions from the unit-linked and index-linked life insurance decreased in 2016 by 6.5 per cent to €3,631.5 million (2015: €3,883.5 million). Recurring premiums however rose by 1.1 per cent to €3,570.1 million (2015: €3,531.6 million). Single premiums fell massively by 82.6 per cent to €61.3 million (2015: €352.0 million) due to the withdrawal of single premium products from the life insurance line.

Including savings portions from the unit-linked and index-linked life insurance, the volume of premiums earned at UNIQA Austria amounted to €2,941.4 million (2015: €3,194.9 million). The volume of premiums earned (net, in accordance with IFRSs) fell by 7.7 per cent to €2,715.8 million (2015: €2,940.8 million).

While premiums written in property and casualty insurance rose by 1.8 per cent to €1,568.6 million (2015: €1,540.8 million), in health insurance they increased by 3.8 per cent to €956.3 million (2015: €921.6 million). In life insurance (including savings portions from the unit-linked and index-linked life insurance) they fell 22.1 per cent to €1,106.5 million (2015: €1,421.2 million).

Premiums earned (net, according to IFRS) rose in property and casualty insurance by 3.4 per cent to €940.9 million (2015: €910.1 million); in health insurance, they increased by 3.6 per cent to €955.3 million (2015: €921.9 million). However, they fell by 26.1 per cent in life insurance to €819.5 million (2015: €1,108.7 million). Including savings portions from the unit-linked and index-linked life insurance, the volume of premiums earned in life insurance amounted to €1,045.2 million (2015: €1,362.8 million).

Property and casualty insurance In € million	2016	2015
Premiums written	1,568.6	1,540.8
Insurance benefits (net)	– 648.0	– 633.4
Claims rate (after reinsurance)	68.9%	69.6%
Operating expenses (net)	– 233.9	– 212.2
Cost ratio (after reinsurance)	24.9%	23.3%
Combined ratio (after reinsurance)	93.7%	92.9%
Net investment income	27.6	49.2
Earnings before taxes	70.6	100.0
Technical provisions (net)	1,012.3	926.2

Health insurance In € million	2016	2015
Premiums written	956.3	921.6
Insurance benefits (net)	– 821.8	– 762.9
Operating expenses (net)	– 143.1	– 121.8
Cost ratio (after reinsurance)	15.0%	13.2%
Net investment income	116.1	151.8
Earnings before taxes	104.6	187.5
Technical provisions (net)	2,855.3	2,707.2

Benefits
Net insurance benefits at UNIQA Austria fell by 9.8 per cent in 2016 to €2,292.1 million (2015: €2,542.1 million). In property and casualty insurance, they rose by 2.3 per cent to €648.0 million (2015: €633.4 million); in health insurance, they increased by 7.7 per cent to €821.8 million (2015: €762.9 million) due to higher claims expenses and an increase in the provision for profit participation. In life insurance, they fell by 28.2 per cent to €822.3 million (2015: €1,145.8 million). Overall, in 2016 the loss ratio in property and casualty insurance amounted to 68.9 per cent (2015: 69.6 per cent). The combined ratio in the UNIQA Austria segment therefore increased slightly after reinsurance to 93.7 per cent (2015: 92.9 per cent) due to increased costs.

Operating expenses
Operating expenses, not including reinsurance commission and share of profit from reinsurance ceded, which amounted to €207.8 million (2015: €193.2 million), increased in the 2016 financial year by 9.6 per cent to €589.2 million (2015: €537.5 million) due to investments in the context of the innovation and investment programme. They rose 10.3 per cent in property and casualty insurance to €233.9 million (2015: €212.2 million). In health insurance, they increased by 17.5 per cent to €143.1 million (2015: €121.8 million), influenced by higher commission loads and a sales campaign. In life insurance they grew 4.2 per cent to reach €212.2 million (2015: €203.6 million).

The cost ratio of UNIQA Austria after reinsurance, i.e. the ratio of total operating expenses, less reinsurance commission and share of profit from reinsurance ceded, to the premiums earned, including savings portions from the unit-linked and index-linked life insurance, amounted to 20.0 per cent during the past year (2015: 16.8 per cent).

Investment income
Net investment income in the UNIQA Austria segment dropped by 23.1 per cent to €460.1 million (2015: 597.9 million) due to the continuance of the low-interest environment, falling securities income and impacts caused by depreciation, amortisation and impairment losses. In addition, high revenues from property sales had a positive effect in the previous year.

Earnings before taxes
Earnings before taxes at UNIQA Austria fell during the reporting year by 41.9 per cent to €232.2 million (2015: €399.7 million), driven by deterioration of the technical result. They fell 29.3 per cent in property and casualty insurance to €70.6 million (2015: €100.0 million). In health insurance, however, they fell by 44.2 per cent to €104.6 million (2015: €187.5 million) due to a lower technical result and lower investment income. In life insurance earnings before taxes fell by 49.2 per cent to €57.0 million (2015: €112.3 million); the principal reason for this was the fall in investment income by 20.3 per cent to €316.4 million (2015: €396.9 million).

Life insurance In € million	2016	2015
Premiums written including savings portions from unit-linked and index-linked life insurance	1,106.5	1,421.2
Insurance benefits (net)	– 822.3	– 1,145.8
Operating expenses (net)	– 212.2	– 203.6
Cost ratio (after reinsurance)	20.3%	14.9%
Net investment income	316.4	396.9
Earnings before taxes	57.0	112.3
Technical provisions (net)	14,660.8	15,127.3

UNIQA International

- Premiums written (including savings portions from unit-and index-linked life insurance) rose to €1,399.9 million
- Cost ratio improved to 34.9 per cent
- Combined ratio stable at 99.2 per cent
- Extraordinary impairment of goodwill in Croatia in the amount of €16.6 million
- Earnings before taxes in international markets at €13.1 million

UNIQA International In € million	2016	2015
Premiums written including savings portions from unit-linked and index-linked life insurance	1,399.9	1,302.8
Cost ratio (after reinsurance)	34.9%	36.6%
Combined ratio (after reinsurance)	99.2%	99.2%
Earnings before taxes	13.1	31.3

Premiums

UNIQA International increased the premiums written, including savings portions from the unit-linked and index-linked life insurance, in 2016 by 7.5 per cent to €1,399.9 million (2015: €1,302.8 million). The premiums written even increased by 9.3 per cent when adjusted for foreign currency effects. Recurring premiums increased here by 6.4 per cent to €1,292.0 million (2015: €1,214.1 million). Single premiums also increased by 21.7 per cent to €107.9 million (2015: €88.6 million). That means that in 2016 the international companies contributed a total of 27.7 per cent (2015: 25.0 per cent) to total Group premiums.

At UNIQA International, including the savings portions from the unit-linked and index-linked life insurance, the volume of premiums earned amounted to €963.0 million (2015: €913.2 million). The volume of premiums earned (net, in accordance with IFRSs) remained nearly unchanged in 2016 at €803.9 million (2015: €801.4 million).

While premiums written grew in property and casualty insurance – above all due to strong growth in Romania, Poland and the Czech Republic – by a very satisfactory 6.6 per cent to €942.3 million (2015: €883.6 million), in health insurance they even increased by 9.8 per cent to €47.7 million (2015: €43.4 million). In life insurance (including savings portions from the unit-linked and index-linked life insurance) they increased by 9.1 per cent to €409.9 million (2015: €375.7 million), driven by strong single premium business in Poland.

Premiums earned (net, according to IFRS) rose in property and casualty insurance by 2.9 per cent to €517.3 million (2015: €503.0 million); in health insurance, they increased by 3.4 per cent to €44.0 million (2015: €42.5 million). They decreased however by 5.2 per cent in life insurance to €242.6 million (2015: €255.9 million). Including the savings portion from the unit-linked and index-linked life insurance, the volume of premiums earned in life insurance amounted to €401.6 million (2015: €367.7 million).

Property and casualty insurance In € million	2016	2015
Premiums written	942.3	883.6
Insurance benefits (net)	– 308.8	– 296.4
Claims rate (after reinsurance)	59.7%	58.9%
Operating expenses (net)	– 204.4	– 202.6
Cost ratio (after reinsurance)	39.5%	40.3%
Combined ratio (after reinsurance)	99.2%	99.2%
Net investment income	32.9	44.4
Earnings before taxes	10.7	11.1
Technical provisions (net)	635.6	755.0

Health insurance In € million	2016	2015
Premiums written	47.7	43.4
Insurance benefits (net)	– 29.3	– 29.6
Operating expenses (net)	– 19.8	– 20.0
Cost ratio (after reinsurance)	45.0%	47.0%
Net investment income	0.5	0.2
Earnings before taxes	– 3.1	– 5.5
Technical provisions (net)	24.9	71.6

In the Central Europe region (CE) – Poland, Slovakia, the Czech Republic and Hungary – premiums written, including savings portions from the unit-linked and index-linked life insurance, increased in the 2016 financial year by 9.8 per cent to €865.6 million (2015: €788.5 million). In Eastern Europe (EE), comprising Romania and Ukraine, premiums written including savings portions from the unit-linked and index-linked life insurance increased by 14.5 per cent to €164.6 million (2015: €143.8 million). They fell, however, in Southeastern Europe (SEE) – Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Croatia, Macedonia, Montenegro and Serbia – by 5.4 per cent to €274.9 million (2015: €290.4 million). In Russia (RU), premiums written, including savings portions from the unit-linked and index-linked life insurance, grew strongly by 18.7 per cent to €58.2 million (2015: €49.1 million). In Western Europe (WE) – Italy, Liechtenstein and Switzerland – the premiums written, including savings portions from the unit-linked and index-linked life insurance, rose by 18.2 per cent to €36.5 million (2015: €30.9 million).

Benefits

Net insurance benefits at UNIQA International fell in 2016 by 0.2 per cent to €484.9 million (2015: €485.8 million). They rose 4.2 per cent in property and casualty insurance to €308.8 million (2015: €296.4 million). In health insurance, they fell slightly by 0.9 per cent to reach €29.3 million (2015: €29.6 million). In life insurance, they also fell by 8.1 per cent to €146.8 million (2015: €159.8 million). In 2016 the loss ratio in property and casualty insurance rose 59.7 per cent (2015: 58.9 per cent) due to an extraordinary claim load in Poland. The combined ratio in the UNIQA International segment after reinsurance remained stable at 99.2 per cent (2015: 99.2 per cent).

Life insurance In € million	2016	2015
Premiums written including savings portions from unit-linked and index-linked life insurance	409.9	375.7
Insurance benefits (net)	– 146.8	– 159.8
Operating expenses (net)	– 112.0	– 111.2
Cost ratio (after reinsurance)	27.9%	30.2%
Net investment income	30.1	52.6
Earnings before taxes	5.5	25.7
Technical provisions (net)	1,493.1	4,792.2

In the CE region, benefits fell by 6.2 per cent in 2016 to €234.0 million (2015: €249.4 million); in the EE region however they increased by 30.5 per cent to €54.1 million (2015: €41.5 million). They fell by 7.4 per cent in SEE to reach €138.9 million (2015: €150.0 million). In Russia, benefits amounted to €48.6 million (2015: €36.3 million), and in Western Europe, the volume of benefits also rose by 9.3 per cent to €9.4 million (2015: €8.6 million).

Operating expenses

Operating expenses, not including reinsurance commission and share of profit from reinsurance ceded, which amounted to €112.0 million (2015: €102.8 million), increased in the 2016 financial year by 0.7 per cent to €336.2 million (2015: €333.8 million). They rose 0.9 per cent in property and casualty insurance to €204.4 million (2015: €202.6 million). In health insurance on the other hand, they fell by 1.1 per cent to €19.8 million (2015: €20.0 million). In life insurance they grew 0.7 per cent to reach €112.0 million (2015: €111.2 million).

The cost ratio of UNIQA International after reinsurance, i.e. the ratio of total operating expenses, less reinsurance commission and share of profit from reinsurance ceded, to premiums earned, including savings portions from the unit-linked and index-linked life insurance, decreased during the past year for the reasons mentioned above to 34.9 per cent (2015: 36.6 per cent).

In CE operating expenses, not including reinsurance commission and share of profit from reinsurance ceded, rose in the reporting year by 9.5 per cent to €173.7 million (2015: €158.7 million). They fell by 11.1 per cent in EE to €45.9 million (2015: €51.6 million). In SEE they also dropped slightly by 5.2 per cent to €86.1 million (2015: €90.9 million). In Russia, costs increased by 5.9 per cent to €10.0 million (2015: €9.4 million), while they increased in Western Europe by 41.8 per cent to €3.9 million (2015: €2.7 million). In administration (UNIQA International AG), costs decreased by 19.0 per cent to €16.6 million (2015: €20.5 million).

Investment income
Net investment income fell during 2016 by 34.7 per cent to €63.5 million (2015: €97.3 million).

Earnings before taxes
Earnings before taxes in the UNIQA International segment fell in the reporting year to €13.1 million (2015: €31.3 million) due to an extraordinary impairment of goodwill in Croatia amounting to €16.6 million. Earnings before taxes in property and casualty insurance decreased due to the impairment of goodwill mentioned above to €–5.9 million (2015: €11.1 million). In health insurance, earnings before taxes came to €–3.1 million (2015: €–5.5 million). Lastly, in life insurance, earnings before taxes fell by 14.1 per cent to €22.1 million (2015: €25.7 million).

Reinsurance

Reinsurance In € million	2016	2015
Premiums written	1,130.8	1,112.1
Insurance benefits (net)	– 694.7	– 720.1
Operating expenses (net)	– 330.5	– 315.7
Cost ratio (after reinsurance)	32.3%	31.1%
Earnings before taxes	18.1	– 2.1
Technical provisions (net)	1,461.6	1,432.6

In the reinsurance segment, the premium volume written rose in 2016 by 1.7 per cent to €1,130.8 million (2015: €1,112.1 million). The volume of premiums earned (net, in accordance with IFRSs) increased by 0.8 per cent to €1,022.7 million (2015: €1,014.4 million).

Net insurance benefits fell in 2016 by 3.5 per cent to €694.7 million (2015: €720.1 million).

Operating expenses less reinsurance commission and share of profit from reinsurance ceded in the amount of €7.8 million (2015: €8.2 million) grew by 4.7 per cent to €330.5 million (2015: €315.7 million).

Net investment income rose in 2016 to €29.9 million (2015: €27.7 million). Earnings before taxes in the reinsurance segment increased to €18.1 million (2015: €–2.1 million).

Group functions

Group functions In € million	2016	2015
Operating expenses (net)	– 49.6	– 27.9
Net investment income	152.8	207.1
Earnings before taxes	51.1	151.7

In the Group functions segment, operating expenses increased by 77.9 per cent to €49.6 million (2015: €27.9 million) due to investments in the context of the innovation and investment programme. Net investment income amounted to €152.8 million (2015: €207.1 million). Earnings before taxes fell to €51.1 million (2015: €151.7 million).

Consolidation

Consolidation In € million	2016	2015
Net investment income	– 117.4	– 197.9
Earnings before taxes	– 89.0	– 182.8

Net investment income in the consolidation segment amounted in 2016 to €–117.4 million (2015: €–197.9 million). Earnings before taxes improved to €–89.0 million (2015: €–182.8 million).

Events after the reporting date

On 24 January 2017, in an extraordinary Annual General Meeting of Raiffeisen Bank International AG ("RBI"), a decision was taken to merge Raiffeisen Bank International AG and Raiffeisen Zentralbank Österreich Aktiengesellschaft ("RZB"). UNIQA holds 2.5 per cent of RZB. The conversion ratio of RZB shares to RBI shares was 1:31.55. In order to attain the conversion ratio, an increase in RBI share capital was also conducted, excluding the subscription right of shareholders. After the merger UNIQA holds 1.7 per cent of RBI.

Outlook

Economic outlook

Since the turn of the year, early economic indicators have been suggesting a positive start for the Austrian economy and the entire eurozone for 2017. In general, economists continue to assume a constant expansion of domestic demand in the eurozone. Political events in 2017 – especially the presidential elections in France in April and the German Bundestag elections in the autumn – remained in the focus of financial investors. In the core countries of Central and Eastern Europe, the insurance sectors continue to be supported by solid overall economic development. Ukraine and Russia are seeing macroeconomic stabilisation and a slow recovery. The recovery on the commodities markets led to the beginnings of an increase in the inflation rate in many countries. The European Central Bank is expected to maintain its loose monetary policy over a longer period of time. UNIQA is therefore adjusting to a very low general interest rate environment in Europe which will last even longer.

Outlook for the insurance business

According to initial estimates, total premium volume in the Austrian insurance market will amount to about €17.1 billion in 2017. This corresponds to a decrease of 0.6 per cent in comparison with 2016. The anticipated decrease in single premiums in life insurance exercises a major influence here. According to initial forecasts, property and casualty insurance will again experience growth of 1.7 per cent to €9.0 billion in 2017. Premium growth of 3.0 per cent to €2.1 billion is being forecasted in the health insurance line for 2017. In life insurance, an overall reduction of about 5.1 per cent to €6.0 billion is expected in 2017.

The increasing improvement of the economic situation in CEE should lead in the coming years to higher income, more prosperity in private households and growing consumer spending. This goes hand-in-hand with increasing demand for insurance solutions. Many of the region's populace remain uninsured or very underinsured. Therefore, it also presents an opportunity to introduce optimised insurance solutions to existing customers. The fact that the insurance industry still needs to catch up is reflected in the so-called insurance density (per capita expenditures on insurance products). In Ukraine, for example, per capita insurance spending is just €30; in the countries of Southeastern Europe this number is around €120, and in Central Europe it is around €360. In comparison, the insurance density in Western Europe is over €2,200.

UNIQA therefore expects more dynamic growth in the CEE insurance industry than in Austria in 2017.

Group outlook

The outlook for the UNIQA Group is subject to the following assumptions:

- The global economic recovery continues. This means that economic growth in Austria and CEE remains positive in 2017, with GDP growth in Austria estimated at 1.5 per cent and in CEE (without Russia) at about 3 per cent.
- The ECB remains loyal to its well-trodden path of extremely loose monetary policy. As a consequence, yields for bonds of all kinds will remain artificially low. UNIQA therefore does not expect any noteworthy rise in the overall interest level in Europe.
- No major disruptions occur on the capital markets.
- There are no drastic finance policy-related or regulatory interventions.
- Damages from natural disasters remain within the average of previous years.

Premium development and earnings position

Premiums written in the Group fell by 3.1 per cent in the 2016 financial year. The main reason for this change was the intentional reduction in single premium business in the life insurance line in Austria. This development will not occur again in this form in 2017. UNIQA is therefore expecting overall growth of slightly more than 1 per cent in premiums written this year.

Premium growth of more than 2 per cent is expected in property and casualty insurance in 2017, driven by Austria and CEE. In line with a long-term trend, UNIQA is anticipating growth of more than 3 per cent in health insurance, primarily attributable to business in Austria. In contrast, a moderate decline in premiums of about 2 per cent is expected in life insurance due to a low-interest environment that creates restrained demand.

UNIQA has launched the biggest innovation programme in its corporate history in 2016 and will be investing around €500 million over the next few years in "re-designing" its business model, establishing the staff expertise required for this and investing in the IT systems required. This significant investment in the future will impact earnings before taxes in the 2017 financial year to a similar extent as in the previous year. In addition, a further decrease in net investment income is to be expected as a consequence of the continuing low interest rate. However, the capital earnings will not go down as much as they did in 2016.

Conversely, UNIQA is striving to improve the combined ratio (after reinsurance) to 97.5 per cent. This means increasing profitability for the actuarial core business in property and casualty insurance.

Overall, UNIQA is expecting a slight improvement in earnings before taxes for the 2017 financial year.

Despite ongoing investments and challenging low-interest environment, UNIQA intends to continue increasing its annual distribution per share over the next few years as part of a progressive dividend policy.

Information according to Section 243a(1) of the Austrian Commercial Code

1. The share capital of UNIQA Insurance Group AG is €309,000,000 and is comprised of 309,000,000 individual no par value shares in the name of the bearer. €285,356,365 of the share capital was fully paid in cash and €23,643,635 was paid in non-cash contributions. All shares confer the same rights and obligations.

2. A voting trust agreement exists for shareholdings of UNIQA Versicherungsverein Privatstiftung, Austria Versicherungsverein Beteiligungs-Verwaltungs GmbH, Collegialität Versicherungsverein Privatstiftung and RZB Versicherungsbeteiligung GmbH. Reciprocal purchase option rights have been agreed upon.

3. Raiffeisen Zentralbank Österreich Aktiengesellschaft holds indirectly, via RZB - BLS Holding GmbH and RZB Versicherungsbeteiligung GmbH, a total of 10.87 per cent (allocated in accordance with the Austrian Stock Exchange Act) of the company's share capital; UNIQA Versicherungsverein Privatstiftung holds directly and indirectly through Austria Versicherungsverein Beteiligungs-Verwaltungs GmbH a total of 49.00 per cent (allocated in accordance with the Austrian Stock Exchange Act) of the company's share capital.

4. No shares with special control rights have been issued.

5. The employees who have share capital exercise their voting rights directly.

6. No provisions of the Articles of Association or other provisions exist that go beyond the statutory provisions for appointing Management Board and Supervisory Board members or for modifying the Articles of Association with the exception of the rule that when a Supervisory Board member turns 70 years of age, they retire from the Supervisory Board at the end of the next Annual General Meeting.

7. The Management Board is authorised to increase the company's equity capital up to and including 30 June 2019 with the approval of the Supervisory Board by a total of no more than €81,000,000 by issuing up to 81,000,000 no-par voting shares in the name of the holder or registered for payment in cash or in kind, one time or several times. The Management Board is further authorised until 27 May 2018 to buy back up to 30,900,000 treasury shares (together with other treasury shares that the company has already acquired and still possesses) through the company and/or through subsidiaries of the company (Section 66 of the Stock Corporation Act). As at 31 December 2016, the Company held 2,034,739 treasury shares. 1,215,089 treasury shares are held through UNIQA Österreich Versicherungen AG. This share portfolio resulted from the merger of BL Syndikat Beteiligungs Gesellschaft m.b.H. as the transferring company, with UNIQA Insurance Group AG as acquiring company (payment of portfolio in UNIQA shares to shareholders of BL Syndikat Beteiligungs Gesellschaft m.b.H.). This share portfolio is not to be included in the highest number of treasury shares.

8. With regard to the holding company STRABAG SE, corresponding agreements with other shareholders of this holding company exist.

9. No reimbursement agreements exist for the event of a public takeover offer.

Information according to Section 243a(2) of the Austrian Commercial Code

The internal control and risk management system at UNIQA Insurance Group AG are comprised of transparent systems that encompass all company activities and that include a systematic and permanent approach, on the basis of a defined risk strategy, with the following elements: identification, analysis, evaluation, management, documentation and communication of risks as well as the monitoring of these activities. The scope and orientation of these systems were designed on the basis of company-specific requirements. Despite the creation of appropriate frameworks, there is always a certain residual risk because even appropriate and functional systems cannot guarantee absolute security with regard to the identification and management of risks.

Objectives:

a) Identification and evaluation of risks that could obstruct the goal of producing consolidated financial statements that comply with regulations

b) Limiting recognised risks, for example by consulting with external specialists

c) Review of external risks with regard to their influence on the consolidated financial statements and the corresponding reporting of these risks

The aim of the internal control system in the accounting process is to guarantee sufficient security by means of implementing controls so that, despite identified risks, proper financial statements are prepared.

Along with the risks described in the Risk Report, the risk management system also analyses additional risks within internal business processes, compliance, internal reporting, etc.

Organisational structure and control environment

The organisational structure consists of UNIQA Group accounting team in Vienna and the local accounting departments of the individual Group companies. These companies prepare one set of financial statements in accordance with local accounting regulations, and another set of financial statements in accordance with IFRSs. The IFRS values are then reported to the Group accounting department.

In addition to the SAP accounting system, a harmonised insurance-specific IT system is also used. Compliance guidelines and manuals for company organisation, accounting and consolidation exist for the purpose of guaranteeing secure processes and uniform application across the Group.

Identification and control of risks

An inventory and appropriate control measures were conducted to identify existing risks. The type of controls were defined in the guidelines and instructions and coordinated with the existing authorisation concept.

The controls include both manual coordination and comparison routines, as well as the acceptance of system configurations for connected IT systems. New risks and control weaknesses in the accounting process are quickly reported to management so that they can undertake corrective measures. The procedure for the identification and control of risks is evaluated on a regular basis by an external independent auditor.

Information and communication
Deviations from expected results and evaluations are monitored by means of monthly reports and key figures, and they form the foundation of information provided to management on an ongoing basis. The management review that is based on this information, and the approval of the processed data, form the foundation of further treatment in the Company's financial statements.

Measures to ensure effectiveness
The internal control and risk management system is not made up of static systems; instead, it is adapted on an ongoing basis to changing requirements and framework conditions. The identification of the necessity of changes requires constant monitoring of the effectiveness of all systems. The foundations for this are:

a) Regular self-evaluations by the persons tasked with controls

b) Evaluations of key data to validate transaction results in relation to indications that suggest control deficiencies

c) Random tests of effectiveness by the Internal Audit department and comprehensive efficacy tests by the Internal Audit department and/or special teams

Reporting to the Supervisory Board/ Audit Committee
In the context of compliance and internal control and risk management systems, the Group Management Board reports regularly to the Supervisory Board and the Audit Committee by means of Internal Audit department reports and the engagement of external auditors.

Proposed appropriation of profit

The separate financial statements of UNIQA Insurance Group AG, prepared in accordance with the Austrian Commercial Code and the Insurance Supervisory Act, report an annual net profit for the 2016 financial year in the amount of €151,949,829.25 (2015: €145,318,925.52). The Management Board will propose to the Annual General Meeting on 29 May 2017 that this net profit be used for a dividend of 49 cents for each of the 309,000,000 dividend-entitled no-par value shares issued as at the reporting date and the remaining amount carried forward to a new account.

Vienna, 10 March 2017

Andreas Brandstetter
Chairman of the
Management Board

Erik Leyers
Member of the
Management Board

Kurt Svoboda
Member of the
Management Board

Consolidated Statement of Financial Position as at 31 December 2016

Assets In € thousand	Notes	31/12/2016	31/12/2015 adjusted	1/1/2015 adjusted
Property, plant and equipment	4, 7	265,219	292,989	263,626
Investment property	8	1,349,996	1,392,590	1,504,483
Intangible assets	4, 9	1,492,360	1,703,058	1,750,174
Financial assets accounted for using the equity method	10	521,305	514,165	528,681
Investments	12	18,153,472	21,392,476	20,629,354
Unit-linked and index-linked life insurance investments		4,879,928	5,226,748	5,386,650
Reinsurers' share of technical provisions	20	324,443	548,966	563,540
Reinsurers' share of technical provisions for unit-linked and index-linked life insurance	26	318,636	315,646	332,974
Receivables, including insurance receivables	13	638,695	911,477	1,094,544
Income tax receivables	14	65,854	87,270	53,917
Deferred tax assets	4, 15	5,589	13,115	11,600
Cash and cash equivalents	16	549,934	890,083	975,764
Assets in disposal groups held for sale	11	5,073,729	9,289	161,053
Total assets		**33,639,160**	**33,297,873**	**33,256,359**

Equity and liabilities In € thousand	Notes	31/12/2016	31/12/2015 adjusted	1/1/2015 adjusted
Total equity	**17**			
Portion attributable to shareholders of UNIQA Insurance Group AG				
Subscribed capital and capital reserves	**4**	1,789,923	1,789,920	1,789,920
Treasury shares	**4**	– 16,631	– 10,857	– 10,857
Accumulated results	**4**	1,412,961	1,365,453	1,288,909
		3,186,253	**3,144,516**	**3,067,971**
Non-controlling interests	**4, 18**	**26,513**	**21,853**	**19,897**
		3,212,766	**3,166,369**	**3,087,868**
Liabilities				
Subordinated liabilities	19	846,043	1,095,745	600,000
Technical provisions	4, 21, 22, 23, 24, 25	17,609,233	21,328,061	21,452,841
Technical provisions for unit-linked and index-linked life insurance	26	4,846,591	5,175,437	5,306,000
Financial liabilities	27	45,524	33,580	49,181
Other provisions	28	798,737	796,442	801,837
Liabilities and other items classified as liabilities	29	1,042,244	1,271,572	1,400,828
Income tax liabilities	30	79,120	95,970	43,272
Deferred tax liabilities	15	296,676	334,696	355,424
Liabilities in disposal groups held for sale	11	4,862,227	0	159,107
		30,426,394	**30,131,504**	**30,168,491**
Total equity and liabilities		**33,639,160**	**33,297,873**	**33,256,359**

Consolidated Income Statement from 1 January until 31 December 2016

In € thousand	Notes	1-12/2016	1-12/2015 adjusted
Premiums earned (net)	**31**		
Gross		4,611,687	4,817,299
Reinsurers' share		– 168,717	– 166,172
		4,442,970	**4,651,128**
Technical interest income		**333,334**	**431,740**
Other insurance income			
Gross		23,508	29,566
Reinsurers' share		329	863
		23,837	**30,429**
Insurance benefits	**4, 32**		
Gross		– 3,478,247	– 3,786,352
Reinsurers' share		92,681	115,045
		– 3,385,566	**– 3,671,307**
Operating expenses	**4, 33**		
Expenses for the acquisition of insurance		– 890,674	– 863,291
Other operating expenses		– 417,031	– 346,254
Reinsurance commission and share of profit from reinsurance ceded		21,311	19,110
		– 1,286,394	**– 1,190,435**
Other technical expenses			
Gross		– 37,088	– 47,718
Reinsurers' share		– 17,233	– 17,965
		– 54,321	**– 65,682**
Technical result	**4**	**73,861**	**185,872**
Net investment income and income from investment property	**34**	**588,892**	**731,983**
of which profit from financial assets accounted for using the equity method		38,614	23,205
Other income	**35**	**42,569**	**35,818**
Reclassification of technical interest income		**– 333,334**	**– 431,740**
Other expenses	**36**	**– 53,145**	**– 55,691**
Non-technical result		**244,982**	**280,370**
Operating profit/(loss)	**4**	**318,842**	**466,242**
Amortisation of goodwill and impairment losses		**– 25,832**	**– 18,181**
Finance costs		**– 67,477**	**– 50,243**
Earnings before taxes	**4**	**225,533**	**397,818**
Income taxes	**4, 37**	**– 22,810**	**– 80,283**
Profit/(loss) for the year from continuing operations		**202,723**	**317,535**
Profit/(loss) from discontinued operations (after tax)	**38**	**– 53,105**	**23,147**
Profit/(loss) for the year		**149,618**	**340,682**
of which attributable to shareholders of UNIQA Insurance Group AG		148,063	337,160
of which attributable to non-controlling interests		1,554	3,521
Earnings per share (in €)[1]	**4, 17**	**0.48**	**1.09**
Earnings per share from continuing operations		0.66	1.02
Earnings per share from discontinued operations		– 0.17	0.07
Average number of shares in circulation		**308,129,721**	**308,180,350**

[1] Diluted earnings per share equate to undiluted earnings per share. This is calculated on the basis of the consolidated profit/(loss).

Consolidated Statement of Comprehensive Income from 1 January until 31 December 2016

In € thousand	1-12/2016	1-12/2015 adjusted
Profit/(loss) for the year	**149,618**	**340,682**
Items not reclassified to profit or loss in subsequent periods		
Revaluations of defined benefit obligations		
Gains (losses) recognised in equity	– 9,842	– 57,554
Gains (losses) recognised in equity – deferred tax	2,195	12,727
Gains (losses) recognised in equity – deferred profit participation	1,127	7,062
Other income from financial assets accounted for using the equity method		
Gains (losses) recognised in equity	– 1,335	– 10,616
	– 7,855	**– 48,381**
Items reclassified to profit or loss in subsequent periods		
Currency translation		
Gains (losses) recognised in equity	155	– 16,429
Recognised in the consolidated income statement	– 504	– 1,155
Valuation of financial instruments available for sale		
Gains (losses) recognised in equity	343,506	– 64,569
Gains (losses) recognised in equity – deferred tax	– 39,702	5,737
Gains (losses) recognised in equity – deferred profit participation	– 196,229	22,057
Recognised in the consolidated income statement	– 102,071	– 87,860
Recognised in the consolidated income statement – deferred tax	14,303	11,076
Recognised in the consolidated income statement – deferred profit participation	43,305	64,934
Other income from financial assets accounted for using the equity method		
Gains (losses) recognised in equity	– 5,648	– 8,451
Recognised in the consolidated income statement	580	0
	57,697	**– 74,660**
of which from discontinued operations	6,701	15,732
Other comprehensive income	**49,841**	**– 123,041**
Total comprehensive income	**199,459**	**217,641**
of which attributable to shareholders of UNIQA Insurance Group AG	195,644	212,056
of which attributable to non-controlling interests	3,815	5,585

Consolidated Statement of Cash Flows from 1 January until 31 December 2016

In € thousand	Notes	1-12/2016	1-12/2015 adjusted
Profit/(loss) for the year		149,618	340,682
Impairment losses, amortisation of goodwill and other intangible assets, and depreciation of property, plant and equipment		62,379	55,952
Impairment losses/reversal of impairment losses on other investments		97,956	– 2,849
Gain/loss on the disposal of investments		– 22,639	– 77,287
Change in deferred acquisition costs		10,383	21,279
Change in securities at fair value through profit or loss		150,982	12,364
Change in direct insurance receivables		23,412	70,596
Change in other receivables	4	103,324	32,255
Change in direct insurance liabilities		– 36,603	– 129,565
Change in other liabilities		25,130	57,699
Change in technical provisions	4	382,945	– 129,387
Change in defined benefit obligation	4	– 10,067	– 68,830
Change in deferred tax assets and deferred tax liabilities	4	– 27,961	6,369
Change in other statement of financial position items	4	68,033	– 42,504
Net cash flow from operating activities		**976,893**	**146,773**
of which from discontinued operations		586,541	0
Proceeds from disposal of intangible assets and property, plant and equipment		3,504	14,500
Payments for acquisition of intangible assets and property, plant and equipment		– 46,926	– 16,965
Proceeds from disposal of consolidated companies		16,409	2,136
Payments for acquisition of consolidated companies	4	– 3,293	– 1,237
Proceeds from disposal and maturity of other investments	4	4,978,861	4,548,683
Payments for acquisition of other investments		– 5,860,659	– 5,293,419
Change in unit-linked and index-linked life insurance investments		– 7,395	159,902
Net cash flow from investing activities		**– 919,500**	**– 586,399**
of which from discontinued operations		– 593,261	0
Dividend payments	17	– 145,958	– 129,621
Transactions between owners	4	– 644	– 10,746
Proceeds from other financing activities		0	495,745
Payments from other financing activities		– 251,922	– 1,034
Net cash flow from financing activities		**– 398,524**	**354,345**
of which from discontinued operations		0	
Change in cash and cash equivalents		**– 341,131**	**– 85,280**
Change in cash and cash equivalents due to acquisitions or disposals of consolidated subsidiaries		770	0
of which from discontinued operations		– 6,719	0
Change in cash and cash equivalents due to movements in exchange rates		982	– 401
Cash and cash equivalents at beginning of year		890,083	975,764
Cash and cash equivalents at end of period		**549,934**	**890,083**
Income taxes paid (Net cash flow from operating activities)		– 49,786	– 63,518
Interest paid (Net cash flow from operating activities)		– 91,997	– 64,842
Interest received (Net cash flow from operating activities)		554,868	569,996
Dividends received (Net cash flow from operating activities)		77,418	62,185

Consolidated Statement of Changes in Equity

In € thousand	Notes	Subscribed capital and capital reserves	Treasury shares	Accumulated	
				Valuation of financial instruments available for sale	Revaluations of defined benefit obligations
At 31 December 2014		**1,789,920**	**– 10,857**	**443,750**	**– 143,503**
IAS 8 restatement	4				
At 1 January 2015		**1,789,920**	**– 10,857**	**443,750**	**– 143,503**
Change in basis of consolidation					
Dividends to shareholders					
Total comprehensive income				**– 51,997**	**– 37,060**
Profit/(loss) for the year					
Other comprehensive income				– 51,997	– 37,060
At 31 December 2015		**1,789,920**	**– 10,857**	**391,753**	**– 180,563**
At 1 January 2016		**1,789,920**	**– 10,857**	**391,753**	**– 180,563**
Change in basis of consolidation		3	– 5,774		
Dividends to shareholders	17				
Total comprehensive income				**61,909**	**– 6,457**
Profit/(loss) for the year					
Other comprehensive income				61,909	– 6,457
At 31 December 2016		**1,789,923**	**– 16,631**	**453,662**	**– 187,020**

results				
Differences from currency translation	Other accumulated results	Portion attributable to shareholders of UNIQA Insurance Group AG	Non-controlling interests	Total equity
– 155,504	**1,158,733**	**3,082,538**	**19,897**	**3,102,434**
	– 14,567	– 14,567		– 14,567
– 155,504	**1,144,166**	**3,067,971**	**19,897**	**3,087,868**
	– 6,075	– 6,075	– 3,313	– 9,388
	– 129,436	– 129,436	– 315	– 129,751
– 16,980	**318,093**	**212,056**	**5,585**	**217,641**
	337,160	337,160	3,521	340,682
– 16,980	– 19,067	– 125,104	2,063	– 123,041
– 172,485	**1,326,748**	**3,144,516**	**21,853**	**3,166,369**
– 172,485	**1,326,748**	**3,144,516**	**21,853**	**3,166,369**
	– 3,291	– 9,062	1,958	– 7,104
	– 144,845	– 144,845	– 1,113	– 145,958
– 1,468	**141,661**	**195,644**	**3,815**	**199,459**
	148,063	148,063	1,554	149,618
– 1,468	– 6,403	47,581	2,261	49,841
– 173,953	**1,320,273**	**3,186,253**	**26,513**	**3,212,766**

Notes to the Consolidated Financial Statements

1. General information

UNIQA Insurance Group AG (UNIQA) is a company domiciled in Austria. The address of the company's registered office is Untere Donaustraße 21, 1029 Vienna. The Group primarily conducts business with property and casualty, as well as health and life insurance.

UNIQA Insurance Group AG is registered in the company registry of the Commercial Court of Vienna under FN 92933t. The shares of UNIQA Insurance Group AG are listed on the prime market segment of the Vienna Stock Exchange.

Unless otherwise stated, these consolidated financial statements are prepared in thousand euros; rounding differences may occur through the use of automated calculation tools when totalling rounded amounts and percentages. The functional currency at UNIQA is the euro.

UNIQA's reporting date is 31 December.

2. Accounting principles

2.1 Principles

The consolidated financial statements were prepared in line with the International Financial Reporting Standards (IFRSs) as well as the provisions of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union (EU) as at the reporting date. The additional requirements of Section 245a(1) of the Austrian Commercial Code as well as Section 138(8) of the Insurance Supervision Act were also met.

The following table provides an overview of the valuation principles for the individual balance sheet items in the assets and liabilities:

Balance sheet item	Standard of valuation
Assets	
Property, plant and equipment	At lower of amortised cost or recoverable amount
Investment property	At lower of amortised cost or recoverable amount
Intangible assets	
– with determinable useful life	At lower of amortised cost or recoverable amount
– with indeterminable useful life	At lower of acquisition cost or recoverable amount
Financial assets accounted for using the equity method	At lower of amortised pro-rata value of the equity or recoverable amount
Investments	
– Financial assets recognised at fair value through profit or loss	Fair value
– Financial assets held for sale	Fair value
– Loans and receivables	Amortised cost
Unit-linked and index-linked life insurance investments	Fair value
Reinsurers' share of technical provisions	As per the valuation of technical provisions
Reinsurers' share of technical provisions for unit-linked and index-linked life insurance	As per the valuation of technical provisions
Receivables, including insurance receivables	Amortised cost
Income tax receivables	At the amount of any obligations to the tax authorities, based on the tax rates applicable on the reporting date or in the near future
Deferred tax assets	Undiscounted valuation applying the tax rates that are expected for the period in which an asset is realised or a liability met
Cash and cash equivalents	Amortised cost
Assets in disposal groups held for sale	Lower of carrying amount and fair value less cost to sale

Balance sheet item	Standard of valuation
Liabilities	
Subordinated liabilities	Amortised cost
Technical provisions	Property insurance: provisions for losses and unsettled claims (undiscounted value of expected future payment obligations) Life and health insurance: insurance provision in accordance with actuarial calculation principles (discounted value of expected future benefits less premiums)
Technical provisions for unit-linked and index-linked life insurance	Insurance provision based on the change in value of the contributions assessed
Financial liabilities	
- Liabilities from loans	Amortised cost
- Derivative financial instruments	Fair value
Other provisions	
- from defined benefit obligations	Actuarial valuation applying the projected benefit obligation method
- other	Present value of future settlement value
Liabilities and other items classified as liabilities	Amortised cost
Income tax liabilities	At the amount of any obligations to the tax authorities, based on the tax rates applicable on the reporting date or in the near future
Deferred tax liabilities	Undiscounted valuation applying the tax rates that are expected for the period in which an asset is realised or a liability met

2.2 Principles for technical items

UNIQA has applied IFRS 4 (published in 2004) for insurance contracts since 1 January 2005. This standard demands that the accounting policies be largely unaltered with regard to the actuarial items.

The IFRSs contain no specific regulations that comprehensively govern the recognition and measurement of insurance and reinsurance policies and investment contracts with a discretionary participation feature. Therefore, in accordance with IAS 8, the provisions of US Generally Accepted Accounting Principles (US GAAP) in the version applicable on 1 January 2005 were applied to all cases for which IFRS 4 contains no specific regulations. For balancing the accounts and evaluation of the insurance-specific entries of life insurance with profit sharing, FAS 120 was observed; FAS 60 was applied for specific items in health, property and casualty insurance and FAS 113 for reinsurance. Unit-linked life insurance, where the policyholder bears the entire investment risk, was accounted for in accordance with FAS 97.

Based on the regulations, technical items must be covered by suitable assets (cover funds). As is standard in the insurance industry, amounts dedicated to the cover funds are subject to a limitation as regards availability in the group.

The new standard for insurance contracts (previously referred to as IFRS 4 Phase II, now IFRS 17) has been in preparation for many years. It is expected to be issued by the middle of 2017 and its initial date of application is scheduled for 2021. The subject of the future standard for insurance contracts is the representation of the assets and liabilities resulting from the insurance contracts. IFRS 17 applies largely to all insurance and reinsurance contracts that a company underwrites and to reinsurance contracts that a company enters into.

2.3 Consolidation principles

Business combinations

If the Group has obtained control, it accounts for business combinations in line with the acquisition method. The consideration transferred for the acquisition and the identifiable net assets acquired are measured at fair value. Any generated goodwill is tested annually for impairment. Any profit from an acquisition at a price below the fair value of the net assets is recognised directly in profit/(loss) for the year. Transaction costs are recognised as expenses immediately.

The consideration transferred does not include any amounts associated with the fulfilment of pre-existing relationships. Such amounts are generally recognised in profit/(loss) for the year.

Any contingent obligation to pay consideration is measured at fair value as at the acquisition date. If the contingent consideration is classified as equity, it is not revalued, and a settlement is accounted for within equity. Otherwise, later changes in the fair value of the contingent consideration are recognised in profit/(loss) for the year.

Non-controlling interests

Non-controlling interests are measured as at the acquisition date with their proportionate share in the identifiable net assets of the acquired entity.

Changes in the share in a subsidiary that do not result in a loss of control are recognised directly as equity transactions with non-controlling interests.

Subsidiaries

Subsidiaries are entities controlled by UNIQA. UNIQA is regarded as controlling an entity if:
- UNIQA is able to exercise power over the relevant entity,
- UNIQA is exposed to fluctuating returns from its participation and
- UNIQA is able to influence the amount of the returns as a result of the power it exercises.

The financial statements of subsidiaries are included in the consolidated financial statements from the date control begins until the date control ends.

Loss of control

If UNIQA loses control of a subsidiary, the subsidiary's assets and liabilities and all associated non-controlling interests and other equity components are derecognised. Any resulting profit or loss is recognised in profit/(loss) for the year. Any retained interest in the former subsidiary is measured at fair value as at the date of the loss of control.

Investment in associates

Associates are all the entities over which UNIQA has significant influence but does not exercise control or joint control over their financial and operating policies. This is generally the case as soon as there is a voting share of between 20 and 50 per cent or a comparable significant influence is guaranteed legally or in practice via other contractual regulations.

Investments in associates are accounted for using the equity method. They are initially recognised at acquisition cost, which also includes transaction costs. After the first-time recognition, the consolidated financial statements include the Group's share in profit/(loss) for the year and in changes in other comprehensive income until the date the significant influence ends.

At each reporting date, UNIQA reviews whether there are any indications that the investments in associates are impaired. If this is the case, then the impairment loss is recorded as the difference between the participation carrying amount of the associate and the corresponding recoverable amount and recognised separately in profit/(loss) for the year.

Transactions eliminated on consolidation

Intragroup balances and transactions and all unrealised income and expenses from intragroup transactions are eliminated when consolidated financial statements are prepared.

Discontinued operations

A discontinued operation is a part of the Group that has either been sold or has been categorised as held for sale, and which

- represents a major line of business or a geographical area of operations,
- is part of a single coordinated plan to dispose of a separate, major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

The entity is classified as a discontinued operation when the aforementioned criteria are fulfilled.

If an operation is classified as a discontinued operation, the consolidated statement of comprehensive income as well as the data relating to it for the comparative year is adjusted so that it were as if the operation had been discontinued from the start of the comparative year.

Assets and liabilities held for sale

Non-current assets and liabilities are classified as held for sale if it is highly probable that they will be realised through sale rather than continued use.

These assets or disposal groups are recognised at the lower of their carrying amounts or fair values less costs to sell. Any impairment loss of a disposal group is firstly attributed to goodwill and then to the remaining assets and liabilities on a proportional basis – with the exception that no loss is attributed to financial assets, deferred tax assets, assets in connection with employee benefits or investment property that continues to be measured based on the Group's other accounting policies. Impairment losses on the first-time classification as held for sale and any subsequent impairment losses are recognised in profit or loss.

Intangible assets held for sale and property, plant and equipment are no longer amortised or depreciated and any investments recognised using the equity method are no longer equity-accounted.

2.4 Basis of consolidation

In addition to the annual financial statements of UNIQA Insurance Group AG, the consolidated financial statements include the financial statements of all subsidiaries in Austria and abroad. The basis of consolidation comprised – including UNIQA Insurance Group AG – 54 Austrian (2015: 56) and 62 (2015: 67) foreign subsidiaries. The associates are 6 domestic (2015: 8) and 1 foreign company (2015: 1) that were included in the consolidated financial statements using the equity method of accounting.

A list of the fully consolidated subsidiaries and associates can be found on page 235.

Shares in subsidiaries that are not consolidated (for lack of materiality), associates as well as joint ventures not accounted for using the equity method are classified as financial assets available for sale in accordance with IAS 39 and recognised at fair value in other comprehensive income. Those equity investments for which the fair value cannot be reliably ascertained are recognised at cost less any impairments.

In application of IFRS 10, fully-controlled investment funds are included in the consolidation insofar as their fund volumes were not of minor importance when viewed separately and as a whole.

In the reporting year, the following changes occurred to the basis of consolidation.

Acquisitions

UNIQA Real Estate Inlandsholding GmbH (Vienna) was included within the basis of consolidation for the first time effective 14 June 2016. The acquisition constitutes an acquisition of a group of assets and does not fulfil the conditions of a business according to IFRS 3. The company acquired is a financial and strategic shareholding.

Following approval by the Austrian Supreme Court sitting as a competition high court, on 7 July 2016 the acquisition of a 75 per cent stake in Vienna-based Privatklinik Goldenes Kreuz Privatklinik BetriebsGmbH (“Goldenes Kreuz”) was finalised.

The company operates a private hospital specialising in obstetrics in Vienna’s 9th District. The acquisition represents a strategic expansion for the existing group of hospitals. In accordance with IFRS 3, the acquisition of this holding is considered the acquisition of a business.

The profit/(loss) for the year includes negative contributions to earnings in the amount of €– 782 thousand from the current profits of the Vienna private clinic “Goldenes Kreuz” since its initial consolidation.

If the acquisition had taken place on 1 January 2016, according to estimates of the Group Management Board the non-insurance result would have amounted to €244,338 thousand and net profit would have been €148,974 thousand. In determining these amounts, the management assumed that the provisional fair value adjustments at the time of the acquisition would also have been valid in the event of an acquisition on 1 January 2016.

The consideration paid for the acquisition comprises exclusively cash and cash equivalents amounting to €4,023 thousand. The incidental costs incurred for this acquisition in 2016 amounting to €10 thousand (2015: €435 thousand) are recognised under other operating expenses.

Receivables (trade receivables and other assets) acquired in the course of the acquisition have a fair value of €4,947 thousand. Based on the best possible estimate, there were no uncollectible receivables at the time of the acquisition.

Calculations based on the estimates show that no goodwill was generated with the acquisition of the "Goldenes Kreuz" private hospital in Vienna.

Non-controlling interests of 25 per cent were recognised at the time of acquisition and measured at a fair value of €1,341 thousand.

The consideration paid is offset by an acquired cash position of €770 thousand.

Assets and liabilities from business combinations at acquisition date
In € thousand

Assets	
Property, plant and equipment	1,547
Intangible assets	4,078
Receivables, including insurance receivables	4,958
Cash and cash equivalents	770
Total assets	**11,354**
Liabilities	
Financial liabilities	1,530
Other provisions	1,608
Liabilities and other items classified as liabilities	2,851
Total liabilities	**5,989**

Restructuring processes

Sedmi element d.o.o. (Zagreb, Croatia) and Deveti element d.o.o. (Zagreb, Croatia) were merged with UNIQA osiguranje d.d. (Zagreb, Croatia) in January 2016.

UNIQA International AG (Vienna), acting as the transferor company, has transferred its 100 per cent stake in UNIQA Re AG (Zurich, Switzerland) through demerger to the UNIQA Insurance Group AG (the acquiring company) by means of a spin-off and take-over agreement dated 20 June 2016. Concurrently, Raiffeisen Versicherung AG, acting as the transferor company, transferred its 25 per cent stake in UNIQA International AG through demerger to the UNIQA Insurance Group AG (the acquiring company) by means of a spin-off and take-over agreement dated 20 June 2016.

Dr. E. Hackhofer EDV-Softwareberatung Gesellschaft m.b.H. (Vienna), which was entered into the company register on 1 July 2016 with retroactive effect from 31 December 2015, was merged as transferor company with UNIQA IT Services GmbH (Vienna).

BL syndicate Beteiligungs Gesellschaft mbH was merged with the UNIQA Insurance Group AG (the absorbing company) as at 31 July 2016.

FINANCE LIFE Lebensversicherung AG (Vienna), Raiffeisen Versicherung AG (Vienna) and Salzburger Landes-Versicherung AG (Salzburg), acting as the transferor companies, were merged with UNIQA Österreich Versicherungen AG (Vienna) (the absorbing company) on 1 October 2016 with effect from 1 January 2016.

UNIQA Real Estate BH nekretnine, d.o.o. (Sarajevo, Bosnia and Herzegovina) was merged with UNIQA osiguranje d.d. (Zagreb, Croatia) on 29 December 2016.

Liquidations

BSIC Holding LLC (Kiev, Ukraine) was liquidated as at 12 January 2016.

Sales

UNIQA Real II, spol. s r.o. (Bratislava, Slovakia) was sold effective 12 August 2016.

As part of the UNIQA 2.0 strategy programme focussing on the core insurance business in the key markets of Austria as well as Central and Eastern Europe, UNIQA has taken numerous actions since mid-2015 to restructure its portfolio of investments.

UNIQA decided to sell its 29 per cent holding in Medial Beteiligungs-Gesellschaft m.b.H. (Vienna) on 27 July 2015. This investment is therefore represented among the assets in disposal groups held for sale (segment "Group functions"). Medial Beteiligungs-Gesellschaft m.b.H. has an equity investment of around 38 per cent in Casinos Austria Aktiengesellschaft (Vienna); correspondingly, UNIQA holds an interest of around 11 per cent in Casinos Austria Aktiengesellschaft. Due to a decree by the Vienna regional high court acting as antitrust court, which prohibited the transfer of the investment, the sale to NOVOMATIC AG (Gumpoldskirchen) fell through and was cancelled in early 2017. UNIQA sold its 29 per cent stake in Medial Beteiligungs-Gesellschaft m.b.H. (Vienna) to CAME Holding GmbH (Vienna) in a contract of assignment dated 3 January 2017. The sale to CAME Holding GmbH is subject to a condition precedent. The conditions precedent are essentially mandatory approvals still required under merger law and public law approvals. Closing is expected in the first half of 2018.

Through the transfer agreement of 2 December 2016, the shares in Raiffeisen evolution project development GmbH (Vienna), amounting to 20 per cent, were sold to STRABAG AG (Spittal) and DC 1 Immo GmbH (Vienna). Following approval by the Austrian and Hungarian antitrust authorities, the closing was completed on 22 December 2016. The purchase price is approximately €14 million, the book value amounted to €14.7 million as at the date of disposal.

Following the approval by the Supervisory Board, on 2 December 2016 the Management Board decided to sell its 99.7 per cent holding in UNIQA Assicurazioni S.p.A. (Milan, Italy). The sales price is about €295 million. The sale includes UNIQA Assicurazioni S.p.A. (Milan, Italy) and its subsidiaries operating in Italy, UNIQA Previdenza S.p.A. (Milan, Italy) and UNIQA Life S.p.A. (Milan, Italy), which were reported in the segment UNIQA International. The sale of the Italian companies is classified as a discontinued business line. The assets and liabilities associated with the discontinued business line are stated in the consolidated statement of financial position under the assets and liabilities in disposal groups held for sale. The profit and loss of the discontinued business line is presented in the consolidated income statement under the item "Profit/(loss) from discontinued operations (after tax)". The closing of the sale is expected in the first half of 2017 once all necessary official approvals have been obtained.

2.5 Currency translation

Functional currency and reporting currency

The items included in the financial statements for each operating subsidiary are measured based on the currency that corresponds with the currency of the primary economic environment in which the subsidiary operates (functional currency). The consolidated financial statements are prepared in euros which is UNIQA's reporting currency.

Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency of the Group entity at the exchange rate on the date of the transaction or, in the case of revaluations, at the time of the valuation.

Monetary assets and liabilities denominated in a foreign currency on the reporting date are translated into the functional currency at the closing rate. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated at the rate valid on the date the fair value is calculated. Currency translation differences are generally recognised in profit/(loss) for the year. Non-monetary items recognised at historical acquisition cost or the cost of self-construction in a foreign currency are not translated.

In deviation from this policy, there is one case where currency translation differences are recognised in other comprehensive income: available-for-sale equity instruments (except in the case of impairment, for which currency translation differences are reclassified from other comprehensive income to profit/(loss) for the year).

Foreign operations

Assets and liabilities from foreign operations, including the goodwill and fair value adjustments that result from the acquisition, are translated into euros at the closing rate on the reporting date. Income and expenses from foreign operations are translated at the monthly closing rates.

Currency translation differences are reported in other comprehensive income and recognised in equity as a part of the accumulated profits in the item “Differences from currency translation” if the foreign exchange difference is not attributable to non-controlling interests.

When the disposal of a foreign operation results in loss of control, joint control or significant influence, the corresponding amount recognised in the item “Differences from currency translation” under the accumulated profits up to this date is reclassified to profit/(loss) for the year as part of the gain or loss on disposal. In the case of only partial disposal without loss of control over a subsidiary that includes a foreign operation, the corresponding portion of the cumulative exchange difference is attributed to the non-controlling interests. If an associate or jointly controlled company that includes a foreign operation is partially disposed of, but significant influence or joint control is retained, the corresponding portion of the cumulative currency translation difference is reclassified to profit/(loss) for the year.

If the settlement of monetary items in the form of receivables or liabilities from or to a foreign operation is neither planned nor probable in the foreseeable future, the resulting foreign currency gains and losses are considered part of the net investment in the foreign operation. The foreign currency gains and losses are then reported in other comprehensive income and recognised in the “Differences from currency translation” in equity.

Exchange rates:

	EUR closing rates		EUR average rates	
	31/12/2016	31/12/2015	1-12/2016	1-12/2015
Swiss franc (CHF)	1.0739	1.0835	1.0903	1.0752
Czech koruna (CZK)	27.0210	27.0230	27.0408	27.3053
Hungarian forint (HUF)	309.8300	315.9800	312.2223	310.0446
Croatian kuna (HRK)	7.5597	7.6380	7.5441	7.6211
Polish złoty (PLN)	4.4103	4.2639	4.3659	4.1909
Bosnia and Herzegovina convertible mark (BAM)	1.9558	1.9558	1.9558	1.9558
Romanian leu (RON)	4.5390	4.5240	4.4957	4.4440
Bulgarian lev (BGN)	1.9558	1.9558	1.9558	1.9558
Ukrainian hryvnia (UAH)	28.5130	26.1223	28.2317	24.6297
Serbian dinar (RSD)	123.4600	121.5835	123.0150	120.7530
Russian rouble (RUB)	64.3000	80.6736	73.8756	69.0427
Albanian lek (ALL)	134.9700	136.9100	137.2746	139.5977
Macedonian denar (MKD)	61.5531	61.3868	61.6596	61.5080
US dollar (USD)	1.0541	1.0887	1.1021	1.1130

2.6 Insurance items

Premiums written

The (gross) premiums written include those amounts that have been called due by the insurer either once or on an ongoing basis in the financial year for the purposes of providing the insurance coverage. The premiums written are increased by the charges added during the year (in the event of payment in instalments) and the ancillary charges in line with the tariffs. In the case of unit-linked and index-linked life insurance, only the premiums decreased by the savings portion are stated in the item "Premiums written".

Insurance and investment contracts

Insurance contracts, i.e. contracts through which significant insurance risk is assumed, and investment contracts with a discretionary participation feature are treated in accordance with IFRS 4, i.e. under application of US GAAP. Investment contracts, i.e. contracts that do not transfer a significant insurance risk and that do not include a discretionary participation feature, fall under the scope of IAS 39 (Financial Instruments).

Reinsurance contracts

Assumed reinsurance (indirect business) is recognised as an insurance contract in accordance with IFRS 4.

Ceded reinsurance is also subject to the application of IFRS 4 and is presented in a separate item under assets in accordance with IFRS 4. The profit and loss items (premiums and payments) are deducted openly from the corresponding items in the gross account, while commission income is reported separately as its own item.

Deferred acquisition costs

Based on US GAAP, deferred acquisition costs are accounted for in accordance with IFRS 4. In the case of property and casualty insurance contracts, costs directly attributable to the acquisition are deferred and distributed over the expected contract term or according to the unearned premiums. In life insurance, the deferred acquisition costs are amortised in line with the pattern of expected gross profits or margins.

Unearned premiums

For short-term insurance contracts, such as most property and casualty insurance policies, the premiums relating to future years are reported as unearned premiums in line with the applicable regulations of US GAAP. The amount of these unearned premiums corresponds to the insurance cover granted proportionally in future periods.

Premiums levied upon entering into certain long-term contracts (e.g. upfront fees) are recognised as unearned premiums. In line with the applicable regulations of US GAAP, these fees are recorded in the same manner as the amortisation of deferred acquisition costs.

These unearned premiums are in principle calculated for each individual policy and exactly to the day. If they are attributable to life insurance, they are included in the insurance provision.

Insurance provisions

Insurance provisions are established in the life and health insurance lines. Their carrying amount is determined based on actuarial principles on the basis of the present value of future benefits to be paid by the insurer less the present value of future net premiums the insurer expects to receive. Similarly, insurance provisions are established in the casualty lines that also cover life-long obligations (accident pensions). The insurance provision of the life insurer is calculated by taking into account prudent and contractually agreed calculation principles.

For policies that are mainly of investment character (e.g. unit-linked life insurance), the provisions of FAS 97 are used to measure the insurance provision. The insurance provision is arrived at by combining the invested amounts, the change in value of the underlying investments and the withdrawals under the policy. For unit-linked insurance policies in which the policyholder carries the sole risk of the value of the investment rising or falling, the insurance provision is listed as a separate liability entry under "Technical provisions for unit-linked and index-linked life insurance".

The insurance provisions for health insurance are determined based on calculation principles that correspond to the "best estimate", taking into account safety margins. Once calculation principles have been determined, they have to be applied to the corresponding partial portfolio for the whole duration (locked-in principle).

An unearned revenue liability (URL) allocated to future year premium shares (such as preliminary fees) is calculated for unit-linked and index-linked life insurance contracts in accordance with FAS 97 and amortised correspondingly to deferred acquisition costs over the contract period.

Provisions for losses and unsettled claims

The provision for unsettled claims in the property and casualty insurance lines contains the actual and the expected amounts of future financial obligations, including the direct claims settlement expenses appertaining thereto, based on accepted statistical methods. This applies for claims already reported as well as for claims incurred but not yet reported (IBNR). In insurance lines in which past experience does not allow the application of statistical methods individual loss provisions are set aside.

Life insurance is calculated on an individual loss basis with the exception of the provision for unreported claims.

As for health insurance, the provisions for unsettled claims are estimated on the basis of past experience, taking into consideration the known arrears in claim payments.

The provision for the assumed reinsurance business generally complies with the figures of the cedents.

Provisions for premium refunds and profit sharing

The provision for premium refunds includes the amounts for profit-related and non-profit related profit sharing to which the policyholders are entitled on the basis of statutory or contractual provisions.

In life insurance policies with a discretionary participation feature, differences between local measurement and measurement according to IFRSs are presented with deferred profit participation taken into account, whereby this is also reported in profit/(loss) for the year or in other comprehensive income depending on the recognition of the change in the underlying measurement differences. The amount of the provision for deferred profit participation generally comes to 85 per cent of the valuation differentials before tax.

Other technical provisions

This item basically contains the provision for contingent losses for acquired reinsurance portfolios as well as a provision for expected cancellations and premium defaults.

Liability Adequacy Test

The Liability Adequacy Test evaluates whether the established IFRS reserves are sufficient. For the life insurance portfolio, a so-called best estimate reserve is compared with the IFRS reserve less the deferred acquisition costs. This calculation is done separately each quarter for mixed insurance policies, pension policies, risk insurance policies, and unit-linked and index-linked policies.

Because UNIQA uses the best estimate approach for calculating the loss reserves in non-life, only the unearned premiums are tested. Only business areas that show a surplus of less than 10 per cent at the time of the annual calculation are tested every quarter. In non-life insurance, the business areas tested are motor vehicle, general liability, and other.

Technical provisions for unit-linked and index-linked life insurance

This item relates to the insurance provisions and the remaining technical provisions for obligations from life insurance policies where the value or income is determined by investments for which the policyholder bears the risk or for which the benefit is index-linked. As a general rule, the valuation corresponds with the unit-linked and index-linked life insurance investments written at current market values.

2.7 Other provisions

Provisions are formed if there is a current obligation (be it legal or practical in nature) from a past event, it is likely that fulfilment of the obligation will be associated with an outflow of resources, and a reliable estimate of the amount for the provision is possible.

The provision amount assessed is the best estimate for the additional benefit as at the reporting date for the purposes of settling the current obligation.

The level of the provisions is calculated by discounting the expected future cash flows at a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

2.8 Employee benefits

Short-term employee benefits

Obligations from short-term employee benefits are recognised as expenses through profit or loss as soon as the associated work is performed. A liability must be recognised for the expected amount to be paid if there is currently a legal or de facto obligation to pay this amount on the basis of work performed by the employee and the obligation can be reliably estimated.

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as expenses through profit or loss as soon as the associated work is performed. Prepaid contributions are recognised as assets if an entitlement to refund or reduction of future payments arises. The defined contribution plan is financed largely by UNIQA.

Board members, special policyholders and active employees in Austria are subject to a basic defined contribution pension fund scheme. The beneficiaries are also entitled to a final pension fund contribution which guarantees them a fixed cash value for retirement when they begin their retirement. According to the provisions of IAS 19, this obligation in the contribution phase is to be classified as a defined benefit. The works council agreement states the extent to which a final pension fund contribution is provided to the beneficiary's individual assurance cover account in the event of a transfer to the old-age pension or of an incapacity to work or the death as a participant. UNIQA has no obligations during the benefit phase.

Defined benefit plans

There are individual contractual pension obligations, individual contractual bridge payments, and pension allowances in accordance with association recommendations. Individuals who hold an individual contractual agreement can generally claim a pension when they reach the age of 60 or 65, subject to certain conditions. The amount of the pension generally depends on the number of their years of service and their last salary before leaving their active employment. In the event of death, the spouse of the individual entitled to the claim receives a pension at 60 per cent, 50 per cent or 40 per cent depending on the policy. The pensions are suspended for any period in which a termination benefit is paid and their value is generally guaranteed.

The calculation of defined benefit obligations is carried out annually by a qualified actuary using the projected unit credit method. If the calculation results in a potential asset for the Group, the asset recognised is limited to the present value of any economic benefit available in the form of future refunds from the plan or reductions in future contributions to the plan. Any valid minimum funding requirements are included in the calculation of the present value of the economic benefit.

Revaluations of the net liability from defined benefit plans are recognised directly in other comprehensive income. The revaluation includes the actuarial gains and losses, the income from plan assets (not including projected interest income) and the effect of any asset ceiling. The net interest expenses (income) on the net liabilities (assets) from defined benefit plans are calculated for the reporting period by applying the discount rate used to measure the defined benefit obligation at the start of the annual reporting period. This discount rate is applied to net liabilities (assets) from defined benefit plans on this date. Any changes in the net liabilities (assets) from defined benefit plans resulting from contribution and benefit payments over the course of the reporting period are taken into account. Net interest expenses and other expenses for defined benefit plans are recognised through profit or loss in the profit/(loss) for the year.

If a plan's defined benefits are changed or a plan is curtailed, the resulting change in the benefit relating to past service or the gain or loss on the curtailment is recognised directly in profit/(loss) for the year. Gains and losses from the settlement of a defined benefit plan are recognised at the date of the settlement.

Termination benefit entitlements

In the case of employees of Austrian companies whose employment began prior to 31 December 2002 and lasted three years without interruption, the employee is entitled to termination benefits when the employment is terminated, unless the employee quits, leaves without an important reason or is guilty of an act resulting in early dismissal. The amount is double the salary owed to the employee in the last month of the employee relationship and increases after five years of employment to three times, after ten years of employment to four times, after fifteen years of employment to six times, after twenty years of employment to nine times and after twenty-five years of employment to twelve times the monthly salary. Employees subject to the collective agreement for insurance undertakings – back office and whose employment began before 1 January 1997 may be entitled to an increase of the statutory claim by 150 per cent. Employees subject to the collective agreement for insurance undertakings – back office and whose employment began after 1 January 1997 are entitled to an increase of 50 per cent of the statutory claim.

For employees of Austrian companies who joined the Group after 31 December 2002, the statutory provisions of the Austrian Company Staff and Self-Employment Pension Provision Act (BMSVG) apply. These people are not included in the calculation of the termination benefits.

The net liability with regard to defined benefit plans is calculated separately for each plan by estimating the future benefits that the rightful claimants have already earned in the current and in earlier periods. This amount is discounted and the fair value of any plan assets is deducted.

Pension entitlements

The pensions that are based on individual policies or on association recommendations are financed through provisions. The final pension contribution is set aside during the contribution phase and transferred to the pension fund at the time of retirement. The financing is specified in the business plan, in the works council agreement and in the pension fund contract.

Other long-term employee benefits

The net obligation with regard to long-term benefits due to employees comprises the future benefits that the employees have earned in return for work performed in the current and in earlier periods. These obligations include provisions for length of service awards that are paid to employees after reaching a certain length of service. These benefits are discounted to determine their present value. Revaluations are recognised in profit/(loss) for the year in which they arise.

Post-employment benefits

Post-employment benefits are recognised as expenses on the earlier of the following dates: when the Group can no longer withdraw the offer of such benefits or when the Group recognises costs for restructuring. If benefits are not expected to be settled within twelve months of the end of the reporting period, they are discounted.

Share-based payments with cash settlement (share appreciation rights)

The fair value on the date share-based payment awards are granted to employees is recognised as expense over the period in which the employees become unconditionally entitled to the awards. The amount recognised as expense is adjusted in order to reflect the number of awards expected to fulfil the corresponding service conditions and non-market performance conditions, so that the expense recognised is ultimately based on the number of awards that fulfil the corresponding service conditions and non-market performance conditions at the end of the vesting period. Changes in valuation assumptions likewise result in an adjustment of the recognised provision amounts affecting income.

2.9 Income taxes

Tax expense includes actual and deferred tax. Actual tax and deferred tax is recognised in profit/(loss) for the year, with the exception of any amount associated with a business combination or with an item recognised directly in equity or other comprehensive income.

Actual tax

Actual tax includes the expected tax liability or tax receivable on taxable income for the financial year or the tax loss on the basis of interest rates that apply on the reporting date or will soon apply, plus all adjustments of the tax liability relating to previous years. Actual tax liability also includes all the tax liability that may arise as a result of income received domestically or abroad that is subject to a domestic or foreign withholding tax.

Deferred tax

Deferred tax is recognised with regard to temporary differences between the carrying amounts of assets and liabilities in the IFRS consolidated financial statements and the corresponding amounts used for tax purposes. Deferred tax is not recognised for:

- temporary differences on the first-time recognition of assets or liabilities in the event of a transaction that is not a business combination and that affects neither net earnings before taxes nor taxable income,
- temporary differences in connection with shares in subsidiaries, associates and jointly controlled entities, provided the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future,
- taxable temporary differences on the first-time recognition of goodwill.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits or deferred tax liabilities will be available, which can be used by way of netting.

Deferred tax assets are tested for impairment on every reporting date and reduced to the extent that it is no longer probable that the associated tax advantage will be realised.

Deferred tax is measured on the basis of the tax rates expected to be applied to temporary differences as soon as they reverse, and using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax reflects the tax consequences arising from the Group's expectation of the manner in which it will recover the carrying amounts of its assets or settle its liabilities on the reporting date.

Deferred tax assets and debts are netted out if the conditions for a legal claim to offsetting are met and the deferred tax claims and liabilities relate to income tax that is levied by the same tax authority, either for the same taxable item or for different taxable items, aimed at achieving a settlement on a net basis.

Group taxation

UNIQA exercises the option of forming a group of companies for tax purposes provided by the legislators in Austria; there are three taxable groups of companies with the parent groups UNIQA Insurance Group AG, PremiQaMed Holding GmbH and R-FMZ Immobilienholding GmbH.

The group members are basically charged, or relieved by, the corporation tax amounts attributable to them by the parent group through the distribution of their tax burden in the tax group. Losses from foreign group members are also included within the scope of taxable profits. The tax realisation for these losses is accompanied by a future tax obligation to pay income taxes at an unspecified point in time. A corresponding provision is therefore formed for future subsequent taxation of foreign losses.

2.10 Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

If parts of an item of property, plant and equipment have different useful lives, they are recognised as separate items (main components) of property, plant and equipment. Gains from the disposal of property, plant and equipment are recorded under the item "Other insurance income", while losses are recorded under "Other technical expenses".

If the use of a property changes and an owner-occupied property becomes an investment property, the property is reclassified as investment land and buildings with the carrying amount as at the date of the change.

Subsequent costs are only capitalised when it is probable that the future economic benefit associated with the expense will flow to the Group. Ongoing repairs and maintenance are recognised as expenses immediately.

The depreciation is calculated in order to write down the costs of property, plant and equipment less their estimated residual values on a straight-line basis over the period of their estimated useful lives. Land is not depreciated.

The estimated useful lives of significant property, plant and equipment for the current year and comparative years are as follows:

- Buildings: 10–77 years
- Plant and equipment: 2–20 years

Depreciation methods, useful lives and residual values are reviewed on every reporting date and adjusted if necessary. The depreciation charges for property, plant and equipment are recognised in profit/(loss) for the year on the basis of allocated operating expenses under the items "Insurance benefits", "Operating expenses" and "Net investment income". The allocation of operating expenses denotes the allocation of expenses and income on the basis of their causation to the main groups of the consolidated income statement.

2.11 Intangible assets

Deferred acquisition costs

Deferred acquisition costs for insurance activities that are directly related to new business and/or to extensions of existing policies and that vary in line with that business are capitalised and amortised over the term of the related insurance contracts. If they are attributable to property and casualty insurance, they are amortised over the probable contractual term. In life insurance, the acquisition costs are amortised over the duration of the contract in the same proportion as the actuarial profit margin of each individual year is realised in comparison to the total margin to be expected from the contracts. For long-term health insurance contracts, the amortisation of acquisition costs is measured in line with the proportionate share of earned premiums in the present value of expected future premium income. The changes in deferred acquisition costs are recognised as part of profit/(loss) for the year under operating expenses.

Goodwill

Goodwill arises upon acquisition of subsidiaries and represents the surplus of the consideration transferred for acquisition of the company above the fair value of UNIQA's share in the identifiable assets acquired, the liabilities assumed, contingent liabilities and all non-controlling shares in the acquired company at the time of the acquisition. Goodwill is valued at cost less accumulated impairment losses. The impairment of goodwill is recognised in profit/(loss) for the year under the item "Amortisation of goodwill and impairment losses".

Value of insurance contracts

Values of life, property and casualty insurance policies relate to expected future margins from purchased operations and are recognised at the fair value at the acquisition date.

The amortisation of the current value of the insurance contracts follows the progression of the estimated gross margins. The amortisation of the value of the insurance contracts is recognised under "Amortisation of goodwill and impairment losses".

Other intangible assets

Other intangible assets include both purchased and internally developed software, which is depreciated on a straight-line basis over its useful economic life of 2 to 40 years.

In accordance with the provisions of IAS 38, costs that are incurred at the research stage for in-house software are recognised through profit or loss in profit/(loss) for the year in which they were incurred. Costs that are incurred at the development stage are deferred provided that it is foreseeable that the software will be completed, there is the intention and ability for future internal use and a future economic benefit arises from this.

The amortisation and redemption of the other intangible assets is recognised in profit/(loss) for the year on the basis of allocated operating expenses under the items "Insurance benefits", "Operating expenses" and "Net investment income".

2.12 Investment property

Land and buildings, including buildings on third-party land, held as long-term investments to generate rental income and/or for the purpose of capital appreciation are measured at cost when they are acquired. Subsequent measurement follows the cost model. The property held as financial investments is subject to linear depreciation over the useful life of 10 to 77 years and is recognised under the item "Net investment income and income from investment property".

2.13 Treasury shares

The acquisition costs of treasury shares are recognised as a deduction from equity.

2.14 Financial instruments

Classification

The Group classifies non-derivative financial assets to the following categories: "Financial assets measured at fair value through profit or loss", "Loans and receivables" and "Financial assets available for sale".

Non-derivative financial liabilities are classified as measured at amortised cost.

Derivatives are recognised as financial assets or liabilities at fair value through profit/(loss).

Recognition and derecognition

Loans, receivables and issued debt securities are recognised from the date on which they arise. All other financial assets and liabilities are recognised for the first time on the settlement date. Financial assets are derecognised when the contractual rights to cash flows from an asset expire or the rights are transferred to receive the cash flows in a transaction in which all major risks and opportunities connected with the ownership of the financial asset are transferred.

Financial liabilities are derecognised when the contractual obligation is fulfilled, extinguished or expired.

Derivatives are recognised on the day of contractual agreement. They are derecognised when the contractual obligations have expired or in the event of early settlement.

Valuation

With the exception of mortgages and other loans, investments are listed at their fair value, which is established by determining a market value or, given an active market, the stock market price. In the case of investments that are not listed on an active market, the fair value is determined through internal valuation models or on the basis of estimates of what amounts could be achieved under current market conditions in the event of proper realisation.

Financial assets measured at fair value through profit or loss

Financial assets are measured at fair value through profit or loss if the asset is either held for trading or is designated at fair value and recognised in profit and loss (fair value option).

The fair value option is applied to structured products that are not split between the underlying transaction and the derivative, but are accounted for as a unit. Structured products are recognised in the category "Financial assets recognised at fair value through profit or loss". Unrealised gains and losses are recognised in profit/(loss) for the year. The category "Financial assets recognised at fair value through profit or loss" includes ABS bonds, structured bonds, hedge funds and investment certificates whose original classification fell within this category.

Financial assets at fair value through profit or loss are carried at fair value. Each profit or loss resulting from the measurement is recognised through profit or loss.

Derivatives are used within the limits permitted under the Austrian Insurance Supervisory Act for hedging investments and for increasing earnings. All fluctuations in value are recognised in profit/(loss) for the year. Financial assets from derivative financial instruments are recognised under investments. Financial liabilities from derivative financial instruments are recognised under financial liabilities.

Available-for-sale financial assets
Available-for-sale financial assets are initially measured at fair value plus directly attributable transaction costs. Subsequently, available-for-sale financial assets are measured at fair value and corresponding value changes are, with the exception of impairment and foreign exchange differences in the case of available-for-sale debt securities, recognised in the accumulated profits in equity. When an asset is derecognised, the accumulated other comprehensive income is reclassified to profit/(loss) for the year.

Loans and receivables
When first recognised, such assets are measured at their fair value plus directly attributable transaction costs. Subsequently, they are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities
When first recognised, non-derivative financial liabilities are measured at fair value less directly attributable transaction costs. Subsequently, these financial liabilities are measured at amortised cost using the effective interest method.

Unit-linked and index-linked life insurance investments
These investments concern life insurance contracts whose value or profit is determined by investments for which the policyholder carries the risk. The investments in question are collected in asset pools, recognised at their fair value and kept separately from the remaining investments of the companies. The policyholders are entitled to all income from these investments. The amount of the recognised investments strictly corresponds to the insurance provisions (before reinsurance business ceded) for life insurance, to the extent that the investment risk is borne by the policyholders. The unrealised gains and losses from fluctuations in the fair values of the investment pools are thus offset by the appropriate changes in these provisions.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include bank balances available upon demand, which are a central component of the management of the payment transactions. They are measured at the exchange rate in effect on the reporting date.

2.15 Impairments

Non-derivative financial assets

Financial assets not designated as at fair value through profit or loss, including interests in entities accounted for using the equity method, are tested on every reporting date to determine whether there is any objective indication of impairment. For debt instruments and assets in the category "Loans and receivables", this test is executed within the framework of an internal impairment process. If objective indicators suggest that the value currently attributed is not tenable, an impairment is recognised.

Objective indications that financial assets are impaired are:

- the default or delay of a debtor,
- the opening of bankruptcy proceedings for a debtor, or signs indicating that such proceedings are imminent,
- adverse changes in the rating of borrowers or issuers,
- changes in the market activity of a security, or
- other observable data that indicate a significant decrease in the expected payments from a group of financial assets.

In the case of an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is also objective evidence of impairment. A significant decrease is a decrease of 20 per cent, and a prolonged decline is one that lasts for at least nine months.

Financial assets measured at amortised cost

Impairment is calculated as the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate of the asset. Losses are recognised in profit/(loss) for the year. If there are no realistic chances of recovering the asset, an impairment has to be recognised. In case of an event that causes a reversal of impairment losses, this is recognised in the profit/(loss) for the year. In the event of a definitive non-performance, the asset is derecognised.

Available-for-sale financial assets

Impairment of available-for-sale financial assets is recognised in profit/(loss) for the year by reclassifying the losses accumulated in equity. The accumulated loss that is reclassified from equity to profit/(loss) for the year is the difference between the acquisition cost, net of any redemptions and amortisations and current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired, available-for-sale debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment was recognised, the impairment is reversed, with the amount of the reversal recognised in profit or loss. Reversals of impairment losses of equity instruments held at fair value cannot be recognised through profit/(loss) for the year.

Associates accounted for using the equity method

An impairment loss relating to an associate accounted for at equity is measured by comparing the recoverable amount of the shares with their carrying amount. The impairment loss is recognised in profit/(loss) for the year. An impairment loss is reversed in the event of an advantageous change in the estimates used to determine the recoverable amount.

Non-financial assets

The carrying amounts of UNIQA's non-financial assets – excluding deferred tax assets – are reviewed at every reporting date to determine whether there is an indication of impairment. If this is the case, the recoverable amount of the asset is estimated. The goodwill and intangible assets with indefinite useful lives are tested for impairment annually.

In order to test for impairment, assets are grouped into the smallest groups of assets whose continued use generates cash flows that are to the greatest possible extent independent of cash flows from other assets or cash-generating units (CGUs). Goodwill acquired in a business combination is allocated to the CGUs or groups of CGUs expected to benefit from the synergies of the combination.

The recoverable amount of an asset or a CGU is the higher of its value in use or its fair value less costs to sell. When calculating value in use, the estimated future cash flows are discounted to their present value, whereby a pre-tax discount rate is used that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment is recognised if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairments are generally recognised in profit/(loss) for the year. Impairment recognised for CGUs is first allocated to any goodwill allocated to the CGU and then to the carrying amount of the other assets of the CGU (group of CGUs) on a proportional basis.

An impairment loss on goodwill is not reversed. In the case of other assets, an impairment loss is reversed only to the extent that it does not increase the carrying amount of the asset above the carrying amount that would have been determined net of depreciation or amortisation had no impairment loss been recognised.

2.16 Determination of fair value

A range of accounting policies and disclosures requires the determination of the fair value of financial and non-financial assets and liabilities. UNIQA has defined a control framework with regard to the determination of fair value. This includes a measurement team, which bears general responsibility for monitoring all major measurements of fair value, including Level 3 fair values, and reports directly to the Group Management Board.

The measurement team carries out a regular review of the major unobservable input factors and the measurement adjustments. If information from third parties (e.g. price quotations from brokers or price information services) is used to determine fair values, the measurement team examines the evidence obtained from third parties for the conclusion that such measurements meet the requirements of IFRSs, including the level in the fair value hierarchy to which these measurements are attributable. Major items in the measurement are reported to the Audit Committee.

As far as possible, UNIQA uses data that are observable on the market when determining the fair value of an asset or a liability. Based on the input factors used in the valuation techniques, the fair values are assigned to different levels in the fair value hierarchy:

- Level 1: quoted prices (unadjusted) on active markets for identical assets and liabilities. At UNIQA these primarily involve quoted shares, quoted bonds and quoted investment funds.
- Level 2: valuation parameters that are not quoted prices included in Level 1 but which can be observed for the asset or liability either directly (i.e. as a price) or indirectly (i.e. derived from prices), or are based on prices on markets that have been classified as inactive. The parameters that can be observed here include exchange rates, yield curves and volatilities. At UNIQA, these include in particular quoted bonds that do not fulfil the conditions under Level 1, along with structured products.
- Level 3: valuation parameters for assets or liabilities that are not based or are only partly based on observable market data. The valuations here are primarily based on the discounted cash flow method, benchmark procedures with instruments for which there are observable prices, and other procedures. As there are no observable parameters here in many cases, the estimates used can have a significant impact on the result of the valuation. At UNIQA, it is primarily other equity investments, private equity and hedge funds, ABS and structured products that do not fulfil the conditions under Level 2 that come under Level 3.

If the input factors used to determine the fair value of an asset or a liability can be assigned to different levels of the fair value hierarchy, the entire fair value measurement is assigned to the respective level of the fair value hierarchy that corresponds to the lowest input factor significant for the measurement overall.

UNIQA recognises reclassifications between different levels of the fair value hierarchy at the end of the reporting period in which the change occurred.

Valuation process and methods

Financial instruments measured at fair value

For the valuation of capital investments, those procedures are mainly used that are best suited for the establishment of value. The following standard valuation procedures are applied for financial instruments which come under Levels 2 and 3:

Market-value-oriented approach

The valuation method in the market-value-oriented approach is based on prices or other material information from market transactions which involve identical or comparable assets and liabilities.

Net present value approach

The net present value approach corresponds with the method whereby the future (expected) payment flows or earnings are inferred on a current amount.

Cost-oriented approach

The cost-oriented approach generally corresponds with the value which would have to be applied in order to procure the asset once again.

Non-financial assets and loans

The fair value of investment property within the scope of the impairment test in accordance with IAS 36, as well as for the disclosures according to IFRS 13, is determined based on expert reports.

The loans are accounted for at amortised cost in accordance with the valuation method in the “Loans and receivables” category. Any required impairment is determined with due regard to the collateral and the debtor’s creditworthiness.

Financial liabilities

The fair value of financial liabilities and subordinated liabilities is determined using the discounted cash flow method. Yield curves and CDS spreads are used as input factors.

Valuation methods and inputs in the determination of fair values:

Assets	Price method	Input factors	Price model
Fixed-income securities			
Listed bonds	Listed price	–	–
Not listed bonds	Theoretical price	CDS spread, yield curves	Present value method
Unquoted asset backed securities	Theoretical price	–	Discounted cash flow, single deal review, peer
Variable-income securities			
Listed shares/investment funds	Listed price	–	–
Private equities	Theoretical price	Certified net asset values	Net asset value method
Hedge funds	Theoretical price	Certified net asset values	Net asset value method
Other shares	Theoretical value	WACC, (long-term) revenue growth rate, (long-term) profit margins, control premium	Expert opinion
Derivative financial instruments			
Equity basket certificate	Theoretical price	CDS spread, yield curves	Black-Scholes Monte Carlo N-DIM
CMS floating rate note	Theoretical price	CDS spread, yield curves, volatilities (FX, cap/floor, swaption, constant maturity swap, shares)	Libor market model, Hull-White-Garman-Kohlhagen Monte Carlo
CMS spread certificate	Theoretical price	CDS spread, yield curves, volatilities (FX, cap/floor, swaption, constant maturity swap, shares)	Contract specific model
Fund basket certificate	Theoretical price	Deduction of fund prices	Contract specific model
FX (Binary) option	Theoretical price	CDS spread, yield curves, volatilities (FX, cap/floor, swaption, constant maturity swap, shares)	Black-Scholes-Garman-Kohlhagen Monte Carlo N-DIM
Option (Inflation, OTC, OTC FX options)	Theoretical price	CDS spread, yield curves, volatilities (FX, cap/floor, swaption, constant maturity swap, shares)	Black-Scholes Monte Carlo N-DIM, contract specific model, inflation market model NKIS
Structured bonds	Theoretical price	CDS spread, yield curves, volatilities (FX, cap/floor, swaption, constant maturity swap, shares)	Black-Scholes-Garman-Kohlhagen Monte Carlo N-DIM, LMM
Swap, cross currency swap	Theoretical price	CDS spread, yield curves, volatilities (FX, cap/floor, swaption, constant maturity swap, shares)	Black-Scholes-Garman-Kohlhagen Monte Carlo N-DIM, Black 76 model, Libor market model, contract specific model
Swaption, total return swaption	Theoretical price	CDS spread, yield curves, volatilities (FX, cap/floor, swaption, constant maturity swap, shares)	Black - basis point volatility, contract specific model
Variance, volatility, correlation swap	Theoretical price	CDS spread, yield curves, volatilities (FX, cap/floor, swaption, constant maturity swap, shares)	Contract specific model, Heston - Monte Carlo optimal strategy
Investments from investment contracts			
Listed shares/investment funds	Listed price	–	–
Not listed investment funds	Theoretical price	CDS spread, yield curves	Present value method
Loans and receivables			
Loans	Theoretical value	Collateral, creditworthiness	Discounted cash flow
Others			
Land and buildings	Theoretical value	Construction and property value, location, useable area, usage category, condition, current contractual rent rates and current vacancies including rental forecasts	Income value method, asset value method, income value and net asset value weighted

Further information on the assumptions used to determine the fair values is given in the following notes:
- Note 9 on investment property
- Note 13 on financial instruments

2.17 Operating segments

The accounting and valuation methods of the segments that are subject to mandatory reporting correspond to the consolidated accounting and valuation methods described above. A decision was made to streamline the group structure as part of the UNIQA 2.0 strategic programme that has been ongoing since 2011. With the related decrease in the size of the Management Board reporting lines have changed. As a result, segment reporting was subject to a strategic review and the organisational structure applicable as at 1 July 2016 has been adapted accordingly. The earnings before income taxes for the segments were determined taking the following components into consideration: summation of the IFRS profits in the individual companies, taking the elimination of investment income in the various segments and impairment of goodwill into consideration. All other consolidation effects (profit/(loss) at associates, elimination of interim results, and other overall effects) are included in "Consolidation". The segment profit/(loss) obtained in this manner is reported to the Management Board of UNIQA Insurance Group AG to manage the Group in the following operating segments:
- UNIQA Austria – includes the Austrian insurance business.
- UNIQA International – includes the Austrian holding companies UNIQA International AG and UNIQA Internationale Beteiligungs-Verwaltungs GmbH in addition to all foreign insurance companies (with the exception of UNIQA Re AG). This segment is divided into the following main areas on a regional basis:
  - Western Europe (WE – Switzerland, Italy and Liechtenstein)
  - Central Europe (CE – Czech Republic, Hungary, Poland and Slovakia)
  - Eastern Europe (EE – Romania and Ukraine)
  - Southeastern Europe (SEE – Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, Macedonia, Serbia and Kosovo)
  - Russia (RU)
  - Administration (the Austrian holding companies)
- Reinsurance – includes UNIQA Re AG (Zurich, Switzerland), UNIQA Versicherung AG (Vaduz, Liechtenstein) and the reinsurance business of UNIQA Insurance Group AG.
- Group functions – includes the remaining items for UNIQA Insurance Group AG (investment income and administrative costs) as well as all other remaining Austrian and foreign service companies.

3. Changes in major accounting policies as well as new and amended standards

With the exception of the following changes, the outlined accounting policies were consistently applied to all periods presented in these consolidated financial statements.

Amendments and standards to be applied for the first time

The Group applied the following amendments to standards, and they were first adopted as at 1 January 2016. None of the new regulations arising from this have any essential impact on UNIQA's financial position.

Standard	Content	First time application by UNIQA	Impact on UNIQA
IAS 19	Employee benefits – defined benefit plans: employee contributions	1 February 2015	Yes
Miscellaneous	Annual Improvements Project 2012–2014	1 February 2015	Yes
IAS 1	Presentation of financial statements (disclosure initiative)	1 January 2016	Yes
IAS 16, IAS 38	Property, plant and equipment and intangible assets – clarification of the admissible methods of depreciation and amortisation	1 January 2016	No
IAS 16, IAS 41	Property, plant and equipment and agriculture – bearer plants	1 January 2016	No
IAS 27	Separate financial statements – equity method in separate financial statements	1 January 2016	No
IFRS 11	Joint arrangements – acquisition of interests in joint operations	1 January 2016	No
IFRS 10, IFRS 12, IAS 28	Consolidated financial statements and investments in associates and joint ventures – investment entities: applying the consolidation exception	1 January 2016	No
Miscellaneous	Annual Improvements Project 2012–2014	1 January 2016	Yes

IAS 1 – Disclosure initiative

The changes in IAS 1 are meant to ensure that companies, when preparing their consolidated financial statements, put an enhanced focus of their understanding on the question of what information is essential for the consolidated financial accounts and in what order these facts are to be presented.

IAS 19 – Employee benefits

This contains clarification in connection with the defined benefit plans of employees.

Annual Improvements Project 2011–2013

The goal of the annual adjustments to the standards is to clarify the existing regulations. The adjustments concerned IFRS 1, IFRS 3, IFRS 13 and IAS 40.

Annual Improvements Project 2012–2014

The goal of the annual adjustments to the standards is to clarify the existing regulations. The adjustments concerned IFRS 5, IFRS 7, IAS 19 and IAS 34.

New and amended standards to be applied in the future

The IASB has also published a range of new standards that will be applicable in the future. The Group does not intend to apply these standards early.

Standard	Content	First time application by UNIQA	Endorsement by the EU	Likely to be relevant for UNIQA
New standards				
IFRS 9	Financial instruments	1 January 2018	Yes	Yes
IFRS 14	Regulatory deferral accounts	1 January 2016	No[1]	Yes
IFRS 15	Revenue from contracts with customers	1 January 2018	Yes	Yes
IFRS 16	Leases	1 January 2019	No	Yes
Amended standards				
IFRS 10, IAS 28	Consolidated financial statements and investments in associates and joint ventures – sale or contribution of assets between an investor and its associate or joint venture	1 January 2016	No[2]	Yes
IAS 7	Cash flow statements – disclosure initiative	1 January 2017	No	Yes
IAS 12	Corporate income tax – recognition of assets from deferred taxes for unrealised losses	1 January 2017	No	No
Miscellaneous	Annual Improvements Project 2014–2016	1 January 2017	No	Yes
IFRS 2	Share-based payment – classification and valuation of business transactions with share-based payment	1 January 2018	No	Yes
IFRS 4	Insurance contracts – application of IFRS 9 in connection with IFRS 4	1 January 2018	No	Yes
IFRIC 22	Currency translation for advance payments	1 January 2018	No	No

[1] The European Commission decided not to adopt this interim standard and to wait for publication of the final standard.
[2] The endorsement was postponed indefinitely

IFRS 9 – Financial instruments and IFRS 4 – Insurance contracts

The new standard deals with the classification, recognition and measurement of financial assets and financial liabilities. The full version of IFRS 9 was published in July 2014. This standard replaces the regulations of those sections of the existing IAS 39 that address the classification and measurement of financial instruments. IFRS 9 adheres to a mixed measurement model, but it simplifies this and sets out three principal measurement categories for financial assets: measurement at amortised cost, measurement at fair value with value fluctuations recorded in profit/(loss) for the year (fair value through profit and loss) and measurement at fair value with value fluctuations recorded in other comprehensive income (fair value through OCI). The classification depends directly on the company's business model as well as on the features of the contractually agreed payment flows for the financial assets. Shares of equity instruments must be measured at fair value, with fluctuations in fair value recognised through profit or loss, or with fluctuations in fair value measured through other comprehensive income if the company irrevocably opts to do so upon first-time recognition of the equity instruments (with no subsequent reclassification in net profit for the year).

There is also a new measurement model for impairments based on expected losses (expected credit losses model) which replaces the existing measurement model of actual losses incurred that was used in IAS 39 (incurred loss model). Regarding financial liabilities, there are no changes to classification or measurement, with the exception of mandatory reporting of own creditworthiness risk in other comprehensive income for financial liabilities designated at fair value and recognised in profit/(loss) for the year. The standard applies to reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

In this context, the IASB published amendments to IFRS 4 insurance contracts on 12 September 2016, aimed at addressing the concerns surrounding the different implementation dates of IFRS 9 financial instruments and the expected new standard IFRS 17 for accounting for insurance contracts.

The amendments provide two options to companies that issue insurance contracts within the scope of IFRS 4:

- Companies may reclassify some of the expenses and income from the income statement that emerge from qualified assets as other total comprehensive income. This is known as the overlay approach. A company must apply the overlay approach to qualifying assets retrospectively when it applies IFRS 9 for the first time.
- Companies whose primary business activity involves the awarding of insurance contracts within the scope of IFRS 4 have the option of temporarily deferring their IFRS 9 application. This is known as the deferral approach. According to the amendments that make up the deferral approach, a company is allowed to apply IAS 39 instead of IFRS 9 for reporting periods that begin prior to 1 January 2021.

The business of a company is primarily the underwriting of insurance contracts if the carrying amount of its liabilities arising from insurance contracts within the scope of application of IFRS 4 is significant in relation to the total carrying value of its liabilities and additionally the percentage of all the liabilities that are connected with insurance business makes up at least 90 per cent or between 80 and 90 per cent if the insurer pursues no other significant business that does not relate to insurance business. The assessment of whether the company qualifies for the deferral approach is to be made on the basis of data from 31 December 2015.

At 31 December 2015 UNIQA's sum of liabilities directly attributable to insurance business amounted to more than 90 per cent. This means that UNIQA fulfils the criterion necessary for applying the deferral approach. The Management Board has decided to apply the deferral approach.

Companies that have chosen the deferral approach must apply it for reporting periods that begin on or after 1 January 2018. From this point onwards the company must disclose how it is qualified for the temporary exception; moreover, it shall provide information that ensures comparability with companies that apply IFRS 9. The deferral approach is limited to three years from 1 January 2018. A re-assessment of the primary line of business would only be required in the event that the company changes its business.

This will have an impact on UNIQA's consolidated financial statements in relation to the classification and measurement of financial assets. Basically, UNIQA can maintain the valuation categories already established under the scope of IAS 39.

Valuation categories

IAS 39	IFRS 9
Financial assets recognised at fair value through profit or loss	Measured at fair value with value fluctuations recognised in profit/(loss) for the year (fair value through profit and loss)
Available-for-sale financial assets	Measured at fair value with value fluctuations recognised in other comprehensive income (fair value through OCI).
Loans and receivables	Measured at amortised cost

The changeover effects will be due to the new classification of financial instruments according to IFRS 9. On the one hand, compliance with the SPPI criterion (solely payments of principal and interest) is relevant, and on the other, the determination of the respective business model.

Testing the SPPI criterion means evaluating whether the contractual cash flows consist solely of interest and principal payments. If a company is in compliance with the SPPI criterion, the debt instruments are subject to the assessment of which business model to apply. On this basis, the respective financial asset is assigned to the suitable measurement category and is measured accordingly. With the exception of the OCI option for equity instruments, derivatives and equity instruments are recognised at fair value with value fluctuations recorded in profit/(loss) for the year.

The new impairment model (expected credit losses model) according to IFRS 9 will presumably cause significant changeover effects. According to this model, depreciation must be recorded for financial assets classified as fair value through OCI and valued at amortised cost, depending on its default risk and maturity. The quantitative effects of the changeover from IAS 39 to IFRS 9 are currently being evaluated.

IFRS 15 – Revenue from contracts with customers

IFRS 15 governs revenue recognition and sets out the basic principles for reporting of meaningful information on the type, amount, recognition date and uncertainties regarding revenues and payment flows from contracts with customers. Sales revenues are recorded if a customer has control over a delivered item or a service provided and has the ability to enjoy these goods and services and derive benefits from these. The standard replaces IAS 18 and IAS 11 and the associated interpretations. The standard applies to reporting periods beginning on or after 1 January 2017. The IASB grants the company a right of choice with regard to initial application. IFRS 15 can be applied completely retrospectively, i.e. by adjusting the comparison periods, or the cumulative effect resulting from the retrospective application can be recognised as an adjustment to the opening balance of retained earnings (so-called modified retrospective application). UNIQA will use the modified retrospective application as far as IFRS 15 is concerned.

We expect only minor effects on UNIQA's consolidated financial statements.

IFRS 16 – Leases

The standard replaces IAS 17 and covers the reporting of leases. UNIQA acts both as a lessee and a lessor. There are no adjustments to accounting on the lessor side necessary as a result of the introduction of IFRS 16. For UNIQA as lessee, contracts hitherto classified as operating leases would now be subject to capitalisation. Given that UNIQA acts as lessee only to an insignificant degree, no significant effects are expected to result from the future status of the financial position and profitability. The standard applies to reporting periods beginning on or after 1 January 2019. The IASB grants the lessee a right of choice with regard to the first-time application. With respect to the first-time application of IFRS 16, the company can also choose between a completely retrospective application and a modified retrospective application. UNIQA will choose the modified retrospective application as far as the first-time application of IFRS 16 is concerned.

We expect only minor effects on UNIQA's consolidated financial statements.

IAS 7 – Cash flow statements

The objective of the amendments is to provide the users of financial statements with better information on the financing operations. This includes additional information on changes in cash and cash equivalent transactions and will result in a broader scope of reporting.

IFRS 2 – Share-based payments

The amendments serve to clarify the classification and measurement of business transactions on the basis of share-based payments.

4. IAS 8.42 restatements

Presentation of the consolidated statement of cash flows

Restatements have been made compared to the presentation in the previous years. Prior-year amounts have been adjusted accordingly with respect to changes in technical provisions, changes in defined benefit obligations, changes in deferred tax assets and deferred tax liabilities as well as the proceeds from disposal and maturity of other investments.

Unearned revenue liability

As part of the changes to the Group structures resulting from the strategic programme UNIQA 2.0, the measurement of the parts of premiums relating to future years of unit-linked and index-linked life insurance contracts was adjusted. From the reporting date onwards said parts will be recognised as unearned revenue liability under technical provisions. The valuation of deferred acquisition costs and prior-year amounts have been adjusted accordingly.

Assets In € thousand	31/12/2015 adjusted	31/12/2015 published	31/12/2015 adjustment
Property, plant and equipment	292,989	307,741	– 14,752
Intangible assets	1,703,058	1,472,476	230,582
Deferred tax assets	13,115	9,427	3,688
Total assets	**33,297,873**	**33,078,355**	**219,518**

Equity and liabilities In € thousand	31/12/2015 adjusted	31/12/2015 published	31/12/2015 adjustment
Total equity			
Equity attributable to UNIQA Insurance Group AG shareholders			
Subscribed capital and capital reserves	1,789,920	1,789,920	0
Treasury shares	– 10,857	– 10,857	0
Accumulated results	1,365,453	1,373,651	– 8,198
	3,144,516	**3,152,714**	**– 8,198**
Non-controlling interests	**21,853**	**22,127**	**– 274**
	3,166,369	**3,174,841**	**– 8,472**
Liabilities			
Technical provisions	21,328,061	21,100,072	227,989
Total equity and liabilities	**33,297,873**	**33,078,355**	**219,518**

Consolidated income statement In € thousand	1-12/2015 adjusted[1]	1-12/2015 published	1-12/2015 adjustment
Insurance benefits			
Gross	– 4,745,094	– 4,749,877	4,783
Reinsurers' share	142,310	142,310	0
	– 4,602,784	**– 4,607,567**	**4,783**
Operating expenses			
Expenses for the acquisition of insurance	– 947,796	– 950,390	2,594
	– 1,296,101	**– 1,298,695**	**2,594**
Technical result	**207,242**	**199,864**	**7,378**
Operating profit/(loss)	**501,480**	**494,102**	**7,378**
Earnings before taxes	**430,218**	**422,840**	**7,378**
Income taxes	**– 89,536**	**– 88,254**	**– 1,282**
Profit/(loss) for the year	**340,682**	**334,586**	**6,096**
of which attributable to shareholders of UNIQA Insurance Group AG	337,160	331,087	6,073
of which attributable to non-controlling interests	3,521	3,499	22
Earnings per share (in €)	**1.09**	**1.07**	**0.02**

[1] For clarity in the presentation of adjustments, the presentation includes discontinued business operations.

5. Use of discretionary decisions and estimates

The consolidated financial statements require the Group Management Board to make discretionary decisions, estimates and assumptions that relate to the application of accounting policies and the amounts stated for the assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recorded prospectively.

The most significant instances where discretion has been exercised and forecasts for the future have been used for these consolidated financial statements are described below.

5.1 Impairment test

Ascertainment and allocation of goodwill

Goodwill arises from company mergers and acquisitions. It represents the difference between the acquisition costs and the proportional and current corresponding net fair value of identifiable assets, debts and specific contingent liabilities. Goodwill is not subject to amortisation, but reported at the acquisition cost less any accrued impairments.

For the purpose of the impairment test, UNIQA has allocated the goodwill to "Cash-generating units" (CGUs). These CGUs are the smallest identifiable groups of assets that generate cash flows that are to the greatest possible extent independent from the cash generating units of other assets or other groups of assets. The impairment test involves a comparison between the amount that can be generated by selling or using each CGU, the present value of future cash flows with its value to be covered, consisting of goodwill, the proportional net assets and any capital increases and internal loans. If the resulting value exceeds the realisable value of the unit based on the discounted cash flow method, an impairment loss is recognised. The impairment test was carried out in the fourth quarter of 2016. UNIQA has allocated goodwill to the CGUs listed below, which coincide with the countries in which UNIQA operates. An exception to this was the SIGAL Group, in which the three countries of Albania, Kosovo and Macedonia were combined as one CGU, due to their similar development and organisational connection:

- UNIQA Austria
- UNIQA Re
- Albania/Kosovo/Macedonia as sub-group of the "SIGAL Group" (SEE)
- Bosnia and Herzegovina (SEE)
- Bulgaria (SEE)
- Croatia (SEE)
- Liechtenstein (WE)
- Poland (CE)
- Romania (EE)
- Russia (RU)
- Switzerland (WE)
- Serbia (SEE)
- Montenegro (SEE)
- Slovakia (CE)
- Czech Republic (CE)
- Ukraine (EE)
- Hungary (CE)

Determination of the capitalisation rate

The assumptions with regard to risk-free interest rate, market risk premium and segment betas made for determination of the capitalisation rate are consistent with the parameters used in the UNIQA planning and controlling process and are based on the capital asset pricing model.

In order to depict the economic situation of income values as accurately as possible, considering the volatility on the markets, the capitalisation rate was calculated as follows: a uniform, risk-free interest rate according to the Svensson method (German treasury bonds with 30-year maturities) was used as a base interest rate.

The beta factor was determined on the basis of the monthly betas over the last five years for a defined peer group. The betas for the non-life, life and health segments were determined using the revenues in the relevant segments of the individual peer group companies. The health insurance segment, which is strongly focused on the Austrian market, is operated in a manner similar to life insurance. A uniform beta factor for personal injury insurance is therefore used in relation to the life and health insurance lines.

The market risk premium was determined on the basis of current standards. An additional country risk premium was defined in accordance with Professor Damodaran's models (NYU Stern). The country risk premium in accordance with the Damodaran method is calculated as follows: starting from the rating of the country concerned (Moody's), the spread from credit default swap spreads in a rating class to "risk-free" US government bonds is determined, and adjusted by the amount of the volatility difference between equity and bond markets.

The calculation also factored in the inflation differential for countries outside the eurozone. In general, the inflation differential represents inflation trends in different countries and is used as a key indicator in assessing competitiveness. In order to calculate the inflation differential, the deviation of the inflation forecast for the country of the CGU in question in relation to the inflation forecast for a risk-free environment (Germany, in this case) was used. This is adjusted annually in the detailed planning by the expected inflation, and is subsequently applied for perpetuity with the value of the last year of the detailed planning phase.

Impairment test for goodwill – ascertainment of the recoverable amount

UNIQA calculates the recoverable amount of the CGUs with goodwill allocated on the basis of value in use by applying generally accepted valuation principles by means of the discounted cash-flow method (DCF). The budget projections (detailed planning phase) of the CGUs, the estimate of the long-term net profits achievable by the CGUs and long-term growth rates (perpetuity) are used as the starting point for determination of the capitalised value.

The capitalised value is determined by discounting the future profits with a suitable capitalisation rate after assumed retention to strengthen the capital base. In the process, the capitalised values are separated by segment, which are then totalled to yield the value for the entire Company.

Corporate income tax was recognised at the level of budgeted tax burden.

Cash flow forecast (multi-phase model)

Phase 1: five-year company planning

The detailed company planning generally encompasses a period of five years. The company plans used for the calculation are the result of a structured and standardised management dialogue at UNIQA with the participation of UNIQA International, in combination with the reporting and documentation processes that are integrated into this dialogue. The plans are formally approved by the Management Board and also include material assumptions regarding the combined ratio, investment income, market shares and the like.

Phase 2: perpetuity growth rate

The last year of the detailed planning phase is used as the basis for determining the cash flows in phase 2. The growth in the start-up phase leading up to phase two was determined using a projection of the growth in insurance markets. This start-up phase denotes a period that is required for the insurance market to achieve a penetration rate equal to the Austrian level. It was assumed that the insurance markets would come into line with the Austrian level in terms of density and penetration in 40 to 60 years.

The capitalisation rate for all CGUs is listed below:

Cash generating unit	Discount factor		Discount factor perpetuity		Growth rate (perpetuity)
In per cent	Property/ casualty	Life & health	Property/ casualty	Life & health	Property/casualty Life & health
Bosnia and Herzegovina	15.6	16.1	12.8	13.2	6.3
Bulgaria	8.1	8.5	9.1	9.5	5.8
Croatia	12.1	12.6	10.3	10.7	5.3
Liechtenstein	5.7	6.2	6.1	6.6	1.0
Montenegro	11.2	11.6	10.3	10.7	6.0
Austria	7.7	8.2	7.7	8.2	1.0
Poland	6.8	7.3	8.7	9.2	4.9
Romania	8.4	8.8	10.1	10.6	5.8
Russia	17.5	18.0	11.6	12.1	6.6
Switzerland	5.7	6.2	6.1	6.6	1.0
Serbia	14.9	15.3	13.0	13.5	6.3
Albania/Kosovo/Macedonia as subgroup of the "SIGAL Group"	11.4 – 14.4	11.8 – 14.8	10.4 – 12	10.8 – 12.5	6.2 – 6.7
Slovakia	8.4	8.9	8.2	8.7	4.6
Czech Republic	7.7	8.2	8.1	8.5	4.4
Ukraine	36.0	36.5	20.3	20.8	7.2
Hungary	10.5	11.0	10.6	11.1	5.3

With respect to SIGAL Group and the regions, the cited discount rate intervals refer to the range of relevant countries grouped under it.
Source: Damodaran and derived factors

The following discount rates were applied in 2015:

Cash generating unit	Discount factor		Discount factor perpetuity		Growth rate (perpetuity)
In per cent	Property/ casualty	Life & health	Property/ casualty	Life & health	Property/casualty Life & health
Bosnia and Herzegovina	17.3	17.9	13.3	14.0	7.1
Bulgaria	10.7	11.3	9.8	10.5	6.5
Italy	10.7	11.3	10.7	11.3	1.0
Croatia	11.3	11.9	10.5	11.2	5.6
Liechtenstein	6.5	7.1	6.9	7.6	1.0
Montenegro	14.6	15.3	10.6	11.3	6.5
Austria	7.8	8.5	7.8	8.5	1.0
Poland	8.2	8.8	9.5	10.1	4.7
Romania	10.3	11.0	10.8	11.5	6.2
Russia	24.3	24.9	12.3	13.0	5.5
Switzerland	6.5	7.1	6.9	7.6	1.0
Serbia	15.9	16.5	13.7	14.3	7.2
Albania/Kosovo/Macedonia as subgroup of the “SIGAL Group”	12.9 – 16.1	13.6 – 16.7	11 – 12.7	11.7 – 13.3	6.8 – 8.1
Slovakia	9.1	9.7	8.9	9.5	4.8
Czech Republic	9.1	9.7	8.8	9.5	4.5
Ukraine	73.5	74.2	22.2	22.8	7.6
Hungary	11.6	12.2	11.3	12.0	5.5

With respect to SIGAL Group and the regions, the cited discount rate intervals refer to the range of relevant countries grouped under it.
Source: Damodaran and derived factors

Uncertainty and sensitivity

Various studies and statistical analyses were used as sources to provide a basis for determining the growth rates in order to consistently and realistically reflect the market situation and macroeconomic development.

The reference sources included the following studies and materials:

- Internal research
- Damodaran – country risks, growth rate estimations, multiples

Sensitivity analyses of financial instruments

In order to substantiate the results of the calculation and estimation of the value in use, random sensitivity analyses with regard to the capitalisation rate and the main value drivers are performed.

These analyses show that sustained surpluses on the part of the individual CGUs are highly dependent on the actual development of these assumptions within the individual national or regional economies (GDP, insurance density, purchasing power parities), particularly in the CEE markets, as well as the associated implementation of the individual profit goals. These forecasts and the related assessment of how the situation in the markets will develop in the future, under the influence of the continuing financial crisis in individual markets, are the largest uncertainties in connection with valuation results.

In the event that the recovery from the economic crisis turns out to be much weaker and slower than assumed in the business plans and fundamental forecasts, and the insurance market trends differ entirely from the assumptions made in those business plans and forecasts, the individual goodwill amounts may incur impairment losses. Despite slower economic growth, income expectations have not changed significantly compared to previous years.

A sensitivity analysis shows that if there is a rise in interest rates of 50 basis points in the countries of Bosnia and Herzegovina and Montenegro, there could be a convergence between the value in use and the carrying amount or a value in use that is lower than the carrying amount. If there were a stronger rise in interest rates of 100 basis points or more, Romania and Serbia would also be affected. If the underlying cash flows change by –5.0 per cent, there will also be a risk of a convergence or a value in use that is lower than the carrying amount in Bosnia and Herzegovina. This list expands to include Serbia and Montenegro when there is a deviation of more than –10.0 per cent in the cash flows.

During the financial year, the planning assumptions that underlay the impairment test for Croatia have been adjusted due to changes in economic trends. Impairment in the amount of €16.6 million results for CGU Croatia.

The following table shows the recoverable amounts at the time of the impairment test for all CGUs with the necessary goodwill.

Cash generating unit In € thousand	Recoverable amount	Recoverable amount exceeds carrying amount	Impairment for the period
Bulgaria	139,056	64,218	0
Poland	247,500	126,320	0
Romania	226,970	58,276	0

Backtesting

Backtesting is regularly carried out on the planning for the individual countries. The objective is to obtain information for internal purposes on the extent to which the operating units plan their results accurately and on the extent to which details useful with regard to subsequent development are highlighted. Backtesting is intended to help draw conclusions that can be applied to the latest round of planning, in order to enhance the planning accuracy of forthcoming financial plans.

5.2 Investment property

The fair value of investment property within the scope of the impairment test in accordance with IAS 36, as well as for the disclosures according to IFRS 13, is determined using reports prepared by independent experts. These expert reports are prepared based on earned value and asset value methods. It requires making assumptions, principally concerning the discount rate, the exit yield, the expected utilisation (vacancy rate), the development of future rental charges, and the condition of the land and buildings. For this reason, all measurements of the fair value for the land and buildings come under Level 3 of the hierarchy according to IFRS 13. The nature of the measurement procedures stated above is that they respond sensitively to the underlying assumptions and parameters. For instance, any reduction in the discount rate applied would result in an increase in the values ascertained for the land and buildings if the other assumptions and parameters remained unchanged. Conversely, any reduction in the expected utilisation or the expected rental charges would, for instance, result in a decrease in the values ascertained for the land and buildings if the other assumptions and parameters remained unchanged. The measurement-related assumptions and parameters are ascertained carefully at each key date based on the best estimate by management and/or the experts in view of the current prevailing market conditions.

5.3 Deferred tax assets

As at 31 December 2016 UNIQA had deferred tax assets amounting to €190,278 thousand, of which €9,716 thousand were attributable to tax loss carry-forwards. The deferred tax assets result from tax loss carry-forwards, from impairment in accordance with Section 12 of the Austrian Corporation Tax Act, and from deductible temporary differences between the carrying amounts of the assets and liabilities in the consolidated statement of financial position and their tax values. Deferred tax assets are accounted for to the extent that it is likely that there will be adequate taxable profit or deferred tax liabilities for them to be realised in the future.

An assessment of the ability to realise deferred tax assets requires an estimate of the amount of future taxable profits. The amount and type of these taxable earnings, the periods in which they are incurred, and the available tax planning measures are all taken into account. The corresponding analyses and forecasts, and ultimately the determination of the future deferred tax assets and liabilities, are carried out by the local tax and finance experts in the relevant countries. Because the effects of the underlying estimates may be significant, there are internal group procedures that guarantee the consistency and reliability of the evaluation process. The resulting forecasts are based on business plans that are prepared, reviewed and approved using a uniform procedure throughout the Company. Especially convincing evidence regarding the value and future chance of realisation of deferred tax assets is required under internal Group policies if the relevant Group company has suffered a loss in the current or a prior period.

5.4 Provisions for defined benefit obligations

For this purpose, reference is made to the statements and sensitivity analyses in the notes to this balance sheet item under note 29.

5.5. Technical provisions

Reference is made here to the statements and sensitivity analyses under note 7.5 and 26.

5.6 Investments

Reference is made here to the statements and sensitivity analyses under notes 7.5 and 13.

5.7 Other discretionary judgements and assumptions regarding the future

As at 31 December 2016, UNIQA held a 14.3 per cent stake in STRABAG SE (31 December 2015: 13.8 per cent). UNIQA is continuing to treat STRABAG SE as an associate due to contractual arrangements. The carrying amount of the investment in STRABAG SE at 31 December 2016 amounted to €475.8 million (31 December 2015: €463.0 million).

On 6 September 2016 Kärntner Ausgleichszahlungs-Fonds (KAF) made an offer according to Section 2 of the Austrian Financial Market Stability Act to the owners of debt instruments of HETA to purchase their senior bonds against cash or tender of zero-coupon bonds, which are guaranteed by the Republic of Austria and fully covered without conditions. KAF also extended an offer to the owners of subordinated debt instruments of HETA to purchase said instruments against cash or tender of zero-coupon bonds or long-term zero-coupon promissory notes issued by the Republic of Austria. UNIQA has decided to exchange the senior bonds in its portfolio with a nominal value of €25 million for zero-coupon bonds and to swap the subordinated bonds with a nominal value of €36 million for zero-coupon promissory notes.

RISK REPORT

6.1 Risk strategy

Principles

We have set ourselves ambitious goals in connection with our corporate strategy UNIQA 2.0. In summary, we are working towards sustainable and profitable growth. We are taking the initiative, optimising processes and building on innovations. We are doing this in order to keep the promises we made to our customers, our shareholders and our employees. In addition, we make sure we have a business strategy that knows the right answer to all of our Company's risks. The Group Management Board has therefore adopted a risk strategy borne by four principles:

- We know our responsibility.
- We know our risk.
- We know our capacity to take on risk.
- We know our opportunities.

With these four principles, we will move confidently into the future and maintain a financial strength that allows us to achieve our corporate goals, keep our promises and fulfil our obligations even in turbulent times.

Organisation

Our core business is to relieve our customers of risk, pool the risk to reduce it and thereby generate profit for our Company. Here, the focus is placed on understanding risks and their particular features.

To ensure that we keep our focus on risk, we have created a separate risk function on the Group's Management Board with a Group Chief Risk Officer (CRO) who is also acting concurrently as Group Chief Financial Officer (CFO), thus creating the function of the Group Chief Financial and Risk Officer (CFRO). In our regional companies the function of Chief Risk Officer is a part of the Management Board. This ensures that decision-making is risk-based in all relevant bodies. We have established processes that allow us to identify, analyse and manage risks. Our business involves a large range of different risk types, so we employ specialists to identify and manage them.

We regularly validate our risk profile at all levels of the hierarchy and hold discussions in specially instituted committees with the members of the Management Board. To obtain a complete picture of our risk position, we draw on internal and external sources while also regularly checking for new threats both in the Group and in our subsidiaries.

Risk-bearing capacity and risk appetite

We take risks and do so in full knowledge of our risk-bearing capacity. We define this as our ability to absorb potential losses from extreme events so that our medium and long-term objectives are not put in danger.

Our risk decisions centre on our economic capital model (ECM), which we use to quantify risk and determine economic capital. The ECM is based on the standard model according to Solvency II and also reflects our own risk assessment. This is expressed in the quantification of the risks from the non-life sectors, in which we focus on a stochastic cash flow model, additional capital requirements of government bonds and a mark-to-market valuation of asset-backed securities. Based on this model, we are aiming for risk capital cover (capital ratio) of 170 per cent. As long as the capital ratio remains within the range of 155 to 190 per cent no action will be taken, since a certain level of fluctuation is absolutely normal within the framework of the Solvency II regulations. However, immediate steps will be taken to improve the capital position if the marginal value falls below 135 per cent.

We also seek external confirmation of the path we have chosen. Standard & Poor's has given us a credit rating of A–. One of our key objectives is to maintain the rating at this level or to improve upon it.

Non-quantifiable risks, in particular operational risk, litigation risk and strategic risk are identified as part of the risk assessment process and then assessed using scenario-based techniques. This assessment is then used as the basis for implementing any necessary risk mitigation measures.

Our risk strategy specifies the risks we intend to assume and those we plan to avoid. As part of our strategy process, we define our risk appetite on the basis of our risk-bearing capacity. This risk appetite is then used to determine tolerances and limits, which provide us with an early warning system sufficient for us to initiate prompt corrective action should we deviate from our targets. We also consider risks outside our defined appetite. We counter risks that fall into this category, such as reputational risk, with proactive measures, transparency and careful assessment.

We focus on risks that we understand and can actively manage. We divest ourselves of any investments in which the business principles are inconsistent with our core business. We consciously take on risk associated with life, health and non-life underwriting in order to consistently generate our income from our core business. We aim for a balanced mix of risk to achieve the greatest possible effect from diversification.

We analyse our income and the underlying risk, optimising our portfolio using value-based principles. We therefore strive for a balance between risk and return.

Opportunities

Risk also means opportunity. We regularly analyse trends, risks and phenomena that influence our society and thus our customers and ourselves. We involve our employees in the whole of the business to identify and analyse trends at an early stage, produce suitable action plans and develop innovative approaches.

6.2 Risk management system

The focus of risk management with management structures and defined processes is the attainment of UNIQA's and its subsidiaries' strategic goals.

UNIQA's Risk Management Guidelines form the basis for a uniform standard at various company levels. The guidelines are approved by the Group CFRO and the full Management Board and describe the minimum requirements in terms of organisational structure and process structure. They also provide a framework for all risk management processes for the most important classes of risk.

In addition to the Group Risk Management Guidelines, similar guidelines have also been prepared and approved for the Company's subsidiaries. The Risk Management Guidelines at subsidiary level were approved by the Management Board of the UNIQA subsidiaries and are consistent with UNIQA's Risk Management Guidelines.

They aim to ensure that risks relevant to UNIQA are identified and evaluated in advance. If necessary, proactive measures are introduced to transfer or minimise the risk.

Intensive training on the content and utilisation of these guidelines is required in order to ensure that risk management is incorporated in everyday business activities. Extensive informative and training measures have therefore been taken since 2012; they will be continued in the future and extended to additional target groups.

Organisational structure (governance)

The detailed set-up of the process and organisational structure of risk management is set out in UNIQA's Risk Management Guidelines. They reflect the principles embodied in the concept of "three lines of defence" and the clear differences between the individual lines of defence.

First line of defence: risk management within the business activity

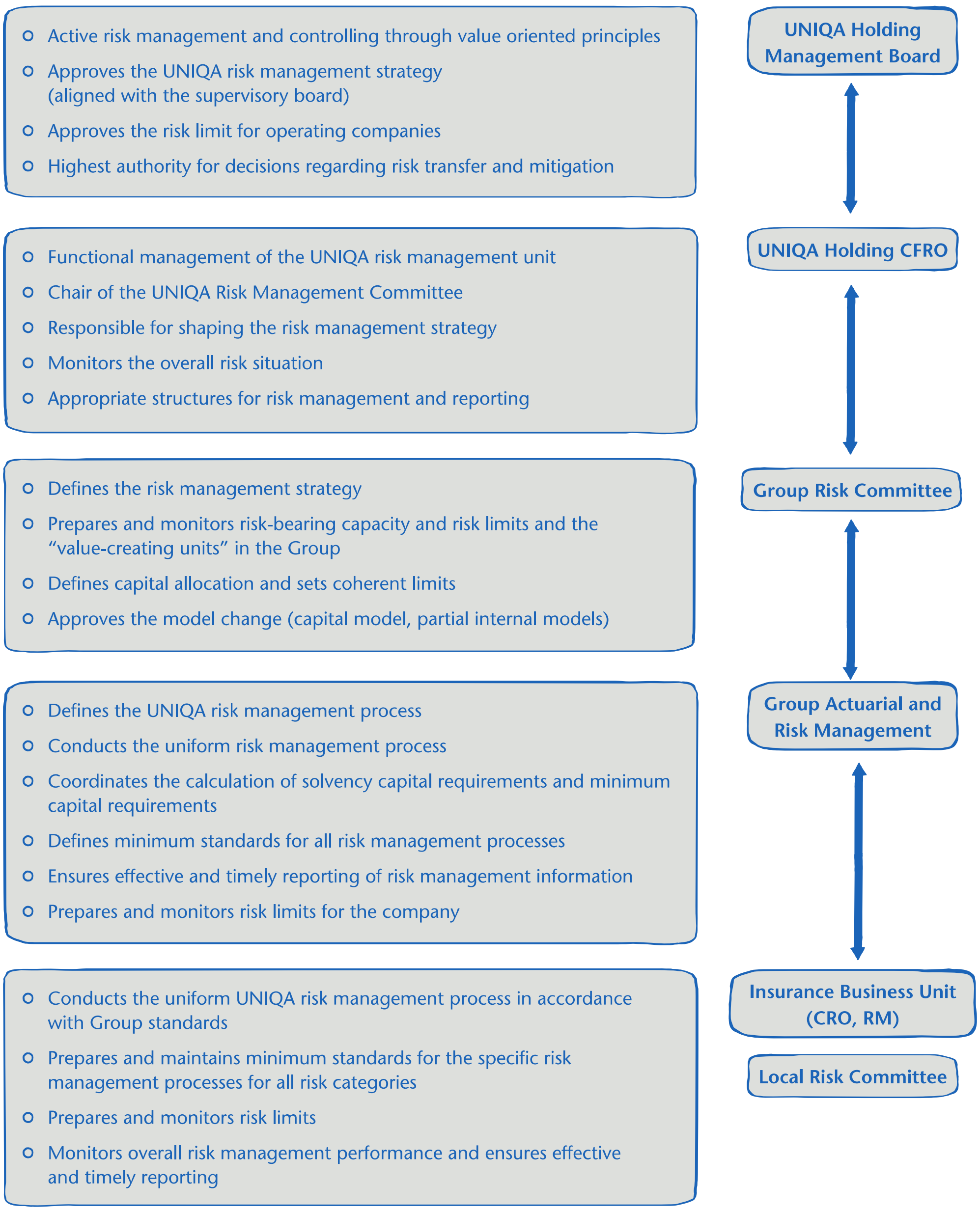
Those responsible for business activities must develop and put into practice an appropriate risk control environment to identify and monitor the risks that arise in connection with the business and processes.

Second line of defence: supervisory functions including risk management functions

The risk management function and the supervisory functions, such as controlling, must monitor business activities without encroaching on operational activities.

Third line of defence: internal and external auditing

This enables an independent review of the formation and effectiveness of the entire internal control system, which comprises risk management and compliance (e.g. internal auditing).



Group Management Board and Group functions

The UNIQA Insurance Group AG Management Board is responsible for establishing the business policy objectives and determining the associated risk strategy. The core components of the risk management system and the associated governance are enshrined within the UNIQA Group Risk Management Policy adopted by the Management Board.

The function of Chief Financial and Risk Officer (CFRO) is a separate area of responsibility at the Group Management Board level. This ensures that risk management is represented on the Group Management Board. The CFRO is supported in the implementation and fulfilment of risk management duties by the Group Actuarial and Risk Management unit.

A central component of the risk management organisation is UNIQA's risk management committee, which carries out monitoring and initiates appropriate action in relation to the current development and the short and long-term management of the risk profile. The risk management committee establishes the risk strategy, monitors and controls compliance with risk-bearing capacity and limits, and therefore plays a central role in the management process implemented under UNIQA's risk management system.

UNIQA insurance company

In the UNIQA insurance companies, the CRO function has also been established at the Management Board level, with the functions of the risk manager at the next level down. A consistent, uniform risk management system has therefore been set up throughout the Group.

As at Group level, each of the UNIQA insurance companies has its own risk management committee, which forms a central element of the risk management organisation. This committee is responsible for the management of the risk profile and the associated specification and monitoring of risk-bearing capacity and limits.

The Supervisory Board at UNIQA Insurance Group AG receives comprehensive risk reports at Supervisory Board meetings.

Risk management process

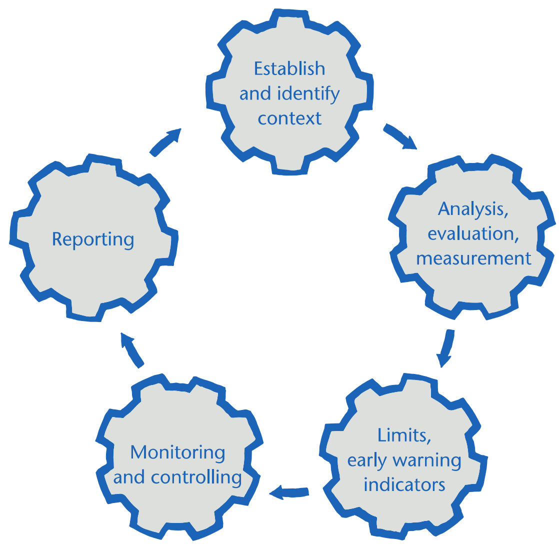
UNIQA's risk management process delivers periodic information about the risk profile and enables the top management to make the decisions for the long-term achievement of objectives.

The process concentrates on risks relevant to the Company and is defined for the following classes of risk:

- Actuarial risk (property and casualty insurance, health and life insurance)
- Market risk/Asset-Liability Management risk (ALM risk)
- Credit risk/default risk
- Liquidity risk
- Concentration risk
- Strategic risk
- Reputational risk
- Operational risk
- Contagion risk
- Emerging risk

A Group-wide, standardised risk management process regularly identifies, evaluates and reports on risks to UNIQA and its subsidiaries within these classes of risk.

UNIQA's risk management process



Risk identification

Risk identification is the starting point for the risk management process, systematically recording all major risks and describing them in as much detail as possible. In order to conduct as complete a risk identification as possible, different approaches are used in parallel, and all classes of risk, subsidiaries, processes and systems are included.

Evaluation/measurement

The risk categories of market risk, technical risk, counterparty default risk and concentration risk are evaluated at UNIQA by means of a quantitative method based on the standard approach of Solvency II and the ECM approach. Furthermore, risk drivers are identified for the results from the standard approach and analysed to assess whether the risk situation is adequately represented (in accordance with the Company's Own Risk and Solvency Assessment (ORSA)). All other classes of risk are evaluated quantitatively or qualitatively with their own risk scenarios.

The scenario analysis (of UNIQA's internal and external economic risk situation) is generally a crucial element in the risk management process.

A scenario is a possible internal or external event that has a short-term or medium-term effect on consolidated profit or loss, the solvency position or sustainability of future results. The scenario is formulated with respect to its inherent characteristic (e.g. the start of Greece's insolvency) and evaluated in terms of its financial effect on UNIQA. The likelihood that the scenario will actually occur is also considered.

Limits/early warning indicators

The limit and early warning system determines risk-bearing capacity (available equity according to IFRS, economic capital) and capital requirements on the basis of the risk situation at ongoing intervals, thereby deriving the level of coverage. If critical coverage thresholds are reached, then a precisely defined process is set in motion, the aim of which is to bring the level of solvency coverage back to a non-critical level.

Reporting

A quarterly report on the solvency situation, together with a monthly risk report on the biggest risks identified, are prepared for each UNIQA insurance company and for the UNIQA Group on the basis of detailed risk analysis and monitoring. The reports for each individual UNIQA subsidiary and the UNIQA Group itself have the same structure, providing an overview of major risk indicators such as risk-bearing capacity, solvency requirements and risk profile. In addition, quantitative and qualitative reporting (in the form of the quantitative reporting templates and the narrative report respectively) is implemented for the UNIQA Group and for all subsidiaries for which Solvency II reporting is mandatory.

Activities and objectives in 2016

Based on external and internal developments, activities in 2016 focused on the following:
- Preparation of the reporting requirements in accordance with Solvency II
- Merger of the operational UNIQA insurance companies in Austria in the course of the Group mergers
- Preparation of other new regulatory requirements

With the entry into force of Solvency II, Risk Management has been working on setting up the new reporting required under Pillar III. Part of the reporting requirements from Directive 2009/138/EC of the European Parliament from 25 November 2009 (Solvency II) relates to the Solvency and Financial Condition Report (SFCR), which aims to make an insurance company's solvency and financial position transparent for market participants. The report includes quantitative and qualitative information on the company's business activities (economic framework), the governance system (organisational structure, internal control system, compliance, internal audit and actuarial function), UNIQA's risk profile, the valuation methods for solvency purposes and on capital management (own funds, solvency capital requirements, etc.) in the company. The aim is to enable the reader of the report to gain a clear picture of the company's financial position based on this comprehensive information.

In addition to the SFCR, the insurance company is also required to provide a fully comprehensive supervisory report known as the Regular Supervisory Report (RSR). The first time that this Report will be provided to the supervisory authority is for the valuation date of 31 December 2016; it differs from the SFCR essentially by the inclusion of details on the results, the business planning periods and projections, as well as details on the remuneration of members of the Management Board.

The Quantitative Reporting Templates (QRTs) are a further essential part of the reporting: these include purely quantitative statements on an insurance company, and are reported to the supervisory authorities in accordance with the filing rules of the European Insurance and Occupational Pensions Authority (EIOPA). A distinction is made here between quarterly and annual reports, which are provided both for individual companies as well as for the Group. UNIQA has invested in technical service programmes to support implementation of proper and timely reporting, and these also meet the corresponding requirements.

One of the substantial risk management topics in 2016 involved activities related to the merger of the UNIQA insurance companies operating in Austria into the company UNIQA Österreich Versicherungen AG (“AT merger”). These activities resulted in the need to implement an ad-hoc Own Risk and Solvency Assessment (“ad-hoc ORSA”). The appropriateness of the Solvency II standard formula for the new company was tested in this ad-hoc ORSA, and a review took place on whether all material risks had been captured in the risk management process. Solvency planning was also completed for the planning period, with this planning exposed to multiple stress scenarios. The “AT merger” also gave rise to a need to alter the partial internal model for casualty/property insurance, resulting in postponement of the regulatory application process to 2017.

Regulatory challenges

From a regulatory point of view, 2016 was characterised primarily by Solvency II and its entry into force on 1 January 2016. Following wide-ranging points of criticism related to harmonisation, setting of parameters and different national interpretations, the European Commission had already launched the “SII Review Process”, appointing EIOPA to analyse and elaborate on the critical topics as part of this. EIOPA is required to submit “technical advice” to the European Commission by 31 October 2017. There is explicit emphasis on the calibration of natural catastrophe cover, the flat-rate real estate shock and the reduced reporting timelines. EIOPA itself plans to reinforce its efforts over the next three years to harmonise the implementation of supervisory law throughout Europe, additional improvements to product-related consumer protection and safeguarding the financial stability of insurance (see Strategic Work Plan 2017–2019).

There is a focus currently on issues surrounding the Insurance Distribution Directive (IDD) and the Regulation on insurance-based investment products (PRIIPs Regulation) with reference to promoting the Digital Single Market and developing the consumer protection provisions related to financial services for private customers. The IDD officially came into force at the start of the year and now has to be implemented in national law by 22 February 2018. For the implementation process, further essential details will be defined at level 2 by delegated acts related to product monitoring and inspection, conflicts of interest, incentives and an assessment of suitability and fitness for purpose along with reporting obligations to customers. EIOPA has launched a comprehensive consultation process in connection with this and also initiated the consultation on technical standards for a mandatory product information document (PID) for non-life products.

As of 31 December 2016 the PRIIPs Regulation requires insurance companies to create a pre-contractual information document (the Key Information Document – KID). At the present time this covers all life insurance products that have a maturity or surrender value. In terms of the format for the KID, Regulatory Technical Standards (RTS) have been developed at level 2 by the ESA (collaboration between the three European supervisory authorities EIOPA, EBA and ESMA), and these were accepted by the European Commission on 30 June 2016. The RTS were subject to massive criticism from the insurance industry as a result of errors and the short deadline for implementation, and were rejected by the European Parliament on 14 September 2016. A postponement term of twelve months, which had already been publicised beforehand, was agreed by the College of Commissioners on 9 December 2016.

At the European level, EIOPA is currently considering plans to subject the UFR (Ultimate Forward Rate) to an annual recalculation. The current fixed value of 4.2 per cent was determined in 2010 within the scope of Omnibus II, and EIOPA no longer believes that this is appropriate for current conditions. EIOPA is proposing a change to the calculation methodology and a gradual reduction (max. 20 basis points) in annual steps. This procedure is now being increasingly questioned by the European insurance industry, primarily based on legal conditions. A decision is expected in March 2017.

6.3 Challenges and priorities in risk management for 2017

Challenges

Low interest rate environment

The period of low interest rates continued also throughout 2016, with rates falling to historically low levels in some cases. This situation has a particularly marked effect in life insurance. Depending on the investment strategy, the persistently low interest rates can lead to a situation in which the income generated is insufficient to finance the guarantees made to policyholders. The topic of low interest rates continues to be of concern to the entire European insurance industry and is leading to intensive discussions about how insurance companies can ensure that customer options and guarantees (in both existing and new business) are financed over the long term. Significant measures taken by UNIQA within the defined life strategy have been to focus on implementing the ALM approach including stringent management rules (e.g. regarding the management of profit participation) and to provide continuous portfolio management to support the new business strategy in the personal injury insurance business.

Supplementary reserves to meet long-term liabilities

One specific issue is the requirements (which vary from country to country) to establish supplementary discount rate provisions, as determined by the relevant local financial accounting regulations in case of a low interest rate environment. As at 31 December 2016, UNIQA had set aside a special provision in the amount of €100.2 million (a €32.6 million addition) in its Austrian companies, as there is a statutory requirement in Austrian accounting regulations to make this special provision. This special provision in the local accounting is to be seen alongside the liability adequacy test (LAT) to check whether the provisions in the IFRS financial statements are adequate. Depending on the interest rate situation and the resulting planning of investment income, there is the fundamental risk in the future of a potential provision requirement as a consequence of the LAT. Following positive development of the underwriting performance in 2015 in the property and casualty area, revenue continued to stabilise in 2016.

This development was also supported by competitors exiting or withdrawing from the market, with an associated easing of competition in individual markets. Despite this positive development it is expected that price competition will persist in the coming years, particularly in the Central European markets. As a result of various group initiatives the premium revenue in the property and casualty segment is expected to continue to rise. The settlement result also made a positive contribution to earnings in 2016. The risk of potential settlement losses should continue to fall steadily in future as a result of further efforts in the area of claim reserves, along with a gradual expansion in reserve monitoring.

Investment programme

Modernisation of the IT landscape

One of the most important and key projects is the modernisation of the UNIQA Group's entire IT management and benefit systems. The portfolio management and benefit systems currently in use have largely reached the end of their useful lives. UNIQA is therefore planning a full modernisation of its IT systems. The actual preparations for this began in 2016 and the start date for implementation is scheduled for the first quarter of 2017. This programme involves modernisation of the most important insurance software and thereby allows the company to respond to the constantly changing competitive environment and meet customer needs and effectively manage the products in the modern insurance market. IT modernisation will therefore be the UNIQA Group's greatest challenge for the next few years in terms of scope, duration and complexity. The level of investment required (including for migration of the existing systems) in UNIQA's six largest markets is estimated to be in the range of €350–450 million (over a period of ten years). Expenditure of €115 million was budgeted in the financial planning for 2016–2020. The risks and difficulties of remaining on budget are well-known from knowledge of other system modernisations carried out in the industry. In addition to a best estimate the Group Management Board also exposed the business case to two scenarios diverging from this. Further analyses took place as part of the ORSA.

Digitalisation

UNIQA is currently working on implementation of a target operating model for Austria, to enable the IT modernisation project to be implemented successfully. Processes for handling of business transactions have been influenced by mergers and takeovers since 1999, resulting in a highly complex process landscape with lots of dependencies. The project for implementation of a target operating model transforms the handling of business transactions to a two-stage logic: Level 1 cases will be only processed either automatically or by a service company in Nitra, Slovakia. Level 2 cases will be processed in central units under the responsibility of the Board members in charge of life and/or property and casualty business. The material risk in this project involves maintaining stable business operations.

Modernisation of processes is essential if UNIQA is to remain innovative and able to respond to the wishes and needs of customers and owners. This necessarily also involves the world of digitalisation towards which we are making great strides. There is increasing focus on issues surrounding cybercrime, phishing attacks and data theft. UNIQA has already taken precautions to cover the risk of data security. Continuous ongoing development of the security measures is, however, essential and is supported accordingly by the Group Management Board ("tone from the top").

Operational risk

UNIQA counters operational risks, such as may arise through failures in internal processes or unsatisfactory conduct on the part of employees or through other system-related external incidents, using an internal control system (ICS). Essential processes – from a regulatory and corporate point of view – are mapped in the ICS and matched with appropriate monitoring controls and measures, in order to minimise or exclude potential risks.

Priorities

UNIQA is paying greater attention to further development of future IFRSs (IFRS 17 and IFRS 9). The major changes expected in the assessment (balance sheet as well as income statement) of the insurance business require an adequate lead time in order for the content and process-related challenges to be implemented accordingly. Despite UNIQA's good preparations within the scope of Solvency II, we still expect that significant additional effort will be required in order to be able to meet the upcoming IFRS requirements. To this end the results of the initial studies and workshops in 2016 will be tracked for the next few years, using a further development plan which evolved from these.

The Group Management Board also decided to sell the 99.7 per cent holding in the Group company UNIQA Assicurazioni S.p.A. (Milan, Italy) in a resolution dated 2 December 2016 following approval by the Supervisory Board. The sale price is around €295 million. The sale includes UNIQA Assicurazioni S.p.A. (Milan, Italy) and its subsidiaries operating in Italy UNIQA Previdenza S.p.A. (Milan, Italy) and UNIQA Life S.p.A. (Milan, Italy). The sale of the Italian companies is classified as a discontinued business line. The assets and liabilities associated with the discontinued business line are stated in the Consolidated statement of financial position under the assets and liabilities in disposal groups held for sale. The profit and loss of the discontinued business line is presented in the Consolidated Income Statement under the item "Profit/(loss) from discontinued operations (after tax)". The closing of the sale is expected in the first half of 2017 once all necessary official approvals have been obtained. The transaction has a significant effect on UNIQA's economic equity ratio in particular. The reduction in the capital-intensive life insurance business in Italy is having a prolonged positive effect in particular against the background of sustained low interest rates. As already mentioned under activities for 2016, the merger of the UNIQA insurance companies operating in Austria had resulted in postponement of the approval application for the partial internal model for property and casualty insurance to 2017. High priority is accordingly being assigned to the approval procedure for the partial internal model and the necessary resources associated with this, so that the model can be used to assess the regulatory solvency position for the 2017 year end.

As of today UNIQA does not see any direct risk which could represent a risk to the Group's continued existence.

6.4 Capitalisation

As Solvency II came into force on 1 January 2016, the definitions and methods used to calculate available own funds, as well as capital requirements and management standards, have been replaced by Solvency II standards.

Statutory requirements

Risk capital requirements and available own funds have been calculated according to Solvency II regulations since 1 January 2016. In order to guarantee a smooth transition from the Solvency I regulations previously in place, UNIQA has been completing parallel calculations since 2008. One consequence of these efforts is an early Group-wide introduction of the new methods and processes, which is why any loopholes and shortcomings have been identified at an early stage and could be rectified in good time. Initial implementation of the new methods required under Solvency II were covered by the Day 1 Report, which – in accordance with the requirements under Section 375 of the Delegated Regulation (EU) 2015/35 of the Commission from October 2014 – required qualitative and quantitative information on the opening valuations of the assets and liabilities, minimum and solvency capital requirements and the eligible own funds, as at 1 January 2016. Further reporting under Pillar III is addressed by the Solvency and Financial Condition Report as well as by the Regular Supervisory Report, as required under Section 241 et seq. of the Insurance Supervisory Act 2016.

Internal capital adequacy

UNIQA defines its risk appetite on the basis of an economic capital model (ECM). The cover for quantifiable risks by means of eligible own funds (capital ratio) should be between 155 per cent and 190 per cent, according to risk preferences, with a target value set at 170 per cent.

Details for the reporting date of 31 December 2016, including a detailed analysis of changes, can be found in the ECM report.

Standard and Poor’s model

In addition to regulatory and internal provisions, the Group also takes into account the capital requirements specified by an external rating agency to ensure that the Group’s credit quality is presented objectively and can be compared with other entities. Therefore, UNIQA is regularly rated by the rating agency Standard &Poor’s, which gives UNIQA Insurance Group AG a rating of “A–”. UNIQA Österreich Versicherungen AG and UNIQA Re AG each have a rating of “A”; UNIQA Versicherung AG in Liechtenstein is rated with “A–”. The supplementary capital bonds issued in 2013 (€350.0 million Tier 2, first call date 31 July 2023) and 2015 (€500.0 million Tier 2, first call date 27 July 2026) are rated “BBB” by Standard & Poor’s. The agency rates the outlook for all the companies as stable. UNIQA includes the impact on its rating in its capital planning process, with the objective of improving the rating over the long term as the corporate strategy is implemented.

6.5 Risk profile

UNIQA's risk profile is very heavily influenced by life insurance and health insurance portfolios in UNIQA Österreich Versicherungen AG. This situation means that market risk plays a central role in UNIQA's risk profile. The composition of market risk is described in the section "Market risk".

The subsidiaries in Central Europe (CE: Hungary, Czech Republic, Slovakia and Poland) operate insurance business in the property and casualty segment and in the life and health insurance segment.

In the regions of Southeastern (SEE) and Eastern Europe (EE), insurance business is currently conducted primarily in the property and casualty segment, in particular in the motor vehicle insurance segment.

This structure is important to UNIQA, because it creates a high level of diversification from the life and health insurance lines dominated by the Austrian companies.

The distinctive risk features of the regions are also reflected in the risk profiles determined by using the internal measurement approach.

After every calculation for the life, non-life and composite insurers at UNIQA, benchmark profiles are created and compared with the risk profile for each company. The benchmark profiles show that, for composite insurers, there is a balance between market and actuarial risk. Composite insurers are also in a position to achieve the highest diversification effect.

Market and credit risks

Market and credit risks have different weightings and various degrees of seriousness, depending on the investment structure. The table below shows investments classified by asset category.

Asset Allocation In € thousand	31/12/2016	31/12/2015
Fixed-income securities	16,693,001	19,557,462
Equities	438,324	374,323
Alternative Investments	32,732	38,263
Equity investments	770,989	813,192
Loans	40,033	59,136
Real estate	1,554,036	1,623,425
Liquid funds	1,129,886	1,829,284
Total	**20,659,000**	**24,295,085**

The effects of the market and credit risks on the value of investments also influence the level of actuarial liabilities. Thus, there is – particularly in life insurance – a dependence between the growth of assets and liabilities from insurance contracts. UNIQA monitors the income expectations and risks of assets and liabilities arising from insurance contracts as part of the asset liability management (ALM) process. The objective is to achieve a return on capital that is sustainably higher than the technical liabilities carried forward while retaining the greatest possible security. To do this, assets and liabilities are allocated to different accounting groups.

The following two tables show the main accounting groups generated by the various product categories.

Assets In € thousand	31/12/2016	31/12/2015
Long-term life insurance contracts with guaranteed interest and profit participation	12,664,450	16,411,343
Long-term unit-linked and index-linked life insurance contracts	4,879,928	5,226,748
Long-term health insurance contracts	3,352,381	3,174,365
Short-term property and casualty insurance contracts	4,755,872	4,825,969
Total	**25,652,631**	**29,638,424**

These values refer to the following statement of financial position items:
- Property, plant and equipment
- Investment property
- Equity investments accounted for using the equity method
- Investments
- Unit-linked and index-linked life insurance investments
- Current bank balances and cash-in-hand

Technical provisions and liabilities (net) In € thousand	31/12/2016	31/12/2015
Long-term life insurance contracts with guaranteed interest and profit participation	11,836,846	15,479,470
Long-term unit-linked and index-linked life insurance contracts	4,846,591	5,175,437
Long-term health insurance contracts	2,880,768	2,779,801
Short-term property and casualty insurance contracts	2,708,379	2,869,625
Total	**22,272,584**	**26,304,334**

These values refer to the following statement of financial position items:
- Technical provisions
- Technical provisions for unit-linked and index-linked life insurance
- Reinsurance liabilities (only securities account liabilities from reinsurance ceded)
- Reinsurers' share of technical provisions
- Reinsurers' share of technical provisions for unit-linked and index-linked life insurance

Interest rate risk

Interest rate risk arises on all statement of financial position asset and liability items the value of which fluctuates as a result of changes in risk-free yield curves or associated volatility. Given the investment structure and the high proportion of interest-bearing securities in the asset allocation, interest rate risk forms an important part of market risk. However, a structural reduction to the interest rate risk has been achieved in recent years as a result of the ALM-based investment strategy implemented in 2012.

The following table shows the maturity structure of interest-bearing securities and bonds reclassified as loans. The actual interest rate is calculated using the weighted average returns and in terms of the purchase price is an average of 2.13 per cent with fixed-income securities.

Exposure by term In € thousand	31/12/2016	31/12/2015
Up to 1 year	1,370,025	1,095,058
More than 1 year up to 3 years	2,120,877	3,282,360
More than 3 years up to 5 years	2,372,347	2,845,054
More than 5 years up to 7 years	2,553,898	3,472,911
More than 7 years up to 10 years	2,420,522	2,954,254
More than 10 years up to 15 years	2,232,827	2,436,602
More than 15 years	3,459,282	3,273,532
Total	**16,529,778**	**19,359,770**

In comparison with this, the next table shows the insurance provision before reinsurance in health and life insurance and the gross provision for unsettled insurance claims in non-life insurance, broken down into annual brackets. In health and life insurance the breakdown takes place using expected cash flows from the ALM process.

IFRS reserve by expected maturity date In € thousand	31/12/2016	31/12/2015
Up to 1 year	1,334,940	1,276,255
More than 1 year up to 3 years	2,311,871	3,071,023
More than 3 years up to 5 years	1,434,894	1,914,474
More than 5 years up to 7 years	1,177,977	1,414,351
More than 7 years up to 10 years	1,797,645	2,039,901
More than 10 years up to 15 years	2,307,471	2,780,886
More than 15 years	5,357,720	6,497,525
Total	**15,722,518**	**18,994,414**

Due to the particular importance of the ALM process in life insurance, the focus will be placed on this segment. For practical reasons, it is not possible to fully achieve the objective of matching cash flows for assets and liabilities. The duration of the assets in life insurance is 8.1 years, while for liabilities it is longer. This is referred to as a duration gap. It gives rise to an interest rate risk which in the Solvency II risk capital calculation must be backed by capital. The discount rate that may be used in the costing when new business is written is based in most UNIQA companies on a maximum discount rate imposed by the relevant local supervisory authority. In all those countries in which the maximum permissible discount rate is not imposed in this way, appropriate prudent, market-based assumptions are made by the actuaries responsible for the calculation. In our core market of Austria, the maximum interest rate from 1 January 2017 is 0.5 per cent per year. However, the portfolio also includes older contracts with different discount rates. In the relevant markets of the UNIQA Group, these rates amount to as much as 4.0 per cent per year.

The following table provides an indication of the average discount rates for each region.

Average technical discount rates, core business by region and currency In per cent	EUR	USD	Local currency
Austria (AT)	2.5	-	-
Central Europe (CE)	3.5	-	3.3
Eastern Europe (EE)	3.6	4.0	3.4
Southeastern Europe (SEE)	2.8	2.4	1.7
Russia (RU)	3.0	3.0	4.0

Definition of regions:
AT – Austria
CE – Poland, Hungary, Czech Republic, Slovakia
EE – Romania, Ukraine
SEE – Bulgaria, Serbia, Bosnia and Herzegovina, Croatia, Albania, Montenegro, Kosovo, Macedonia
RU – Russia

As these discount rates are guaranteed by the insurance company, the financial risk lies in not being able to generate these returns. Because classic life insurance business predominantly invests in interest-bearing securities (bonds, loans, etc.), the unpredictability of long-term interest rate trends is the most significant financial risk for a life insurance company. Investment and reinvestment risk arises from the fact that premiums received in the future must be invested to achieve the rate of return guaranteed when a policy is written. However, it is entirely possible that no appropriate securities will be available at the time the premium is received. In the same way, future income must be reinvested to achieve a return equivalent to at least the original discount rate. For this reason, UNIQA has already decided to offer products to its key markets that are only based on a low or zero discount rate.

Spread risk

Since the interest rate risk has been reduced significantly through the ALM process, the spread risk, also stemming predominantly from interest-bearing securities, represents the biggest market risk in terms of the standard approach under Solvency II. Spread risk refers to the risk of changes in the price of asset or liability items in the financial statement, as a consequence of changes in credit risk premiums or associated volatility, and under Solvency II is ascertained for individual securities in accordance with their rating and duration. When investing in securities, UNIQA chooses securities with a wide variety of ratings, taking into consideration the potential risks and returns.

The following table shows the credit quality of those interest rate-sensitive securities that are neither overdue nor written down, based on their ratings.

Exposure by rating In € thousand	31/12/2016	31/12/2015
AAA	3,227,227	4,801,934
AA	5,335,448	4,190,494
A	3,763,978	3,816,635
BBB	2,351,805	4,186,371
BB	1,151,994	1,219,575
B	124,947	687,580
<=CCC	29,206	102,039
Not rated	545,173	355,142
Total	**16,529,778**	**19,359,770**

Equity risk

Equity risk arises from movements in the value of equities and similar investments as a result of fluctuations in international stock markets and therefore stems in particular from the asset categories of shares and investments. The effective equity weighting is controlled by hedging with the selective use of derivative financial instruments.

UNIQA's equity risk from investments in shares and equity as at the reporting date has been reduced as part of the process in recent years to implement an ALM-based investment strategy, and now only plays a subordinate role in the composition of the ECR market risk.

Currency risk

Currency risk is caused by fluctuations in exchange rates and associated volatility. Given the international nature of the insurance business, UNIQA invests in securities denominated in different currencies, thus following the principle of ensuring matching liabilities with assets in the same currency to cover liabilities at the coverage fund or company level. Despite the selective use of derivative financial instruments for hedging purposes, it is not always possible on cost grounds or from an investment point of view to achieve complete and targeted currency matching between the assets and liabilities. As in the previous year, the greatest component of this risk arises from investments in US dollars. The following table shows a breakdown of assets and liabilities by currency.

Currency risk	31/12/2016	
In € thousand	Assets	Provisions and liabilities
EUR	**29,645,082**	**27,759,009**
USD	738,810	81,978
CZK	525,420	443,214
HUF	450,209	542,874
PLN	944,326	832,182
RON	282,564	209,137
Other	1,052,749	558,000
Total	**33,639,160**	**30,426,394**

Currency risk	31/12/2015	
In € thousand	Assets	Provisions and liabilities
EUR	**29,375,071**	**27,558,588**
USD	807,472	48,595
CZK	523,651	436,469
HUF	428,907	523,297
PLN	927,607	816,640
RON	258,289	189,655
Other	976,877	558,261
Total	**33,297,873**	**30,131,504**

Liquidity risk

Ongoing liquidity planning takes place in order to ensure that UNIQA is able to meet its payment obligations over the next twelve months. A minimum amount of cash reserves which must be available daily is also defined at Group Management Board level for the individual companies according to their business model.

Investments are aimed at maximum possible (even if not complete) matching of maturities as part of the ALM process, to ensure coverage for liabilities with maturities exceeding twelve months. Aside from this, a majority of the securities portfolio is listed in liquid markets and can be sold quickly and without significant markdowns if cash is required.

Regarding private equity investments, there are still remaining payment obligations in the amount of €1.2 million.

Specific events in 2016

The ongoing political uncertainty in Ukraine as a result of the armed conflict since 2014 in the east of the country, between separatists aligned with Russia and Ukraine's central government, continues to constrain the country's economic performance. According to the International Monetary Fund, which is providing 17.5 billion dollars in support to the country as part of a programme agreed in 2014, additional measures, to combat rampant corruption and implement economic structural reforms, are needed for the country's continued economic development. Timely servicing of government debt is not necessarily guaranteed, despite international support, given that implementation of these required measures is being met with resistance in some cases. In 2015 the debt owed to international creditors holding Ukrainian government bonds was reduced by 20 per cent haircut.

As at 31 December 2016, the UNIQA Group's portfolio of Ukrainian government bonds came to a nominal value of €34.2 million and a fair value of €30.1 million. Of these, a nominal value of €31.2 million are invested in the Ukrainian subsidiary.

The Ukrainian currency, the hryvnia (UAH), weakened by approximately 7.8 per cent against the euro during the course of 2016 (exchange rate as at 31 December 2016: 0.0353). The total value of all the UAH securities in the UNIQA Group amounts to a fair value of €11.7 million.

The EU sanctions imposed on Russia on account of the Ukrainian conflict, along with the low price of crude oil, had a severely negative impact on economic development for 2015 and 2016. Expectations of a return to economic growth in 2017 (as estimated by the International Monetary Fund) did, however, result in a recovery in the exchange rate for the rouble against the euro from 0.0124 (31 December 2015) to 0.0156 (31 December 2016). The fall in the interest rate level, which accompanied the rise in the exchange rate, increased the value of securities quoted in roubles, with the market value for these amounting to €116.1 million as at the reporting date, of which €101.4 million is invested in the Russian subsidiary's investment portfolio. The nominal value of Russian government bonds in the UNIQA Group's portfolio (not only those quoted in roubles) amounts to €131.2 million (of which €112.0 million is held by the Russian subsidiary), with a fair value of €128.8 million.

UNIQA strives to keep investment concentrations in securities from individual issuers or groups of issuers as low as possible depending on their credit rating.

The United Kingdom's exit from the EU as decided in the referendum on 23 June 2016 (Brexit) provoked strong immediate reactions on the financial markets, influenced by risk aversion, and these also have a negative impact on the UNIQA Group's economic balance sheet (under Solvency II). Due to the relatively prompt correction in the financial markets however, the consequences of this decision for the UNIQA Group are limited to the impact – estimated to be minor – on the long-term economic development of UNIQA's core markets of Austria, Central, Eastern and Southeastern Europe, and on investments held in the British pound, which has suffered a sustained loss in value as a result of Brexit. The market value of investments quoted in British pounds as at 31 December 2016 was €1.7 million (nominal value of €1.7 million).

Sensitivities

Market and credit risk

Stress tests and sensitivity analyses are used in particular to measure and manage the market and credit risk, in addition to figures from the established market and credit risk models (MCEV, SCR, ECR, etc.).

The following tables show the most important market risks in the form of key sensitivity figures, along with their impact on the net profit and equity. These key figures represent a snapshot on the reporting date and are only intended as an indication of future changes in fair value. Depending on the measurement principle to be applied, any future losses from the valuation at fair value may result in different fluctuations in the net profit for the year or in other comprehensive income. The key figures are calculated theoretically on the basis of actuarial principles and do not take into consideration any diversification effects between the individual market risks or countermeasures taken in the various market scenarios.

The sensitivities are determined by simulating each scenario for each individual item, with all other parameters remaining constant in each case.

Sensitivities

Interest rate risk In € thousand	31/12/2016 +100 basis points	 – 100 basis points	31/12/2015 +100 basis points	 – 100 basis points
Government bonds	– 755,100	641,797	– 828,880	754,498
Corporate bonds (incl. covered)	– 333,366	181,071	– 314,099	198,892
Other	– 28,373	8,757	– 7,595	2,819
Total	**– 1,116,839**	**831,625**	**– 1,150,574**	**956,209**

Spread risk In € thousand	31/12/2016 +	31/12/2015 +
Total	**– 1,133,350**	**– 1,271,145**

Equity risk In € thousand	31/12/2016 30%	 – 30%	31/12/2015 30%	 – 30%
Total	**220,730**	**– 173,966**	**419,822**	**– 234,195**

Currency risk In € thousand	31/12/2016 10%	 – 10%	31/12/2015 10%	 – 10%
USD	50,257	– 50,261	47,582	– 42,443
HUF	22,718	– 22,718	21,702	– 21,702
RON	17,868	– 17,868	15,257	– 15,257
CZK	34,196	– 34,196	35,668	– 35,668
PLN	43,386	– 43,386	42,658	– 42,658
Other	54,219	– 53,228	50,161	– 49,057
Total	**222,645**	**– 221,659**	**213,027**	**– 206,784**

2016 In € thousand	Interest rate shock (+100 bp)	Interest rate shock (– 100 bp)	Spread shock (+100 bp)	Equity shock (+30%)	Equity shock (–30%)	Currency shock[1] (+10%)	Currency shock[1] (– 10%)
Income statement	– 11,262	– 7,036	– 9,918	35,475	– 29,443	184,378	– 183,309
Equity	– 1,091,855	827,829	– 1,105,996	185,254	– 144,522	14,671	– 14,671
Total	**– 1,103,117**	**820,793**	**– 1,115,914**	**220,730**	**– 173,966**	**199,049**	**– 197,980**

[1] Changes in market value without accounting impact included risk reclassified bonds in the case of interest rate and spread risk and real estate in the case of currency risk.

2015 In € thousand	Interest rate shock (+100 bp)	Interest rate shock (– 100 bp)	Spread shock (+100 bp)	Equity shock (+30%)	Equity shock (–30%)	Currency shock[2] (+10%)	Currency shock[2] (– 10%)
Income statement	608	3,446	– 13,865	211,893	– 83,817	181,010	– 174,766
Equity	– 1,137,239	942,548	– 1,235,681	207,929	– 150,378	8,855	– 8,855
Total	**– 1,136,631**	**945,994**	**– 1,249,545**	**419,822**	**– 234,195**	**189,865**	**– 183,622**

[2] Currency shock from land and buildings amounting to €23.2 million (+10%) and €–23,2 million (– 10%) will not be incurred either on the income statement or in equity because real estate is recognised at book value, the carrying amount and shocks on a fair value basis.

Life insurance

In life insurance the interest rate assumptions are the crucial influencing factor on the liability adequacy test and the deferred acquisition costs. The impact of the implied new funds assumption (including reinvestment) is therefore stated below.

If new funds are assumed with a +100 bp increase, then the resulting net effect (after accounting for the deferred profit participation) amounts to €+9 million. A –100 bp reduction in this assumption results in net effect of €–10 million. The effects described relate to the changes in the deferred acquisition costs along with the impact on the liability adequacy test. The results were determined using the traditional business in Austria which makes up the majority of the insurance provision in the Group.

Non-life insurance

The provision for unsettled insurance claims is formed based on reported claims and applying accepted statistical methods. One crucial assumption here is that the pattern of claims observed from the past can be sensibly extrapolated for the future. Additional adjustments need to be made in cases where this assumption is not possible.

The calculation of the claim provisions is associated with uncertainty based on the time required to process claims. In addition to the normal chance risk, there are also other factors that may influence the future processing of the claims that have already occurred. The reserving process for court damages in property/casualty insurance should be mentioned here in particular. A reserve estimate is prepared here for these damages based on expert assessment, although this estimate can be exposed to high levels of volatility specifically with major damage at the start of the process for collecting court costs.

The partial model in property and casualty insurance is a suitable instrument for quantifying the volatility involved in processing. Following analysis of these model results and after consulting experts it was determined that a deviation of 5 per cent from the basic provision determined may represent a realistic scenario. On basis of the current provision for unsettled claims of €2,202 million (excluding additional provisions such as provisions for claims settlement) in the Group on gross basis, this would mean an increase in claims incurred by €110.1 million.

Health insurance

Health insurance operated on the similar to life technique is now also affected by the period of low interest rates, as the tariffs that are currently covered primarily result in actuarial discount rates of 3 per cent, but also in some cases of 2.5 per cent and even of 1.75 per cent. Since the average discount rate is still relatively high, the capital earnings may not be enough for the required addition to the coverage capital. A reduction in the capital earnings by 100 bp (based on investment results 2016) would reduce the profit from ordinary activities by €30 million.

Actuarial risks

Non-life

The actuarial risk in the non-life segment is broken down into the three risk categories of premium, reserve and catastrophe risk.

Premium risk is defined as the risk that future benefits and expenses in connection with insurance operations will exceed the premiums collected for the insurance concerned. Such a loss may also be caused in insurance operations by exceptionally significant, but rare loss events, known as major claims or shock losses. Appropriate distribution assumptions are made to ensure that these events are also adequately incorporated into risk modelling.

Natural disasters represent a further threat from events that are infrequent but that nevertheless cause substantial losses. This risk includes financial losses caused by natural hazards, such as floods, storms, hail or earthquakes. In contrast to major individual claims, insurance companies in this case refer to cumulative losses.

Reserve risk refers to the risk that technical provisions recognised for claims that have already occurred will turn out to be inadequate. The loss in this case is referred to as run-off loss. The claims reserve is calculated using actuarial methods. External factors, such as changes in the amount or frequency of claims, legal decisions, repair and/or handling costs, can lead to differences compared with estimates.

To counter and actively manage these risks, UNIQA runs a number of processes integrated into its insurance operations. For example, Group guidelines specify that new products may only be launched if they satisfy certain profitability criteria. Major claims and losses from natural disasters are appropriately managed by means of special risk management in the underwriting process (primarily in corporate activities) and by the provision of suitable reinsurance capacity.

In connection with claim reserves, guidelines also specify the procedures to be followed by local units when recognising such reserves in accordance with IFRS. A quarterly monitoring system and an internal validation process safeguard the quality of the reserves recognised in the whole of the Group.

An essential element in risk assessment and further risk management is the use of the non-life partial model. This risk model uses stochastic simulations to quantify the risk capital requirement for each risk class at both Company and Group levels. The model also produces further key figures that are then used as part of the risk- and value-based management of the insurance business.

Life

The risk of an individual insurance contract lies in the occurrence of the insured event. The occurrence is considered random and therefore unpredictable. Various risks exist in life insurance, particularly in classic life insurance. The insurance company takes on this risk for a corresponding premium. When calculating the premium, the actuary refers to the following carefully selected calculation principles:

- Interest: the discount rate is set so low that it can be produced as expected in each year.
- Mortality: the probabilities of dying are deliberately and carefully calculated for each type of insurance.
- Costs: these are calculated in such a way that the costs incurred by the policy can be permanently covered by the premium.

Carefully selecting the calculation principles gives rise to well-planned profits, an appropriate amount of which is credited to the policyholders as part of profit participation.

The calculation of the premium is also based on the acceptance of a large, homogenous inventory of independent risks, so that the randomness inherent in an individual insurance policy is balanced out by the law of large numbers.

The following risks exist for a life insurance company:
• The calculation bases prove to be insufficient despite careful selection.
• Random fluctuations prove disadvantageous for the insurer.
• Policyholders exercise certain implicit options to their advantage.

The risks of the insurer can be roughly divided into actuarial and financial risks.

Long-term life insurance contracts with guaranteed interest and profit participation In € thousand	31/12/2016	31/12/2015
Austria (AT)	10,802,566	11,337,854
Western Europe (WE)	– 541	3,203,305
Central Europe (CE)	340,922	330,588
Eastern Europe (EE)	31,117	26,802
Southeastern Europe (SEE)	501,436	492,995
Russia (RU)	167,031	111,734
Total	**11,842,533**	**15,503,278**

Long-term unit-linked and index-linked life insurance contracts In € thousand	31/12/2016	31/12/2015
Austria (AT)	4,377,911	4,310,278
Western Europe (WE)	0	0
Central Europe (CE)	464,667	425,652
Eastern Europe (EE)	0	0
Southeastern Europe (SEE)	4,012	2,806
Russia (RU)	0	0
Total	**4,846,591**	**4,738,736**

UNIQA's portfolio consists primarily of long-term insurance contracts. Short-term assurances payable at death play a minor role.

The table below shows the distribution of the premium portfolio by type and region.

Premium portfolio in %	Endowment assurance		Life insurance		Pension insurance	
	2016	2015	2016	2015	2016	2015
Austria (AT)	43.7	46.5	9.4	9.0	19.6	15.1
Central Europe (CE)	16.8	17.6	2.5	2.6	0.2	0.2
Eastern Europe (EE)	46.8	54.3	4.7	5.5	0.0	0.0
Southeastern Europe (SEE)	80.2	82.2	7.0	5.2	0.4	0.5
Russia (RU)	96.8	96.5	0.0	0.0	0.0	0.0
Total	**44.6**	**46.4**	**7.9**	**7.7**	**15.1**	**12.0**

Premium portfolio in %	Unit-linked and index-linked		Residual debt insurance		Other	
	2016	2015	2016	2015	2016	2015
Austria (AT)	26.2	28.3	0.0	0.0	1.1	1.0
Central Europe (CE)	57.6	57.6	9.1	8.6	13.7	13.4
Eastern Europe (EE)	0.0	0.0	44.3	39.5	4.2	0.6
Southeastern Europe (SEE)	2.2	2.0	0.6	0.7	9.6	9.4
Russia (RU)	0.0	0.0	3.2	3.5	0.0	0.0
Total	**27.6**	**29.4**	**1.7**	**1.5**	**3.1**	**2.9**

Definition of regions:
AT – Austria
CE – Poland, Hungary, Czech Republic, Slovakia
EE – Romania, Ukraine
SEE – Bulgaria, Serbia, Bosnia and Herzegovina, Croatia, Albania, Montenegro, Kosovo, Macedonia
RU – Russia

Mortality

With respect to assurance involving death risk, premiums are calculated based on an accounting table, implicitly allowing for the safety loading of risk premiums.

Using risk selection (health examinations) means that the mortality probabilities of the portfolio are consistently smaller than those of the overall population. In addition, the gradual improvement of mortality rates means that the real mortality probabilities are consistently smaller than the values shown in the accounting table. Analyses of mortality data carried out at Group level show that, historically, the level of premiums has been sufficient to cover the death benefits.

Due to the large number of lives insured by UNIQA in the Austrian market, the mortality trends are of particular importance here. According to the 2010/2012 mortality table published by Statistics Austria, life expectancy has increased and is over 80 years for new-borns for the first time.

Life expectancy at birth Mortality table	Men	Women
1970–72	66.6	73.7
1980–82	69.2	76.4
1990–92	72.5	79.0
2000–02	75.5	81.5
2010–12	78.0	83.3

The reduction in the probability of dying at any given age is causing a huge amount of uncertainty in the annuity business. Improvements in mortality rates as a result of medical progress and changed lifestyles are virtually impossible to extrapolate.

Attempts to predict this effect were made when producing the generation tables. However, such tables only exist for the Austrian population and this data cannot be applied to other countries. In the UNIQA Group, longevity risk relates mainly to the Austrian life insurance companies because very few pension products are sold in the regions covered by the international business.

Homogeneity and independence of insurance risks
An insurance company takes great pains to compose a portfolio of the most homogenous, independent risks possible, in accordance with the classic, deterministic approach to calculating premiums. Because this is virtually impossible in practice, a considerable risk arises for the insurer due to random fluctuations, in particular from the outbreak of epidemic illnesses, as not only could the calculated mortality probabilities prove to be too low, the independence of the risks can also no longer be assumed.

Antiselection
UNIQA's portfolios contain large quantities of risk insurance policies with a premium adjustment clause, particularly in Austria. This allows the insurer to raise the premiums in case of an (unlikely) worsening of the mortality behaviour. However, this presents the danger of possible antiselection behaviour, meaning that policies for good risks tend to be terminated while worse ones remain in the portfolio.

The right to choose pensions for deferred retirement annuities also results in antiselection. Only those policyholders who feel very healthy choose the annuity payment; all others choose partial or full capital payment. In this way, the pension portfolio tends to consist of mostly healthier people, i.e. from the insurer's point of view worse risks than the population average.

This phenomenon is countered by corresponding modifications to the retirement mortality tables. A further possibility exists in the requirement that the intention to exercise the right to choose annuity payments must be announced no later than one year in advance of the expiration.

Costs
Besides the risks discussed above, the cost risk must also be mentioned: the insurer guarantees that it will deduct only the calculated costs for the entire term of the policy. The business risk here is that the cost premiums are insufficient (e.g. due to cost increases resulting from inflation).

Health
The health insurance business is operated primarily in Austria (92.4 per cent is domestic and 7.6 per cent is international). As a result, the focus lies on risk management in Austria.

Health insurance is a loss insurance which is calculated under consideration of biometric risks and is operated in Austria according to the "similar to life technique".

Terminations by the insurer are not possible except in the case of obligation violations by the insured. Premiums must therefore be calculated in such a way that the premiums are sufficient to cover the insurance benefits that generally increase with age, assuming probabilities that remain constant. The probabilities and cost structures can change frequently over time. For this reason, the health insurer has the possibility to adjust the premiums as necessary to reflect the changed calculation bases.

When taking on risks, the existing risk of the individual is also evaluated. If it is established that an illness already exists for which the cost risk is expected to be higher than for the calculated portfolio, then either this illness is excluded from the policy, an adequate risk surcharge is demanded or the risk is not underwritten.

In health insurance, assurance coverage (“aging provision”) is built up through calculation according to “similar to life techniques” and reduced again in later years because this is used to finance an ever larger part of the benefits that increase with age.

The discount rate for this actuarial reserve is 3.0, 2.5 or 1.75 per cent. If the discount rate is not achieved by the investment, there are safety margins in the premiums that can be used to cover insufficient investment results. A circular was published by the Financial Market Authority Austria (FMA) in October 2013 regarding the discount rate in health insurance, meaning that between 1 January 2014 and 30 April 2016, new business was calculated with a discount rate of 2.5 per cent. A further circular was sent by the FMA in October 2015 which determined that the tariffs for new sales from 1 May 2016 at the latest should include a discount rate of 1.75 per cent. This results in a further improvement of the risk in cases where the investment results are insufficient. The average discount rate as at 31 December 2016 was approximately 2.93 per cent.

The legal risks arise primarily from the effects that changes to legislation have on the existing private health insurance business model. This includes, in particular, changes to the legal framework that make it harder or impossible to adapt to changed circumstances or that sharply reduce the income opportunities. Developments in this area will be observed by the insurance association, and an attempt will be made where necessary to react to negative developments from the perspective of the private health insurer.

The EU Directive on the equal treatment of men and women in insurance, which is implemented in Austria by the Insurance Amendment Act 2006, was also taken into account in the calculation of premiums at the end of the second quarter of 2007. This stipulated that the costs of birth and pregnancy be distributed across both sexes. No significant risk to profit has been identified here.

In the meantime, a European Court of Justice decision regarding insurance policies results in a new situation as at 21 December 2012: as at that date only completely identical premiums are allowed for men and women, excluding considerations such as age and individual pre-existing conditions. Experience from 2013 to 2016 has shown that this has not resulted in any negative changes to the portfolio structure of new business.

The risk of the health insurance business outside Austria (approx. €47.7 million) is currently dominated primarily by Switzerland (approx. €11.3 million), where there is sufficient risk capital.

The remaining premiums are divided among multiple companies and are of only minor importance there. Life-long health insurance policies without termination options by the insurer rarely exist outside of Austria, meaning that the risk can be considered low for this reason as well.

Other risks

Operational risks

Operational risk includes losses that are caused by insufficient or failed internal processes, as well as losses caused by systems, human resources or external events.

Operational risk includes legal risk, but not reputation or strategic risk. Legal risk is the risk of uncertainty due to lawsuits or uncertainty in the applicability or interpretation of contracts, laws or other legal requirements.

At UNIQA, legal risks are monitored on an on-going basis and reports made the Management Board. UNIQA's risk management process also defined the risk process for operational risks in terms of methodology, workflow and responsibilities. The risk manager is responsible for compliance in all subsidiaries.

A distinctive feature of operational risk is that it can surface in all processes and departments. This is why operational risk is identified and evaluated in every operational company at a very broad level within UNIQA. Risks are identified with the help of a standardised risk catalogue that is regularly checked for completeness. Scenarios are defined for evaluating these risks; these scenarios are meant to convey the likelihood of occurrence and the possible amount of the claim. The results are then presented by the risk manager in the form of a summarised risk report.

This process is usually conducted twice a year.

Business Continuity Management

According to international standards, the UNIQA Group – as a financial service provider – forms part of the critical infrastructure of key importance to the national community. If this infrastructure were to fail or become impaired, it would cause considerable disruption to public safety and security or lead to other drastic consequences.

As a rule, emergencies, crises and disasters are unexpected events for which it is impossible to plan, although systems and processes can be put in place to deal with such events. The systems and processes must then be treated as a special responsibility of management and must be dealt with professionally, efficiently and as quickly as possible.

UNIQA has implemented a Business Continuity Management system (BCM) covering the issues of crisis prevention, crisis management and business recovery (including business continuity plans). The main objectives are as follows:

- to prevent personal injury to, or death of, employees or third parties
- to minimise the impact from failure of key business processes
- to be appropriately prepared with continuously updated emergency and recovery plans

The UNIQA BCM model is based on international rules and standards and was further implemented in 2016. The implementation of a BCM system forms part of UNIQA's response to the requirements imposed by relevant authorities (solvency, critical infrastructure) and the market (calls for tender). This holistic approach to a risk management system not only reduces potential losses following an event but also enhances the quality of day-to-day operations.

Reputational and strategic risks

Reputational risk describes the risk of loss that arises due to possible damage to the Company's reputation, a deterioration in prestige, or a negative overall impression due to negative perception by customers, business partners, shareholders or supervisory agencies.

Reputational risks that occur in the course of core processes such as claims processing or advising and service quality are identified, evaluated and managed as operational risks in our subsidiaries.

The most important reputational risks are presented, like the operational risks, in an aggregated form in the risk report.

Group risk management then analyses whether the risk observed in the Group or in another unit may occur, and whether the danger of "contagion" within the Group is possible.

Strategic risk describes the risk that results from management decisions or insufficient implementation of management decisions that may influence current/future income or solvency. This includes the risk that arises from management decisions that are inadequate because they ignore a changed business environment.

Like operational and reputational risks, strategic risks are evaluated twice a year. Furthermore, important decisions in various committees, such as the Risk Committee, are discussed with the Management Board. As outlined in the explanation of the risk management process, the management receives a monthly update regarding the most significant risks in the form of a heat map.

6.6 Reinsurance

The Management Board of the holding company determines, directly and indirectly, the strategic contents of reinsurance policy with its decisions regarding risk and capital policy. The following principles can be derived to structure the purchasing of external reinsurance.

Reinsurance structures support the continuous optimisation of the required risk capital and the management of the use of this risk capital. Great importance is attached to the maximum use of diversification effects. Decisions regarding all reinsurance business ceded are taken with special consideration of their effects on the required risk capital. Continuous analysis of reinsurance purchasing for efficiency characteristics is an essential component of internal risk management processes.

UNIQA Re AG in Zurich is responsible for the operational implementation of these tasks. It is responsible for and guarantees the implementation of reinsurance policies issued by the Management Board of the holding company. It is responsible for issuing Group-wide guidelines governing all activities, organisation and questions regarding internal and external reinsurance relationships. UNIQA Re AG is available to all Group companies as the risk carrier for their reinsurance needs. Naturally, internal risk transfers are subject to the same requirements and valuation processes in terms of efficiency measurement, risk capital optimisation and diversification as retrocessions to external reinsurance partners.

The assessment of the exposure of the portfolios assumed by the Group companies is of central importance. Periodic risk assessments have been performed for years in the interest of a value-based management of the capital commitment. Extensive data are used to assess risk capital requirements for affected units. Reinsurance programmes are consistently structured systematically in accordance with their influence on the cedent’s risk situation.

For the property and casualty insurer, promises of performance for protection against losses resulting from natural disasters frequently represent the greatest stress on risk capital by far due to the volatile nature of such claims and the conceivable amount of catastrophic damages. UNIQA has set up a specialised unit within UNIQA Re AG in order to deal with this problem. Exposure is constantly monitored and evaluated at the country and Group levels in cooperation with internal and external authorities. UNIQA substantially eases the pressure on its risk capital through the targeted utilisation of all applicable diversification effects and the launching of a highly efficient retrocession programme.

UNIQA Re AG has assumed almost all of the UNIQA Group's required reinsurance business ceded in the reporting period. Only in the life insurance line was a portion of the necessary cessions given directly to external reinsurance partners. The Group's retrocessions in the non-life insurance line were carried out on a non-proportional basis. The Group assumes reasonable deductibles in the affected programmes based on risk and value-based approaches.

SEGMENT REPORTING

Operating segments

In € thousand	UNIQA Austria 1-12/2016	UNIQA Austria 1-12/2015	UNIQA International 1-12/2016	UNIQA International 1-12/2015	Reinsurance 1-12/2016	Reinsurance 1-12/2015
Premiums written (gross), including savings portions from unit-linked and index-linked life insurance	3,631,453	3,883,545	1,399,890	1,302,758	1,130,795	1,112,080
Premiums earned (net), including savings portions from unit-linked and index-linked life insurance	2,941,445	3,194,917	962,994	913,196	1,022,692	1,014,440
Savings portions in unit-linked and index-linked life insurance (gross)	246,038	270,217	159,060	111,795	0	0
Savings portions in unit-linked and index-linked life insurance (net)	225,666	254,102	159,060	111,795	0	0
Premiums written (gross)	3,385,416	3,613,328	1,240,830	1,190,962	1,130,795	1,112,080
Premiums earned (net)	2,715,779	2,940,815	803,935	801,401	1,022,692	1,014,440
Premiums earned (net) – intragroup	– 635,317	– 642,386	– 332,689	– 304,080	1,067,442	1,051,994
Premiums earned (net) – external	3,351,096	3,583,201	1,136,624	1,105,481	– 44,750	– 37,554
Technical interest income	306,825	403,097	26,510	28,435	0	0
Other insurance income	2,908	2,897	16,106	21,064	442	631
Insurance benefits	– 2,292,130	– 2,542,081	– 484,946	– 485,761	– 694,723	– 720,148
Operating expenses	– 589,244	– 537,469	– 336,156	– 333,823	– 330,527	– 315,686
Other technical expenses	– 26,285	– 34,855	– 33,256	– 35,366	– 9,124	– 9,060
Technical result	**117,853**	**232,404**	**– 7,807**	**– 4,051**	**– 11,240**	**– 29,823**
Net investment income and income from investment property	460,087	597,908	63,542	97,255	29,923	27,652
Other income	7,914	7,506	21,091	12,305	1,844	2,240
Reclassification of technical interest income	– 306,825	– 403,097	– 26,510	– 28,435	0	0
Other expenses	– 22,543	– 12,285	– 14,185	– 28,948	– 2,356	– 2,204
Non-technical result	**138,633**	**190,032**	**43,939**	**52,177**	**29,410**	**27,687**
Operating profit/(loss)	**256,487**	**422,436**	**36,132**	**48,126**	**18,170**	**– 2,136**
Amortisation of goodwill and impairment losses	– 3,470	– 1,542	– 22,362	– 16,638	0	0
Finance costs	– 20,787	– 21,151	– 719	– 168	– 79	0
Profit/(loss) for the year from continuing operations	**232,230**	**399,742**	**13,051**	**31,319**	**18,091**	**– 2,136**
Combined ratio (property and casualty insurance, after reinsurance)	93.7%	92.9%	99.2%	99.2%	100.0%	101.7%
Cost ratio (after reinsurance)	20.0%	16.8%	34.9%	36.6%	32.3%	31.1%

Impairment by segment

In € thousand	UNIQA Austria 1-12/2016	UNIQA Austria 1-12/2015	UNIQA International 1-12/2016	UNIQA International 1-12/2015	Reinsurance 1-12/2016	Reinsurance 1-12/2015
Goodwill						
Impairments	0	0	– 16,590	– 13,081	0	0
Investments						
Impairments	– 66,068	– 38,546	– 148	– 510	0	0
Reversal of impairment losses	7,689	16,348	1	0	0	0

Group function		Consolidation		Group	
1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
0	0	– 1,113,928	– 1,087,337	5,048,210	5,211,046
0	0	– 99,436	– 105,529	4,827,696	5,017,025
0	0	0	0	405,097	382,012
0	0	0	0	384,725	365,897
0	0	– 1,113,928	– 1,087,337	4,643,113	4,829,034
0	0	– 99,436	– 105,529	4,442,970	4,651,128
0	0	– 99,436	– 105,529	0	0
0	0	0	0	4,442,970	4,651,128
0	0	0	209	333,334	431,740
6,157	7,968	– 1,776	– 2,132	23,837	30,429
7,708	10,566	78,525	66,117	– 3,385,566	– 3,671,307
– 49,634	– 27,899	19,166	24,442	– 1,286,394	– 1,190,435
– 313	– 905	14,656	14,504	– 54,321	– 65,682
– 36,081	**– 10,269**	**11,135**	**– 2,389**	**73,861**	**185,872**
152,773	207,095	– 117,433	– 197,926	588,892	731,983
10,896	13,798	823	– 31	42,569	35,818
0	0	0	– 209	– 333,334	– 431,740
– 8,989	– 8,624	– 5,072	– 3,629	– 53,145	– 55,691
154,680	**212,269**	**– 121,681**	**– 201,795**	**244,982**	**280,370**
118,599	**202,001**	**– 110,546**	**– 204,184**	**318,842**	**466,242**
0	0	0	0	– 25,832	– 18,181
– 67,456	– 50,262	21,563	21,339	– 67,477	– 50,243
51,143	**151,739**	**– 88,983**	**– 182,846**	**225,533**	**397,818**
n/a	n/a	n/a	n/a	98.1%	97.9%
n/a	n/a	n/a	n/a	26.6%	23.7%

Group function		Consolidation		Group	
1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
0	0	0	0	– 16,590	– 13,081
0	0	– 14,271	– 14,578	– 80,486	– 53,635
249	268	0	0	7,940	16,616

Operating segments – classified by business line

Property and casualty insurance	UNIQA Austria		UNIQA International		Reinsurance	
In € thousand	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
Premiums written (gross)	1,568,649	1,540,752	942,343	883,626	1,081,063	1,060,821
Premiums earned (net)	940,937	910,145	517,339	502,988	999,749	992,086
Technical interest income	0	0	0	0	0	0
Other insurance income	2,095	1,349	10,919	16,334	200	197
Insurance benefits	– 648,003	– 633,414	– 308,845	– 296,443	– 673,153	– 697,115
Operating expenses	– 233,945	– 212,152	– 204,377	– 202,644	– 326,255	– 311,848
Other technical expenses	– 6,253	– 10,202	– 29,983	– 33,049	– 5,467	– 5,213
Technical result	**54,831**	**55,727**	**– 14,947**	**– 12,814**	**– 4,926**	**– 21,892**
Net investment income and income from investment property	27,602	49,172	32,943	44,381	20,020	17,421
Other income	5,464	6,521	7,064	7,891	1,784	2,183
Reclassification of technical interest income	0	0	0	0	0	0
Other expenses	– 17,252	– 11,467	– 10,753	– 12,264	– 2,322	– 2,122
Non-technical result	**15,814**	**44,226**	**29,254**	**40,008**	**19,482**	**17,482**
Operating profit/(loss)	**70,645**	**99,953**	**14,307**	**27,194**	**14,556**	**– 4,410**
Amortisation of goodwill and impairment losses	0	0	– 19,516	– 15,960	0	0
Finance costs	0	0	– 719	– 168	– 79	0
Profit/(loss) for the year from continuing operations	**70,645**	**99,953**	**– 5,928**	**11,065**	**14,477**	**– 4,410**

Health insurance	UNIQA Austria		UNIQA International		Reinsurance	
In € thousand	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
Premiums written (gross)	956,280	921,619	47,692	43,416	1,988	646
Premiums earned (net)	955,332	921,923	44,011	42,548	1,424	227
Technical interest income	77,670	73,783	0	0	0	0
Other insurance income	317	230	1,602	1,322	0	0
Insurance benefits	– 821,795	– 762,872	– 29,288	– 29,551	– 154	– 338
Operating expenses	– 143,119	– 121,753	– 19,794	– 20,010	– 672	– 24
Other technical expenses	– 431	– 2,056	– 204	– 364	0	0
Technical result	**67,975**	**109,255**	**– 3,673**	**– 6,056**	**598**	**– 134**
Net investment income and income from investment property	116,085	151,840	481	245	0	0
Other income	965	486	1,707	1,742	0	2
Reclassification of technical interest income	– 77,670	– 73,783	0	0	0	0
Other expenses	– 2,802	– 301	– 1,655	– 1,422	0	0
Non-technical result	**36,577**	**78,241**	**533**	**565**	**0**	**2**
Operating profit/(loss)	**104,552**	**187,496**	**– 3,141**	**– 5,491**	**598**	**– 132**
Amortisation of goodwill and impairment losses	0	0	0	0	0	0
Finance costs	0	0	0	0	0	0
Profit/(loss) for the year from continuing operations	**104,552**	**187,496**	**– 3,141**	**– 5,491**	**598**	**– 132**

Group function		Consolidation		Group	
1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
0	0	– 1,073,624	– 1,046,014	2,518,432	2,439,186
0	0	– 98,973	– 103,949	2,359,053	2,301,270
0	0	0	0	0	0
6,157	7,968	– 1,520	– 1,770	17,852	24,078
175	56	79,232	73,232	– 1,550,593	– 1,553,683
– 17,182	– 10,295	18,580	37,318	– 763,180	– 699,621
– 161	– 375	8,694	8,375	– 33,171	– 40,464
– 11,010	**– 2,647**	**6,013**	**13,207**	**29,961**	**31,580**
174,190	185,769	– 122,131	– 179,499	132,626	117,245
8,052	9,988	837	– 29	23,199	26,554
0	0	0	0	0	0
– 6,583	– 7,569	– 4,084	– 4,531	– 40,994	– 37,952
175,659	**188,189**	**– 125,378**	**– 184,059**	**114,831**	**105,846**
164,648	**185,542**	**– 119,365**	**– 170,852**	**144,791**	**137,426**
0	0	0	0	– 19,516	– 15,960
– 67,348	– 50,108	776	187	– 67,370	– 50,089
97,300	**135,434**	**– 118,589**	**– 170,665**	**57,905**	**71,376**

Group function		Consolidation		Group	
1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
0	0	– 2,304	– 1,288	1,003,656	964,393
0	0	– 411	– 800	1,000,356	963,899
0	0	0	0	77,670	73,783
0	0	0	0	1,918	1,552
7,532	10,510	133	530	– 843,571	– 781,721
– 11,976	– 5,519	75	– 6,386	– 175,486	– 153,693
– 118	– 227	0	0	– 752	– 2,647
– 4,562	**4,764**	**– 203**	**– 6,656**	**60,136**	**101,173**
– 4,544	– 6,151	2,885	– 5,863	114,907	140,071
2,341	3,421	0	0	5,013	5,650
0	0	0	0	– 77,670	– 73,783
– 1,703	0	– 66	21	– 6,226	– 1,702
– 3,906	**– 2,729**	**2,820**	**– 5,842**	**36,023**	**70,236**
– 8,468	**2,035**	**2,617**	**– 12,498**	**96,159**	**171,410**
0	0	0	0	0	0
– 107	– 154	0	0	– 107	– 154
– 8,575	**1,881**	**2,617**	**– 12,498**	**96,051**	**171,256**

Life insurance	UNIQA Austria		UNIQA International		Reinsurance	
In € thousand	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
Premiums written (gross), including savings portions from unit-linked and index-linked life insurance	1,106,524	1,421,174	409,855	375,715	47,744	50,612
Premiums earned (net), including savings portions from unit-linked and index-linked life insurance	1,045,175	1,362,849	401,644	367,660	21,519	22,127
Savings portions in unit-linked and index-linked life insurance (gross)	246,038	270,217	159,060	111,795	0	0
Savings portions in unit-linked and index-linked life insurance (net)	225,666	254,102	159,060	111,795	0	0
	0	0	0	0	0	0
Premiums written (gross)	860,487	1,150,956	250,795	263,920	47,744	50,612
Premiums earned (net)	819,510	1,108,747	242,585	255,865	21,519	22,127
Technical interest income	229,154	329,314	26,510	28,435	0	0
Other insurance income	496	1,319	3,586	3,408	241	433
Insurance benefits	– 822,332	– 1,145,795	– 146,814	– 159,767	– 21,415	– 22,696
Operating expenses	– 212,180	– 203,564	– 111,985	– 111,169	– 3,600	– 3,815
Other technical expenses	– 19,601	– 22,598	– 3,068	– 1,953	– 3,657	– 3,847
Technical result	**– 4,953**	**67,422**	**10,814**	**14,820**	**– 6,912**	**– 7,797**
Net investment income and income from investment property	316,400	396,896	30,117	52,629	9,902	10,231
Other income	1,486	499	12,321	2,672	60	55
Reclassification of technical interest income	– 229,154	– 329,314	– 26,510	– 28,435	0	0
Other expenses	– 2,489	– 517	– 1,776	– 15,263	– 34	– 82
Non-technical result	**86,243**	**67,564**	**14,152**	**11,603**	**9,928**	**10,203**
Operating profit/(loss)	**81,290**	**134,987**	**24,966**	**26,423**	**3,016**	**2,406**
Amortisation of goodwill and impairment losses	– 3,470	– 1,542	– 2,846	– 678	0	0
Finance costs	– 20,787	– 21,151	0	0	0	0
Profit/(loss) for the year from continuing operations	**57,033**	**112,293**	**22,120**	**25,745**	**3,016**	**2,406**

Group function		Consolidation		Group	
1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
0	0	– 38,000	– 40,034	1,526,123	1,807,467
0	0	– 52	– 780	1,468,287	1,751,856
0	0	0	0	405,097	382,012
0	0	0	0	384,725	365,897
0	0	0	0	0	0
0	**0**	**– 38,000**	**– 40,034**	**1,121,025**	**1,425,454**
0	0	– 52	– 780	1,083,561	1,385,959
0	0	0	209	255,664	357,957
0	1	– 256	– 362	4,067	4,799
0	0	– 840	– 7,645	– 991,401	– 1,335,903
– 20,475	– 12,084	511	– 6,489	– 347,728	– 337,121
– 35	– 303	5,963	6,129	– 20,398	– 22,571
– 20,509	**– 12,386**	**5,325**	**– 8,939**	**– 16,236**	**53,119**
– 16,873	27,477	1,812	– 12,565	341,360	474,668
504	389	– 13	– 1	14,357	3,613
0	0	0	– 209	– 255,664	– 357,957
– 703	– 1,055	– 922	881	– 5,925	– 16,037
– 17,073	**26,810**	**877**	**– 11,894**	**94,128**	**104,287**
– 37,582	**14,424**	**6,202**	**– 20,833**	**77,892**	**157,407**
0	0	0	0	– 6,316	– 2,220
0	0	20,787	21,151	0	0
– 37,582	**14,424**	**26,989**	**318**	**71,576**	**155,186**

UNIQA International – classified by region

	Premiums earned (net)		Net investment income	
In € thousand	1-12/2016	1-12/2015	1-12/2016	1-12/2015
Switzerland	11,218	10,240	191	224
Italy	0	0	0	0
Liechtenstein	1,270	2,540	214	1,254
Western Europe (WE)	**12,488**	**12,779**	**405**	**1,478**
Czech Republic	124,598	126,945	7,256	6,507
Hungary	58,557	57,282	3,864	4,205
Poland	153,457	160,166	14,329	21,069
Slovakia	76,962	73,364	3,913	3,819
Central Europe (CE)	**413,574**	**417,756**	**29,362**	**35,599**
Romania	62,496	51,352	2,740	3,427
Ukraine	38,553	40,708	8,849	14,739
Eastern Europe (EE)	**101,049**	**92,060**	**11,589**	**18,166**
Albania	27,570	25,321	739	225
Bosnia-Herzegovina	25,806	23,623	2,447	2,543
Bulgaria	43,072	40,358	1,446	1,142
Croatia	52,389	65,410	15,053	17,044
Montenegro	9,996	10,116	653	643
Macedonia	10,962	10,105	406	421
Serbia	40,225	42,003	4,774	4,328
Kosovo	10,828	13,400	151	0
Southeastern Europe (SEE)	**220,849**	**230,336**	**25,669**	**26,346**
Russia	55,975	48,470	– 3,203	15,275
Russia (RU)	**55,975**	**48,470**	**– 3,203**	**15,275**
Austria	0	0	– 280	391
Administration	**0**	**0**	**– 280**	**391**
UNIQA International	**803,935**	**801,401**	**63,542**	**97,255**
of which				
Earnings before taxes insurance companies				
Impairment				
Impairment (Ukraine)				

	Insurance benefits		Operating expenses		Earnings before taxes
1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
– 7,545	– 7,470	– 3,955	– 3,473	1,468	1,050
0	0	0	0	0	0
– 1,864	– 1,139	104	757	– 544	3,332
– 9,409	**– 8,609**	**– 3,851**	**– 2,716**	**924**	**4,382**
– 67,192	– 75,482	– 51,434	– 42,951	12,468	14,093
– 19,026	– 24,375	– 34,755	– 28,994	160	– 674
– 103,819	– 106,976	– 56,586	– 57,707	6,045	15,752
– 43,922	– 42,597	– 30,950	– 29,055	6,143	5,613
– 233,959	**– 249,430**	**– 173,725**	**– 158,707**	**24,815**	**34,784**
– 39,411	– 27,063	– 21,267	– 22,931	– 5,668	– 2,429
– 14,679	– 14,389	– 24,607	– 28,655	7,809	– 2,408
– 54,090	**– 41,452**	**– 45,874**	**– 51,586**	**2,140**	**– 4,836**
– 7,791	– 9,507	– 11,884	– 11,846	4,786	2,599
– 18,542	– 17,043	– 8,494	– 8,077	1,069	1,057
– 30,120	– 24,001	– 13,553	– 17,086	833	549
– 38,992	– 54,415	– 21,769	– 21,530	– 10,763	5,532
– 5,370	– 6,395	– 4,712	– 4,824	6	– 601
– 5,602	– 5,314	– 5,331	– 4,796	691	664
– 25,091	– 25,838	– 15,615	– 17,438	1,543	– 62
– 7,361	– 7,492	– 4,754	– 5,274	– 1,813	445
– 138,868	**– 150,006**	**– 86,111**	**– 90,871**	**– 3,647**	**10,182**
– 48,619	– 36,265	– 9,990	– 9,430	5,847	6,658
– 48,619	**– 36,265**	**– 9,990**	**– 9,430**	**5,847**	**6,658**
0	0	– 16,605	– 20,511	– 17,028	– 19,852
0	**0**	**– 16,605**	**– 20,511**	**– 17,028**	**– 19,852**
– 484,946	**– 485,761**	**– 336,156**	**– 333,823**	**13,051**	**31,319**
				30,080	51,170
				– 16,590	
					– 13,081

Consolidated statement of financial position – classified by business line

In € thousand	Property and casualty insurance		Health insurance	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Assets				
Property, plant and equipment	151,118	165,176	30,551	28,946
Investment property	285,872	216,905	275,331	280,708
Intangible assets	451,312	480,918	242,280	232,798
Financial assets accounted for using the equity method	52,128	45,122	180,787	175,924
Investments	4,510,004	4,629,614	2,825,901	2,558,942
Unit-linked and index-linked life insurance investments	0	0	0	0
Reinsurers' share of technical provisions	188,062	179,622	1,857	895
Reinsurers' share of technical provisions for unit-linked and index-linked life insurance	0	0	0	0
Receivables, including insurance receivables	651,476	986,588	44,665	149,193
Income tax receivables	64,434	69,533	139	21
Deferred tax assets	1,149	7,446	418	17
Cash and cash equivalents	288,625	304,398	78,874	159,177
Assets in disposal groups held for sale	219,334	0	33,686	0
Total assets by business line	**6,863,514**	**7,085,322**	**3,714,490**	**3,586,622**
Liabilities				
Subordinated liabilities	851,183	1,100,089	0	0
Technical provisions	2,908,289	3,059,858	2,882,134	2,780,075
Technical provisions for unit-linked and index-linked life insurance	0	0	0	0
Financial liabilities	15,998	10,568	29,214	24,016
Other provisions	749,632	739,460	22,295	21,715
Liabilities and other items classified as liabilities	644,917	707,787	15,392	89,394
Income tax liabilities	75,767	88,146	2,873	2,547
Deferred tax liabilities	37,443	62,887	147,506	144,872
Liabilities in disposal groups held for sale	332,279	0	55,012	0
Total equity and liabilities by business line	**5,615,508**	**5,768,793**	**3,154,426**	**3,062,619**

	Life insurance		Consolidation		Group
31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
83,550	98,866	0	0	265,219	292,989
788,793	894,977	0	0	1,349,996	1,392,590
810,017	999,692	– 11,249	– 10,350	1,492,360	1,703,058
288,389	293,119	0	0	521,305	514,165
11,467,353	14,681,475	– 649,786	– 477,555	18,153,472	21,392,476
4,879,928	5,226,748	0	0	4,879,928	5,226,748
146,536	373,173	– 12,013	– 4,724	324,443	548,966
318,636	315,646	0	0	318,636	315,646
235,249	534,523	– 292,694	– 758,826	638,695	911,477
1,281	17,716	0	0	65,854	87,270
4,022	5,653	0	0	5,589	13,115
182,435	426,508	0	0	549,934	890,083
4,820,709	9,289	0	0	5,073,729	9,289
24,026,898	**23,877,385**	**– 965,742**	**– 1,251,455**	**33,639,160**	**33,297,873**
410,742	410,000	– 415,882	– 414,344	846,043	1,095,745
11,842,676	15,503,296	– 23,866	– 15,168	17,609,233	21,328,061
4,846,591	5,175,437	0	0	4,846,591	5,175,437
198,129	73,664	– 197,818	– 74,667	45,524	33,580
37,422	48,246	– 10,613	– 12,979	798,737	796,442
695,000	1,205,967	– 313,065	– 731,576	1,042,244	1,271,572
480	5,277	0	0	79,120	95,970
111,727	126,937	0	0	296,676	334,696
4,474,936	0	0	0	4,862,227	0
22,617,703	**22,548,824**	**– 961,244**	**– 1,248,733**	**30,426,394**	**30,131,504**
			Consolidated equity and non-controlling interests	**3,212,766**	**3,166,369**
			Total equity and liabilities	**33,639,160**	**33,297,873**

The amounts indicated for each business line have been adjusted to eliminate amounts resulting from segment-internal transactions. Therefore, the balance of segment assets and segment equity and liabilities does not allow conclusions to be drawn with regard to the equity allocated to the respective segment.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

7. Property, plant and equipment

Acquisition costs In € thousand	Land and buildings for own use	Other property, plant and equipment	Total
At 1 January 2015	**288,860**	**234,327**	**523,186**
Currency translation	396	– 365	31
Change in basis of consolidation	46,742	– 1,185	45,557
Additions	243	21,747	21,990
Disposals	– 940	– 23,604	– 24,544
Reclassifications	– 2,911	– 1,745	– 4,656
At 31 December 2015	**332,390**	**229,174**	**561,564**
At 1 January 2016	**332,390**	**229,174**	**561,564**
Currency translation	272	376	648
Change in basis of consolidation	– 2,496	– 7,439	– 9,935
Additions	699	24,323	25,022
Disposals	– 26,609	– 8,432	– 35,041
Reclassifications	– 1,139	– 1,200	– 2,339
Reclassifications held for sale	– 24,663	– 13,957	– 38,620
At 31 December 2016	**278,454**	**222,845**	**501,299**

Accumulated amortisation and impairment losses In € thousand	Land and buildings for own use	Other property, plant and equipment	Total
At 1 January 2015	**– 101,114**	**– 158,447**	**– 259,561**
Currency translation	– 149	138	– 11
Change in basis of consolidation	0	923	923
Additions from amortisation	– 3,745	– 14,366	– 18,110
Additions from impairment	– 6,203	0	– 6,203
Disposals	73	13,204	13,277
Reclassifications	1,108	0	1,108
Reversal of impairment	0	2	2
At 31 December 2015	**– 110,029**	**– 158,547**	**– 268,575**
At 1 January 2016	**– 110,029**	**– 158,547**	**– 268,575**
Currency translation	– 132	– 328	– 460
Change in basis of consolidation	1,674	64	1,738
Additions from amortisation	– 10,400	– 13,805	– 24,206
Additions from impairment	– 305	0	– 305
Disposals	26,321	7,024	33,345
Reclassifications	5,483	– 9	5,474
Reversal of impairment	0	33	33
Reclassifications held for sale	6,931	9,947	16,877
At 31 December 2016	**– 80,458**	**– 155,621**	**– 236,080**

Carrying amounts In € thousand	Land and buildings for own use	Other property, plant and equipment	Total
At 1 January 2015	**187,746**	**75,880**	**263,626**
At 31 December 2015	**222,361**	**70,628**	**292,989**
At 31 December 2016	**197,995**	**67,224**	**265,219**

The fair values of the land and buildings used by the Group are derived from expert reports and are comprised as follows:

Fair values In € thousand	Property and casualty insurance	Health insurance	Life insurance	Total
At 31 December 2015	**174,877**	**13,876**	**143,952**	**332,705**
At 31 December 2016	**179,153**	**14,843**	**126,858**	**320,854**

Other property, plant and equipment refers mainly to technical systems and operating and office equipment.

8. Investment property

Acquisition costs In € thousand	Total
At 1 January 2015	**2,109,251**
Currency translation	– 10,513
Change in basis of consolidation	6,984
Additions	21,030
Disposals	– 111,671
Reclassifications	5,197
At 31 December 2015	**2,020,279**
At 1 January 2016	**2,020,279**
Currency translation	– 1,926
Change in basis of consolidation	– 166
Additions	15,702
Disposals	– 15,262
Reclassifications	– 1,422
Reclassifications held for sale	– 2,432
At 31 December 2016	**2,014,772**

Accumulated amortisation and impairment losses In € thousand	Total
At 1 January 2015	**– 604,769**
Currency translation	4,036
Additions from amortisation	– 57,590
Additions from impairment	– 9,038
Disposals	40,911
Reclassifications	– 1,108
Reversal of impairment	– 132
At 31 December 2015	**– 627,689**
At 1 January 2016	**– 627,689**
Currency translation	842
Change in basis of consolidation	128
Additions from amortisation	– 43,687
Additions from impairment	– 144
Disposals	6,379
Reclassifications	– 1,683
Reclassifications held for sale	1,078
At 31 December 2016	**– 664,776**

Carrying amounts In € thousand	Total
At 1 January 2015	**1,504,483**
At 31 December 2015	**1,392,590**
At 31 December 2016	**1,349,996**

The fair values of the investment property are derived from expert reports.

Fair values In € thousand	Property and casualty insurance	Health insurance	Life insurance	Total
At 31 December 2015	**383,185**	**511,614**	**1,290,594**	**2,185,392**
At 31 December 2016	**471,847**	**533,945**	**1,242,487**	**2,248,279**

The increase in the fair values of investment properties primarily affected properties in Austria. Reference is made to the statements in the section “Use of discretionary decisions and estimates” for a description of the measurement procedures applied.

9. Intangible assets

Acquisition costs In € thousand	Deferred acquisition costs	Insurance contract portfolio	Goodwill	Other intangible assets	Total
At 1 January 2015	**1,232,068**	**169,340**	**572,951**	**181,295**	**2,155,654**
Currency translation	– 4,679	– 236	– 3,397	65	– 8,247
Change in basis of consolidation	– 42	0	0	– 406	– 448
Additions	0	– 79	0	22,320	22,240
Disposals	0	2	– 7,103	– 6,013	– 13,115
Reclassifications	0	0	0	– 541	– 541
Interest capitalised	– 2,425	0	0	0	– 2,425
Capitalisation	120,984	0	0	0	120,984
Depreciation (direct)	– 135,117	0	0	0	– 135,117
At 31 December 2015	**1,210,789**	**169,026**	**562,451**	**196,720**	**2,138,985**
At 1 January 2016	**1,210,789**	**169,026**	**562,451**	**196,720**	**2,138,985**
Currency translation	263	– 15	– 932	176	– 509
Change in basis of consolidation	– 1,592	– 2	– 13,534	4,079	– 11,048
Additions	0	0	0	21,905	21,905
Disposals	0	0	– 16,121	– 5,337	– 21,458
Reclassifications	0	0	– 38,774	– 38	– 38,812
Interest capitalised	150	0	0	0	150
Capitalisation	138,103	0	0	0	138,103
Depreciation (direct)	– 147,308	0	0	0	– 147,308
Reclassifications held for sale	– 65,553	– 55,513	– 115,490	– 26,011	– 262,567
At 31 December 2016	**1,134,853**	**113,496**	**377,599**	**191,493**	**1,817,441**

Accumulated amortisation and impairment losses In € thousand	Deferred acquisition costs	Insurance contract portfolio	Goodwill	Other intangible assets	Total
At 1 January 2015		**– 131,246**	**– 120,985**	**– 153,249**	**– 405,480**
Currency translation		163	1	– 1,850	– 1,686
Change in basis of consolidation		0	0	382	382
Additions from amortisation		– 7,858	0	– 10,701	– 18,559
Additions from impairment		0	– 13,081	0	– 13,081
Disposals		– 2	874	1,625	2,497
At 31 December 2015		**– 138,943**	**– 133,191**	**– 163,794**	**– 435,927**
At 1 January 2016		**– 138,943**	**– 133,191**	**– 163,794**	**– 435,927**
Currency translation		52	– 19	– 319	– 286
Change in basis of consolidation		2	12,673	4	12,679
Additions from amortisation		– 7,858	0	0	– 7,858
Additions from impairment		– 1,873	– 16,590	– 11,580	– 30,044
Disposals		0	16,121	3,529	19,650
Reclassifications		0	38,774	10	38,784
Reclassifications held for sale		53,440	2	24,479	77,921
At 31 December 2016		**– 95,179**	**– 82,230**	**– 147,672**	**– 325,081**

Carrying amounts In € thousand	Deferred acquisition costs	Insurance contract portfolio	Goodwill	Other intangible assets	Total
At 1 January 2015	**1,232,068**	**38,093**	**451,966**	**28,046**	**1,750,174**
At 31 December 2015	**1,210,789**	**30,083**	**429,260**	**32,926**	**1,703,058**
At 31 December 2016	**1,134,853**	**18,317**	**295,369**	**43,820**	**1,492,360**

The goodwill is distributed among the individual cash generating units as follows:

Goodwill by CGU In € thousand	31/12/2016	31/12/2015
UNIQA Austria	37,737	37,737
Albania/Kosovo/Macedonia as subgroup of the "SIGAL Group"	20,995	20,697
Bosnia and Herzegovina	1,887	1,887
Bulgaria	55,812	55,812
Czech Republic	7,849	7,848
Croatia	0	16,621
Hungary	17,260	16,924
Italy	0	115,488
Montenegro	81	81
Poland	26,955	27,881
Romania	103,753	104,097
Serbia	19,072	19,366
Russia	56	44
Slovakia	120	120
Other service companies	3,792	4,655
Total	**295,369**	**429,260**

The other intangible assets comprise:

In € thousand	31/12/2016	31/12/2015
Computer software	26,035	20,495
Copyrights	0	0
Licences	97	180
Other intangible assets	17,688	12,251
Total	**43,820**	**32,926**

10. Financial assets accounted for using the equity method

The financial assets accounted for using the equity method include the shares in STRABAG SE. These represent the only essential shares that are accounted for using the equity method. The following table shows the fair value of the shares as at the reporting date.

Financial assets accounted for using the equity method In € thousand	31/12/2016	31/12/2015
Current market value of associated companies listed on a public stock exchange (STRABAG SE)	527,715	369,714
Financial assets accounted for using the equity method	39,557	23,205

As part of the accounting using the equity method, an assessment was made up until 31 December of the stake in STRABAG SE based on the interim financial statements at 30 September.

The following tables illustrate summary financial information concerning STRABAG SE.

Summarised statement of comprehensive income		STRABAG SE[1)]
In € thousand	1-9/2016	00.01.1900
Revenue	8,938,457	9,480,722
Depreciation	– 274,493	– 287,985
Interest income	44,427	60,152
Interest expenses	– 57,735	– 74,116
Income taxes	– 57,697	– 38,298
Profit/(loss) for the year	104,898	63,540
Other comprehensive income	– 32,468	21,020
Total comprehensive income	**72,430**	**84,560**
Dividends received from associated companies	**10,194**	**7,841**

Summarised statement of financial position		STRABAG SE[1)]
In € thousand	30/09/2016	31/12/2015
Cash and cash equivalents	1,501,884	2,732,330
Other current assets	4,401,980	3,712,466
Current assets	**5,903,864**	**6,444,796**
Non-current assets	**4,344,896**	**4,284,072**
Total assets	**10,248,760**	**10,728,868**
Current financial liabilities	189,194	285,994
Other current liabilities	4,432,035	4,602,993
Current liabilities	**4,621,229**	**4,888,987**
Non-current liabilities	1,249,517	1,293,753
Other non-current liabilities	1,307,947	1,225,493
Non-current liabilities	**2,557,464**	**2,519,246**
Total liabilities	**7,178,693**	**7,408,233**
Net assets	**3,070,067**	**3,320,635**

1) STRABAG SE Interim Report January - September 2016 as published on 11/30/2016.

All other financial assets accounted for using the equity method are negligible from the perspective of the Group when considered individually and are stated in aggregate form. The financial statements of the associates most recently published have been used for the purposes of the accounting using the equity method, and have been adjusted based on any essential transactions between the relevant reporting date and 31 December 2015.

Summary of information on associated companies that are not material when considered on a stand-alone basis		
In € thousand	1-12/2016	1-12/2015
Group's share of profit from continuing operations	6,729	3,259
Group's share of loss from continuing operations	0	– 12,386
Group's share of other comprehensive income	788	– 1,954
Group's share of total comprehensive income	7,517	– 11,081

Reconciliation of summarised financial information

In € thousand	STRABAG SE 2016[1] [3]	STRABAG SE 2015[3]	Associated companies not material on stand-alone basis [2] 2016	Associated companies not material on stand-alone basis [2] 2015
Net assets at 1 January	**3,029,356**	**2,884,712**	**164,459**	**258,750**
Change in basis of consolidation	0	0	– 64,664	– 32,215
Dividends	– 66,690	– 51,300	– 500	– 710
Profit/(loss) after taxes	202,686	174,000	10,474	– 52,950
Other comprehensive income	– 52,303	21,944	1,965	– 8,416
Net assets at 31 December	**3,113,049**	**3,029,356**	**111,734**	**164,459**
Shares in associated companies	14.26%	13.76%	Various investment amounts	
Carrying amount	**475,831**	**463,039**	**45,474**	**51,127**

1) Estimate for 31 Dec. 2016 based on the interim report as at 30 Sept. 2016 on STRABAG SE available as at the reporting date
2) Values in accordance with the last financial statements and/or interim reports available as at the reporting date
3) The carrying amounts are calculated based on the shares in circulation. 2016: 15.29%, 2015: 15.29%

Unrecognised losses from associated companies

In € thousand	1-12/2016	1-12/2015
Unrecognised losses in the reporting period	1,682	2,291
Cumulative unrecognised losses	10,698	9,016

11. Assets and liabilities in disposal groups held for sale

In this situation, sales related to the measures taken were concluded in conjunction with the UNIQA 2.0 strategy programme.

Based on the contract of assignment dated 28 July 2015, the approximately 29 per cent stake in Medial Beteiligungs-Gesellschaft mbH (Vienna) (Medial) is recognised below.

The Group Management Board decided on 2 December 2016 to sell the 99.7 per cent holding in the Group company UNIQA Assicurazioni S.p.A. (Italian Group). Assets and liabilities are recorded under assets and liabilities in disposal groups that are classified as held for sale.

Reference is made here to the statements under note 2.4.

The following table shows the assets and liabilities in disposal groups held for sale:

In € thousand	Medial	Italian Group	31/12/2016	31/12/2015
Assets				
Property, plant and equipment	0	21,743	21,743	0
Investment property	0	1,354	1,354	0
Intangible assets	0	112,003	112,003	0
Financial assets accounted for using the equity method	9,289	0	9,289	9,289
Investments	0	4,156,674	4,156,674	0
Unit-linked and index-linked life insurance investments	0	354,215	354,215	0
Reinsurers' share of technical provisions	0	206,860	206,860	0
Receivables, including insurance receivables	0	163,135	163,135	0
Income tax receivables	0	16,719	16,719	0
Deferred tax assets	0	19,039	19,039	0
Cash and cash equivalents	0	12,697	12,697	0
Assets in disposal groups held for sale	**9,289**	**5,064,439**	**5,073,729**	**9,289**

In € thousand	Medial	Italian Group	31/12/2016	31/12/2015
Liabilities				
Technical provisions	0	4,213,530	4,213,530	0
Technical provisions for unit-linked and index-linked life insurance	0	354,215	354,215	0
Other provisions	0	10,999	10,999	0
Liabilities and other items classified as liabilities	0	231,068	231,068	0
Income tax liabilities	0	7,641	7,641	0
Deferred tax liabilities	0	44,775	44,775	0
Liabilities in disposal groups held for sale	**0**	**4,862,227**	**4,862,227**	**0**

12. Financial instruments plus valuation hierarchies for fair value measurements

Investments are broken down into the following classes and categories of financial instruments:

At 31 December 2016 In € thousand	Variable-income securities	Fixed-income securities	Loans and other investments	Derivative financial instruments	Investments under investment contracts	Total
Financial assets recognised at fair value through profit or loss	44,264	231,009	0	135,122	59,924	470,318
Available-for-sale financial assets	671,692	15,818,859	0	0	0	16,490,551
Loans and receivables	0	462,527	730,076	0	0	1,192,603
Total	**715,957**	**16,512,394**	**730,076**	**135,122**	**59,924**	**18,153,472**
of which fair value option	44,264	231,009	0	0	0	275,273

At 31 December 2015 In € thousand	Variable-income securities	Fixed-income securities	Loans and other investments	Derivative financial instruments	Investments under investment contracts	Total
Financial assets recognised at fair value through profit or loss	76,892	354,607	0	126,545	58,452	616,497
Available-for-sale financial assets	659,499	18,495,071	0	0	0	19,154,570
Loans and receivables	0	510,092	1,111,317	0	0	1,621,409
Total	**736,391**	**19,359,770**	**1,111,317**	**126,545**	**58,452**	**21,392,476**
of which fair value option	76,892	354,607	0	0	0	431,500

Valuation hierarchy

Assets and liabilities measured at fair value

At 31 December 2016 In € thousand	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Variable-income securities	394,259	6,761	270,673	671,692
Fixed-income securities	11,501,701	3,890,571	426,587	15,818,859
Total	**11,895,959**	**3,897,332**	**697,260**	**16,490,551**
Financial assets recognised at fair value through profit or loss				
Variable-income securities	0	25,058	19,206	44,264
Fixed-income securities	92,683	77,540	60,786	231,009
Derivative financial instruments	0	73,728	61,393	135,122
Investments from investment contracts	58,318	1,606	0	59,924
Total	**151,001**	**177,932**	**141,385**	**470,318**
Assets in disposal groups held for sale	3,763,960	357,583	32,212	4,153,754

At 31 December 2016 In € thousand	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial instruments	0	30,555	0	30,555
Total	**0**	**30,555**	**0**	**30,555**

Fair values of assets and liabilities measured at amortised cost

At 31 December 2016 In € thousand	Level 1	Level 2	Level 3	Total
Investment property	**0**	**0**	**2,248,279**	**2,248,279**
Loans and receivables				
Loans and other investments	0	0	40,033	40,033
Fixed-income securities	51,499	340,994	94,785	487,279
Total	**51,499**	**340,994**	**134,818**	**527,312**
Assets in disposal groups held for sale	0	0	5,852	5,852

At 31 December 2016 In € thousand	Level 1	Level 2	Level 3	Total
Financial liabilities				
Liabilities from loans	0	0	14,968	14,968
Total	**0**	**0**	**14,968**	**14,968**
Subordinated liabilities	**927,240**	**0**	**0**	**927,240**

Assets and liabilities measured at fair value as at the previous year's reporting date

At 31 December 2015 In € thousand	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Variable-income securities	282,976	175,315	201,207	659,499
Fixed-income securities	14,608,314	3,886,758	0	18,495,071
Total	**14,891,290**	**4,062,073**	**201,207**	**19,154,570**
Financial assets recognised at fair value through profit or loss				
Variable-income securities	6,107	70,786	0	76,892
Fixed-income securities	152,355	202,252	0	354,607
Derivative financial instruments	0	126,545	0	126,545
Investments from investment contracts	42,116	16,336	0	58,452
Total	**200,578**	**415,919**	**0**	**616,497**

At 31 December 2015 In € thousand	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial instruments	0	17,922	0	17,922
Total	**0**	**17,922**	**0**	**17,922**

Fair values of assets and liabilities measured at amortised cost as at the previous year's reporting date

At 31 December 2015 In € thousand	Level 1	Level 2	Level 3	Total
Investment property	**0**	**0**	**2,185,392**	**2,185,392**
Loans and receivables				
Loans and other investments	0	0	59,136	59,136
Fixed-income securities	120,152	414,316	0	534,468
Total	**120,152**	**414,316**	**59,136**	**593,604**

At 31 December 2015 In € thousand	Level 1	Level 2	Level 3	Total
Financial liabilities				
Liabilities from loans	0	0	15,658	15,658
Total	**0**	**0**	**15,658**	**15,658**
Subordinated liabilities	**903,826**	**255,894**	**0**	**1,159,720**

Transfers between levels 1 and 2

During the reporting period, transfers from Level 1 to Level 2 were made in the amount of €1,346,667 thousand and from Level 2 to Level 1 in the amount of €1,074,490 thousand. These are attributable primarily to changes in trading frequency and trading activity.

Level 3 financial instruments

In accordance with the hierarchy set forth in IFRS 13, Level 3 primarily includes fixed-income securities and other equity investments that come under the category "Available for sale". The other equity investments include the shares in Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB shares) as their most crucial individual item.

The following table shows the changes to the fair values of financial instruments whose valuation procedures are not based on observable input factors.

In € thousand	RZB shares	Fixed-income securities	Other	Total
At 1 January 2016	**135,848**	**0**	**65,359**	**201,207**
Transfers into Level 3	0	347,585	221,544	569,129
Gains and losses recognised in the income statement	0	0	– 928	– 928
Gains and losses recognised in other comprehensive income	– 9,777	– 1,242	– 2,208	– 13,227
Purchases	0	80,244	9,703	89,947
Sales/redemptions	0	0	– 3,478	– 3,478
Reclassification as assets in disposal groups held for sale	0	0	– 4,005	– 4,005
At 31 December 2016	**126,071**	**426,587**	**285,987**	**838,645**

The transfers between Levels 2 and 3 were completed as a result of changes in the observability of the relevant input factors.

Sensitivities

The sensitivity analysis for the RZB shares was determined in the course of a valuation report. It relates to a change in the discount interest rate and the increase or decrease in the growth rate. An increase in the discount rate by 100 basis points results in a 15 per cent reduction in the value of the RZB shares. A reduction in the discount rate by 100 basis points results in a 12 per cent reduction in the value. An adjustment to the growth rate by 100 basis points results in virtually no adjustment in value.

The sensitivity analyses for the RZB shares are shown below.

Sensitivity analysis for RZB		1-12/2016		1-12/2015
In € thousand	Upside	Downside	Upside	Downside
Through equity	18,693	– 14,444	19,886	– 15,813
Effect of changes in the discount rate (+/– 1 percentage point)	**18,693**	**– 14,444**	**19,886**	**– 15,813**
Through equity	0	0	455	– 557
Effect of changes in the growth rate (+/– 1 percentage point)	**0**	**0**	**455**	**– 557**

For the most important fixed-income securities, an increase in the discount rate of 100 basis points results in a 2.0 per cent reduction in the value. A reduction in the discount rate by 100 basis points results in a 2.8 per cent increase in value.

Fixed-income securities

On 1 July 2008 securities previously available for sale were reclassified according to IAS 39/50E as other loans. Overall fixed-income securities with a carrying amount of €2,129,552 thousand were reclassified. The corresponding amount from the measurement of the financial instruments available-for-sale at 30 June 2008 was €–98,208 thousand.

Reclassified bonds In € thousand	2016	2015	2014	2013	2012	2011	2010	2009	2008
Carrying amount at 31 December	462,527	510,092	715,656	788,061	906,435	1,089,093	1,379,806	1,796,941	2,102,704
Fair value at 31 December	487,279	534,468	759,872	812,455	928,162	981,394	1,345,580	1,732,644	1,889,108
Change in fair value	376	– 19,839	19,822	129,426	129,426	– 73,987	30,586	149,299	– 213,596
Redemption income / expense	– 1,047	– 697	2,391	348	348	332	473	5,917	– 61
Impairment	0	0	– 3,539	0	0	– 25	– 8,043	0	0

Loans and other investments

In € thousand	Carrying amounts 31/12/2016	 31/12/2015
Loans		
Loans to affiliated unconsolidated companies	1,800	1,600
Loans to companies that are accounted for using the equity method	0	8,000
Mortgage loans	22,189	27,962
Loans and advance payments on policies	8,359	12,674
Other loans	7,685	8,901
Total	**40,033**	**59,136**
Other investments		
Bank deposits	576,340	935,590
Deposits retained on assumed reinsurance	113,703	116,591
Total	**690,043**	**1,052,181**
Total	**730,076**	**1,111,317**

Fair values essentially correlate with book values.

Impairment loans In € thousand	2016	2015
At 1 January	**– 33,843**	**– 35,395**
Allocation	– 697	– 1,253
Use	7,919	1,030
Reversal	815	1,807
Currency translation	– 26	– 31
At 31 December	**– 25,832**	**– 33,843**

Contractual maturities

Fair values	Fixed-income securities		Loans	
In € thousand	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Up to 1 year	331,391	276,813	5,369	12,150
More than 1 year and up to 5 years	89,577	162,489	9,892	13,894
More than 5 years up to 10 years	51,223	38,532	13,317	14,806
More than 10 years	15,087	56,634	11,456	18,285
Total	**487,279**	**534,468**	**40,033**	**59,136**

13. Receivables including insurance receivables

In € thousand	31/12/2016	31/12/2015
Reinsurance receivables		
Receivables from reinsurance business	38,024	51,753
	38,024	**51,753**
Other receivables		
Insurance receivables		
from policyholders	210,396	244,639
from insurance intermediaries	23,066	56,785
from insurance companies	9,747	13,836
	243,209	**315,260**
Additional receivables		
Interest and rent	191,850	238,024
Other tax refund claims	3,528	3,653
Receivables from employees	1,049	1,434
Remaining receivables	124,964	269,535
	321,391	**512,646**
Total other receivables	**564,601**	**827,906**
Subtotal	**602,624**	**879,659**
of which receivables with a remaining maturity of		
up to 1 year	596,312	868,879
more than 1 year	6,313	10,780
	602,624	**879,659**
of which receivables with values not yet impaired		
up to 3 months overdue	12,716	14,771
more than 3 months overdue	9,727	4,626
Other assets	**36,071**	**31,818**
Total receivables including insurance receivables	**638,695**	**911,477**

Fair values essentially correlate with book values.

Impairments	Reinsurance receivables		Insurance receivables[1]		Additional receivables	
In € thousand	2016	2015	2016	2015	2016	2015
At 1 January	– 116	– 19	– 31,086	– 31,689	– 14,672	– 14,381
Allocation	– 137	– 97	– 6,882	– 10,281	– 2,355	– 1,546
Use	0	0	3,295	2,368	324	359
Reversal	11	0	8,109	8,453	183	664
Currency translation	– 1	0	57	62	247	232
Reclassifications held for sale	0	0	5,975	0	0	0
At 31 December	**– 243**	**– 116**	**– 20,532**	**– 31,086**	**– 16,273**	**– 14,672**

[1] Impairment losses related to policyholders are shown under the cancellation provision.

There are no essential overdue liabilities that have not been impaired.

14. Income tax receivables

In € thousand	31/12/2016	31/12/2015
Income tax receivables	65,854	87,270
of which receivables with a remaining maturity of		
up to 1 year	65,710	87,103
more than 1 year	144	167

15. Deferred tax

Maturity (gross)	31/12/2016	31/12/2016	31/12/2015	31/12/2015
In € thousand	Up to 1 year	More than 1 year	Up to 1 year	More than 1 year
Deferred tax assets	15,541	174,738	26,899	165,618
Deferred tax liabilities	– 89,089	– 392,276	– 104,526	– 409,572

The differences between the tax carrying amounts and the carrying amounts in the IFRS consolidated statement of financial position have the following effect:

In € thousand	31/12/2016	31/12/2015
Deferred tax assets (gross)		
Technical items	49,174	58,007
Investments	48,266	24,531
Actuarial gains and losses on defined benefit obligations	76,336	70,426
Loss carried forward	9,716	11,664
Other items	6,786	27,890
Total	**190,278**	**192,517**
Deferred tax liabilities (gross)		
Technical items	– 257,393	– 225,671
Investments	– 167,668	– 198,165
Actuarial gains and losses on defined benefit obligations	0	– 18
Other items	– 56,304	– 90,244
Total	**– 481,365**	**– 514,098**
Net deferred tax	**– 291,087**	**– 321,581**

The deferred tax assets and deferred tax liabilities stated in the consolidated statement of financial position performed as follows:

In € thousand	Net deferred tax
At 1 January 2015	**– 343,824**
Changes recognised in profit/(loss)	– 6,674
Changes recognised in other comprehensive income	29,540
Changes due to acquisitions	355
Foreign exchange differences	– 977
At 31 December 2015	**– 321,581**
At 1 January 2016	**– 321,581**
Changes recognised in profit/(loss)	27,977
Changes recognised in other comprehensive income	– 23,203
Changes due to acquisitions	37
Reclassifications held for sale	25,736
Foreign exchange differences	– 53
At 31 December 2016	**– 291,087**

Changes recorded in other comprehensive income essentially relate to measurements of financial instruments available-for-sale and revaluation of defined benefit obligations.

The following deferred tax assets were not recognised as a realisation of these in the near future cannot be assumed, taking maturities into account.

In € thousand	31/12/2016	31/12/2015
Tax assets from loss carryforwards	23,905	24,093

These tax assets are forfeited as follows:

In € thousand	31/12/2016	31/12/2015
Up to 1 year	662	0
2 to 5 years	23,681	38,143
More than 5 years	152,937	172,752
Total	**177,280**	**210,895**

16. Cash and cash equivalents

The cash and cash equivalents in the reporting year amounted to €549,934 thousand (2015: €890,083 thousand) and these correspond with the fund of liquid assets pursuant to IAS 7. The cash and cash equivalents have a maximum commitment period of three months as at the reporting date.

17. Equity

Subscribed capital and capital reserves
The share capital is comprised of 309,000,000 no-par bearer shares as in the previous year. Capital reserves include unallocated capital reserves, which primarily result from share premiums.

Items recognised in other comprehensive income

Unrealised gains and losses from the revaluation of available-for-sale financial instruments impacted the equity in the item "Other comprehensive income", taking into account deferred profit participation (for life insurance) and deferred tax.

Actuarial gains and losses from pension and termination benefit provisions were posted as "Revaluation from defined benefit obligations" after deducting deferred policyholder profit participation and deferred tax.

Deferred tax

Change in the tax amounts included in the equity without affecting income In € thousand	31/12/2016	31/12/2015
Deferred tax	– 23,203	29,540
Total	**– 23,203**	**29,540**

Capital requirement

Capital requirements are influenced by business performance resulting from organic growth and by acquisitions. In the context of Group management, the appropriate coverage of the solvency requirement in accordance with Solvency II on a consolidated basis is constantly monitored.

Quantitative and qualitative information related to capital management according to Solvency II are included in the Solvency and Financial Condition Report (SFCR). With respect to preparing the reporting requirements in accordance with Solvency II, reference is made here to the statements under note 7.2.3.

Authorisations of the Management Board

In accordance with the resolution of the Annual General Meeting dated 26 May 2014, the Management Board is authorised to increase the Company's share capital up to and including 30 June 2019 with the approval of the Supervisory Board by a total of up to €81,000,000 by issuing up to 81,000,000 no-par value bearer or registered shares in exchange for payment in cash or in kind, one time or several times.

In accordance with the resolution of the Annual General Meeting dated 26 May 2015, the Management Board was authorised, with the approval of the Supervisory Board, to acquire treasury shares for a period of 30 months from 28 November 2015. The newly acquired shares may reach a maximum of 10 per cent of the share capital together with the treasury shares that already exist. A decision taken at the Annual General Meeting on 30 May 2016 amended this authorisation to the effect that treasury shares may be acquired at a nominal value of at least €1.00 (previously €7.00) and no more than €15.00 (previously €20.00) per no-par value share.

The treasury shares can be broken down as follows:

	31/12/2016	31/12/2015
UNIQA Insurance Group AG		
Cost in € thousand	10,857	10,857
Number of shares	819,650	819,650
Share of subscribed capital in %	0.27	0.27
UNIQA Österreich Versicherungen AG		
Cost in € thousand	5,774	
Number of shares	1,215,089	
Share of subscribed capital in %	0.39	

The treasury shares held via UNIQA Österreich Versicherungen AG stem from the merger of BL Syndikat Beteiligungs Gesellschaft m.b.H., the transferring company, with UNIQA Insurance Group AG, the acquiring company. These shares held are not to be counted towards the 10 per cent limit.

In the figure for "Earnings per share", the consolidated profit/(loss) is set against the average number of ordinary shares in circulation.

Earnings per share	1-12/2016	1-12/2015
Consolidated profit in € thousand	148,063	337,160
Treasury shares at 31 Dec.	2,034,739	819,650
Average number of shares in circulation	308,129,721	308,180,350
Earnings per share in €[1]	0.48	1.09
Dividend per share in €	0.49[2]	0.47
Dividend payment in € thousand	150,413[2]	144,845

[1] Calculated based on consolidated profit/(loss) for the year
[2] For the financial year, subject to resolution being passed by the Annual General Meeting.

The diluted earnings per share is equal to the basic earnings per share in the financial year and in the previous year.

18. Non-controlling interests

In € thousand	31/12/2016	31/12/2015
In valuation of financial instruments available for sale	3,199	1,994
In actuarial gains and losses on defined benefit plans	– 768	– 705
In retained profit	6,273	5,829
In other equity	17,809	14,734
Total	**26,513**	**21,853**

19. Subordinated liabilities

Carrying amounts In € thousand	31/12/2016	31/12/2015
Supplementary capital	846,043	1,095,745

Fair values In € thousand	31/12/2016	31/12/2015
Supplementary capital	927,240	1,159,720

UNIQA Insurance Group AG has cancelled the bond issued in 2006 with a total nominal amount of €150 million as well as the bond issued in 2007 with a total nominal amount of €100 million effective 30. December 2016, and therefore at the first possible cancellation date in accordance with the bond terms and conditions. The interest rate for the bond issued in 2006 until December 2016 was 5.079 per cent, and the interest rate for the bond issued in 2007 until December 2016 was 5.342 per cent.

In July 2013, UNIQA Insurance Group AG successfully placed a supplementary capital bond to the value of €350 million with institutional investors in Europe. The bond has a maturity period of 30 years and may only be cancelled after 10 years. The coupon amounts to 6.875 per cent per annum during the first 10 years, after which variable interest applies. The supplementary capital bond meets the requirements for equity netting as Tier 2 capital under the Solvency II regime. The issue was also aimed at replacing older supplementary capital bonds from Austrian insurance groups and at bolstering UNIQA's capital resources and capital structure in preparation for Solvency II and optimising these over the long term. The supplementary capital bond has been listed on the Luxembourg Stock Exchange since the end of July 2013. The issue price was set at 100 per cent.

In July 2015, UNIQA Insurance Group AG successfully placed a subordinated capital bond (Tier 2) to the value of €500 million with institutional investors in Europe. The bond is eligible for netting as Tier 2 capital under Solvency II. The bond is scheduled for repayment after a period of 31 years and subject to certain conditions, and can only be cancelled by UNIQA after 11 years have elapsed and under certain conditions. The coupon amounts to 6.00 per cent per annum during the first 11 years, after which variable interest applies. The bond has been listed on the Vienna Stock Exchange since July 2015. The issue price was set at 100 per cent.

20. Reinsurers' share of technical provisions

In € thousand	31/12/2016	31/12/2015
Unearned premiums	**23,302**	**21,962**
Property and casualty insurance	23,021	21,883
Health insurance	281	79
Insurance provision	**142,563**	**357,577**
Property and casualty insurance	13	14
Health insurance	995	794
Life insurance	141,556	356,769
Provision for unsettled claims	**156,598**	**167,874**
Property and casualty insurance	151,227	151,645
Health insurance	582	22
Life insurance	4,789	16,206
Other technical provisions	**1,980**	**1,553**
Total	**324,443**	**548,966**

21. Unearned premiums

In € thousand	31/12/2016	31/12/2015
Property and casualty insurance		
Gross	541,701	616,780
Reinsurers' share	– 23,021	– 21,883
	518,681	**594,897**
Health insurance		
Gross	7,780	19,077
Reinsurers' share	– 281	– 79
	7,499	**18,998**
Total		
Gross	549,482	635,857
Reinsurers' share	– 23,302	– 21,962
Total	**526,180**	**613,895**

22. Insurance provision

In € thousand	31/12/2016	31/12/2015
Property and casualty insurance		
Gross	12,273	12,344
Reinsurers' share	– 13	– 14
	12,260	**12,330**
Health insurance		
Gross	2,660,066	2,561,667
Reinsurers' share	– 995	– 794
	2,659,072	**2,560,873**
Life insurance		
Gross	10,774,952	14,289,078
Reinsurers' share	– 141,556	– 356,769
	10,633,396	**13,932,309**
Total		
Gross	13,447,291	16,863,089
Reinsurers' share	– 142,563	– 357,577
Total	**13,304,728**	**16,505,512**

The interest rates used as an accounting basis were as follows:

For In per cent	Health insurance acc. to SFAS 60	Life insurance acc. to SFAS 120
2016		
For insurance provision	1.50 – 5.50	0.00 – 4.00
For deferred acquisition costs	1.50 – 5.50	2.50 – 3.12
2015		
For insurance provision	2.25 – 5.50	0.00 – 4.00
For deferred acquisition costs	2.25 – 5.50	3.33 – 3.56

23. Provisions for unsettled claims

In € thousand	31/12/2016	31/12/2015
Property and casualty insurance		
Gross	2,287,500	2,371,658
Reinsurers' share	– 151,227	– 151,645
	2,136,273	**2,220,013**
Health insurance		
Gross	158,203	157,917
Reinsurers' share	– 582	– 22
	157,622	**157,895**
Life insurance		
Gross	139,844	193,741
Reinsurers' share	– 4,789	– 16,206
	135,055	**177,535**
Total		
Gross	2,585,547	2,723,316
Reinsurers' share	– 156,598	– 167,874
Total	**2,428,950**	**2,555,443**

The provisions for unsettled claims developed in the property and casualty insurance as follows:

In € thousand	31/12/2016	31/12/2015
Provisions for unsettled claims at 1 January		
Gross	2,371,658	2,240,465
Reinsurers' share	– 151,645	– 137,605
Net	**2,220,013**	**2,102,860**
Plus (net) claims expenditures		
Current year claims	1,687,286	1,376,992
Prior-year claims	– 37,638	10,474
Total	**1,649,649**	**1,387,466**
Less (net) claims paid		
Current year claims	– 828,423	– 650,301
Prior-year claims	– 700,078	– 619,931
Total	**– 1,528,501**	**– 1,270,232**
Currency translation	**– 6,764**	**723**
Other changes	**391**	**– 803**
Reclassifications held for sale	**– 198,515**	
Claim provision at 31 December		
Gross	2,287,500	2,371,658
Reinsurers' share	– 151,227	– 151,645
Net	**2,136,273**	**2,220,013**

Claims payments In € thousand	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Financial year	568,864	596,020	680,427	751,599	773,996	714,267	778,329	798,573	729,222	734,691	746,846	
1 year later	853,412	910,954	1,020,882	1,130,543	1,138,253	1,068,406	1,142,524	1,174,639	1,106,066	1,106,222		
2 years later	929,047	988,825	1,108,613	1,228,232	1,229,475	1,177,160	1,255,972	1,285,030	1,204,327			
3 years later	965,674	1,029,929	1,152,195	1,286,633	1,276,504	1,225,202	1,308,792	1,334,305				
4 years later	987,814	1,061,900	1,178,204	1,311,375	1,300,643	1,251,970	1,339,606					
5 years later	1,000,086	1,078,782	1,197,413	1,327,499	1,318,705	1,266,660						
6 years later	1,010,030	1,090,094	1,208,719	1,341,509	1,329,655							
7 years later	1,019,621	1,098,971	1,219,432	1,350,716								
8 years later	1,025,399	1,107,299	1,228,579									
9 years later	1,033,766	1,109,434										
10 years later	1,038,336											

Cumulated payments and provision for unsettled claims In € thousand	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Financial year	1,075,554	1,157,006	1,259,054	1,392,902	1,401,783	1,337,566	1,444,917	1,489,270	1,475,068	1,476,130	1,515,928	
1 year later	1,093,506	1,142,314	1,259,435	1,405,975	1,395,983	1,348,006	1,436,610	1,472,322	1,457,929	1,449,504		
2 years later	1,076,415	1,147,451	1,272,176	1,410,426	1,404,598	1,350,674	1,449,431	1,495,723	1,437,879			
3 years later	1,077,562	1,146,234	1,271,441	1,407,144	1,392,071	1,353,309	1,454,301	1,489,480				
4 years later	1,074,674	1,151,828	1,269,188	1,401,274	1,394,923	1,353,437	1,447,394					
5 years later	1,073,127	1,160,358	1,266,219	1,402,704	1,401,018	1,351,386						
6 years later	1,068,320	1,160,625	1,272,535	1,405,034	1,399,677							
7 years later	1,069,456	1,162,715	1,276,077	1,411,355								
8 years later	1,071,713	1,159,032	1,282,654									
9 years later	1,072,940	1,155,644										
10 years later	1,075,758											
Settlement gains/losses	– 2,818	3,388	– 6,577	– 6,321	1,341	2,051	6,907	6,243	20,049	26,626	–	50,889
Settlement gains/losses before 2005												– 5,561
Total settlement gains/losses												**45,328**
Provision for unsettled claims	37,422	46,211	54,075	60,639	70,022	84,726	107,788	155,175	233,552	343,282	769,081	1,961,972
Provision for unsettled claims for accident years before 2005												240,203
Plus other reserve components (internal claims regulation costs, etc.)												85,325
Provisions for unsettled claims (gross) at 31. December 2016												**2,287,500**

24. Provision for premium refunds

Provision for non-profit related premium refunds:

Gross In € thousand	31/12/2016	31/12/2015
At 1 January	**43,483**	**49,743**
Additions	7,759	11,056
Disposals	– 9,854	– 17,313
Foreign exchange differences	33	– 2
At 31 December	**41,422**	**43,483**

Provision for profit-related premium refunds and/or policyholder profit participation and latent profit participation:

Gross In € thousand	31/12/2016	31/12/2015
Provision for profit-related premium refunds and/or policyholder profit participation		
At 1 January	**112,096**	**188,481**
Additions	48,229	3,421
Disposals	– 19,619	– 61,709
Portfolio changes	– 13,716	– 18,130
Foreign exchange differences	529	32
At 31 December	**127,518**	**112,096**
Deferred profit participation		
At 1 January	**905,019**	**952,801**
Fluctuation in value, available-for-sale securities	152,924	– 86,990
Revaluations of defined benefit obligations	– 1,127	– 7,062
Revaluations through profit or loss	– 15,330	46,271
Reclassifications held for sale	– 203,967	0
At 31 December	**837,520**	**905,019**
Total	**965,038**	**1,017,115**

25. Technical provisions

Gross In € thousand	Unearned premiums	Insurance provision	Provision for unsettled claims	Provision for non-profit related premium refunds	Provision for profit-related premium refunds and/or policyholder profit participation	Other technical provisions	Total
Property and casualty insurance							
At 1 January 2016	**616,780**	**12,344**	**2,371,658**	**27,183**	**1,155**	**15,761**	**3,044,881**
Foreign exchange differences	–4,580	219	–8,232	22	6	–5	–12,569
Portfolio changes	–267		–114				–382
Additions		–172		195	246	1,518	1,787
Disposals		–117		–584	–9	–2,178	–2,889
Premiums written	2,027,046						2,027,046
Premiums earned	–1,998,097						–1,998,097
Claims reporting year			1,749,254				1,749,254
Claims payments reporting year			–844,986				–844,986
Change in claims previous years			–41,929				–41,929
Claims payments previous years			–736,593				–736,593
Reclassifications held for sale	–99,180		–201,558				–300,738
At 31 December 2016	**541,701**	**12,273**	**2,287,500**	**26,815**	**1,399**	**15,096**	**2,884,784**
Health insurance							
At 1 January 2016	**19,077**	**2,561,667**	**157,917**	**12,811**	**27,218**	**1,212**	**2,779,902**
Foreign exchange differences	–56	66	–12	6	0	4	8
Additions		128,463		7,240	37,011	–9	172,705
Disposals		137		–9,374	–19,608	–645	–29,490
Premiums written	968,409						968,409
Premiums earned	–966,594						–966,594
Claims reporting year			699,034				699,034
Claims payments reporting year			–494,457				–494,457
Change in claims previous years			–8,867				–8,867
Claims payments previous years			–185,169				–185,169
Reclassifications held for sale	–13,056	–30,267	–10,243				–53,565
At 31 December 2016	**7,780**	**2,660,066**	**158,203**	**10,684**	**44,621**	**561**	**2,881,916**
Life insurance							
At 1 January 2016		**14,289,078**	**193,741**	**3,489**	**988,743**	**28,228**	**15,503,278**
Foreign exchange differences		31,337	395	5	708	52	32,497
Change in basis of consolidation							
Portfolio changes		27,731			–13,716		14,015
Additions		810,208		324	163,804	61	974,398
Disposals		–797,170		104	–16,553	–1,320	–814,938
Claims reporting year			2,148,364				2,148,364
Claims payments reporting year			–1,937,182				–1,937,182
Change in claims previous years			47,002				47,002
Claims payments previous years			–265,675				–265,675
Reclassifications held for sale		–3,586,232	–46,800		–203,967	–22,227	–3,859,226
At 31 December 2016		**10,774,952**	**139,844**	**3,923**	**919,019**	**4,795**	**11,842,533**
Total							
At 1 January 2016	**635,857**	**16,863,089**	**2,723,316**	**43,483**	**1,017,115**	**45,201**	**21,328,061**
Foreign exchange differences	–4,636	31,622	–7,849	33	714	51	19,936
Change in basis of consolidation						0	0
Portfolio changes	–267	27,731	–114		–13,716		13,633
Additions		938,499		7,759	201,061	1,570	1,148,890
Disposals		–797,150		–9,854	–36,169	–4,143	–847,317
Premiums written	2,995,454						2,995,454
Premiums earned	–2,964,691						–2,964,691
Claims reporting year			4,596,651				4,596,651
Claims payments reporting year			–3,276,624				–3,276,624
Change in claims previous years			–3,794				–3,794
Claims payments previous years			–1,187,437				–1,187,437
Reclassifications held for sale	–112,236	–3,616,499	–258,601		–203,967	–22,227	–4,213,530
At 31 December 2016	**549,482**	**13,447,291**	**2,585,547**	**41,422**	**965,038**	**20,452**	**17,609,233**

Reinsurers' share In € thousand	Unearned premiums	Insurance provision	Provision for unsettled claims	Provision for non-profit related premium refunds	Provision for profit-related premium refunds and/or policyholder profit participation	Other technical provisions	Total
Property and casualty insurance							
At 1 January 2016	**21,883**	**14**	**151,645**			**1,730**	**175,272**
Foreign exchange differences	– 158	0	– 1,468			13	– 1,612
Change in basis of consolidation							
Portfolio changes	– 65		– 506				– 571
Additions						415	415
Disposals		– 1					– 1
Premiums written	43,983						43,983
Premiums earned	– 41,170						– 41,170
Claims reporting year			61,967				61,967
Claims payments reporting year			– 16,563				– 16,563
Change in claims previous years			– 4,291				– 4,291
Claims payments previous years			– 36,515				– 36,515
Reclassifications held for sale	– 1,452		– 3,043				– 4,495
At 31 December 2016	**23,021**	**13**	**151,227**			**2,158**	**176,419**
Health insurance							
At 1 January 2016	**79**	**794**	**22**				**895**
Foreign exchange differences	1		0				1
Portfolio changes							
Additions		285					285
Disposals		– 84					– 84
Premiums written	248						248
Premiums earned	– 45						– 45
Claims reporting year			639				639
Claims payments reporting year			– 104				– 104
Change in claims previous years			187				187
Claims payments previous years			– 163				– 163
Reclassifications held for sale	– 2						– 2
At 31 December 2016	**281**	**995**	**582**				**1,857**
Life insurance							
At 1 January 2016		**356,769**	**16,206**			**– 177**	**372,798**
Foreign exchange differences		37	2			0	39
Change in basis of consolidation							
Portfolio changes		– 1,206	54				– 1,152
Additions		– 728				10	– 718
Disposals		– 24,459				– 12	– 24,471
Claims reporting year			26,706				26,706
Claims payments reporting year			– 17,053				– 17,053
Change in claims previous years			7,028				7,028
Claims payments previous years			– 14,648				– 14,648
Reclassifications held for sale		– 188,857	– 13,506				– 202,363
At 31 December 2016		**141,556**	**4,789**			**– 178**	**146,166**
Total							
At 1 January 2016	**21,962**	**357,577**	**167,874**			**1,553**	**548,965**
Foreign exchange differences	– 157	37	– 1,465			13	– 1,571
Change in basis of consolidation							
Portfolio changes	– 65	– 1,206	– 452				– 1,723
Additions		– 443				425	– 18
Disposals		– 24,544				– 12	– 24,556
Premiums written	44,231						44,231
Premiums earned	– 41,215						– 41,215
Claims reporting year			89,311				89,311
Claims payments reporting year			– 33,720				– 33,720
Change in claims previous years			2,923				2,923
Claims payments previous years			– 51,325				– 51,325
Reclassifications held for sale	– 1,454	– 188,857	– 16,549				– 206,860
At 31 December 2016	**23,302**	**142,563**	**156,598**			**1,980**	**324,443**

Net In € thousand	Unearned premiums	Insurance provision	Provision for unsettled claims	Provision for non-profit related premium refunds	Provision for profit-related premium refunds and/or policyholder profit participation	Other technical provisions	Total
Property and casualty insurance							
At 1 January 2016	**594,897**	**12,330**	**2,220,013**	**27,183**	**1,155**	**14,031**	**2,869,609**
Foreign exchange differences	– 4,422	218	– 6,764	22	6	– 18	– 10,957
Portfolio changes	– 202		391				190
Additions		– 172		195	246	1,103	1,372
Disposals		– 116		– 584	– 9	– 2,178	– 2,888
Premiums written	1,983,063						1,983,063
Premiums earned	– 1,956,927						– 1,956,927
Claims reporting year			1,687,286				1,687,286
Claims payments reporting year			– 828,423				– 828,423
Change in claims previous years			– 37,638				– 37,638
Claims payments previous years			– 700,078				– 700,078
Reclassifications held for sale	– 97,728		– 198,515				– 296,243
At 31 December 2016	**518,681**	**12,260**	**2,136,273**	**26,815**	**1,399**	**12,937**	**2,708,366**
Health insurance							
At 1 January 2016	**18,998**	**2,560,873**	**157,895**	**12,811**	**27,218**	**1,212**	**2,779,007**
Foreign exchange differences	– 57	66	– 13	6	0	4	6
Portfolio changes							
Additions		128,179		7,240	37,011	– 9	172,420
Disposals		221		– 9,374	– 19,608	– 645	– 29,406
Premiums written	968,161						968,161
Premiums earned	– 966,549						– 966,549
Claims reporting year			698,396				698,396
Claims payments reporting year			– 494,352				– 494,352
Change in claims previous years			– 9,054				– 9,054
Claims payments previous years			– 185,007				– 185,007
Reclassifications held for sale	– 13,054	– 30,267	– 10,243				– 53,564
At 31 December 2016	**7,499**	**2,659,072**	**157,622**	**10,684**	**44,621**	**561**	**2,880,058**
Life insurance							
At 1 January 2016		**13,932,309**	**177,535**	**3,489**	**988,743**	**28,405**	**15,130,480**
Foreign exchange differences		31,300	393	5	708	52	32,458
Portfolio changes		28,937	– 54		– 13,716		15,167
Additions		810,935		324	163,804	51	975,115
Disposals		– 772,711		104	– 16,553	– 1,308	– 790,467
Claims reporting year			2,121,658				2,121,658
Claims payments reporting year			– 1,920,129				– 1,920,129
Change in claims previous years			39,974				39,974
Claims payments previous years			– 251,028				– 251,028
Reclassifications held for sale		– 3,397,374	– 33,295		– 203,967	– 22,227	– 3,656,863
At 31 December 2016		**10,633,396**	**135,055**	**3,923**	**919,019**	**4,974**	**11,696,366**
Total							
At 1 January 2016	**613,895**	**16,505,512**	**2,555,443**	**43,483**	**1,017,115**	**43,648**	**20,779,096**
Foreign exchange differences	– 4,479	31,584	– 6,384	33	714	38	21,507
Portfolio changes	– 202	28,937	337		– 13,716		15,356
Additions		938,942		7,759	201,061	1,144	1,148,908
Disposals		– 772,606		– 9,854	– 36,169	– 4,131	– 822,761
Premiums written	2,951,223						2,951,223
Premiums earned	– 2,923,476						– 2,923,476
Claims reporting year			4,507,340				4,507,340
Claims payments reporting year			– 3,242,904				– 3,242,904
Change in claims previous years			– 6,718				– 6,718
Claims payments previous years			– 1,136,112				– 1,136,112
Reclassifications held for sale	– 110,782	– 3,427,641	– 242,053		– 203,967	– 22,227	– 4,006,670
At 31 December 2016	**526,180**	**13,304,728**	**2,428,950**	**41,422**	**965,038**	**18,472**	**17,284,790**

26. Technical provisions for unit-linked and index-linked life insurance

In € thousand	31/12/2016	31/12/2015
Gross	4,846,591	5,175,437
Reinsurers' share	– 318,636	– 315,646
Total	**4,527,955**	**4,859,791**

As a general rule, the valuation of the insurance provisions for unit-linked and index-linked life insurance policies corresponds to the unit-linked and index-linked life insurance investments reported at current fair values. The share of reinsurers corresponds to a liability for deposits in the same amount.

27. Financial liabilities

In € thousand	2016 long term	2016 short term	2015 long term	2015 short term
Liabilities from loans	14,959	9	15,613	45
Derivative financial instruments	15,842	14,713	2,711	15,211
Financial liabilities	**30,801**	**14,723**	**18,324**	**15,256**
Subordinated liabilities	**846,043**	**0**	**845,745**	**250,000**
Total	**876,844**	**14,723**	**864,070**	**265,256**

With the exception of the subordinated liabilities, the carrying amounts of the financial liabilities are equal to the fair values.

In € thousand	Liabilities from loans	Derivative financial instruments	Subordinated liabilities
Carrying amount at 1 January 2015	**16,692**	**32,489**	**600,000**
Additions	6	1,401	495,745
Changes from currency translation	– 1	0	0
Profit or loss from changes of exchange rates	0	– 1,059	0
Ordinary amortisation	– 1,039	– 14,909	0
Carrying amount at 1 January 2016	**15,658**	**17,922**	**1,095,745**
Additions	0	12,805	0
Changes from currency translation	2	0	0
Profit or loss from changes of exchange rates	0	– 173	0
Ordinary amortisation	– 691	0	– 249,703
Carrying amount at 31 December 2016	**14,968**	**30,555**	**846,043**

Projected funds flow at 31 December 2016

In € thousand	2017	2018	2019	2020	2021	>2021
Liabilities from loans	978	960	951	942	8,349	2,910
Derivative financial instruments	14,713	231	750	2,939	10,018	1,903
Subordinated liabilities	54,813	54,813	54,813	54,964	54,813	1,050,960
Total	**70,505**	**56,004**	**56,514**	**58,844**	**73,181**	**1,055,773**

Projected funds flow at 31 December 2015

In € thousand	2016	2017	2018	2019	2020	>2020
Liabilities from loans	978	969	960	951	942	11,380
Derivative financial instruments	4,800	2,262	2,192	2,076	1,670	8,174
Subordinated liabilities	318,140	54,813	54,813	54,813	54,964	1,105,773
Total	**323,918**	**58,044**	**57,965**	**57,840**	**57,575**	**1,125,327**

28. Other provisions

In € thousand	31/12/2016	31/12/2015
Defined benefit obligations	599,641	600,394
Other provisions	199,096	196,049
Total	**798,737**	**796,442**

Defined benefit obligations

In € thousand	Defined benefit obligations for pensions	Plan assets at fair value	Net defined benefit obligations for pensions	Defined benefit obligations for termination benefits	Total defined benefit obligations
At 1 January 2016	**501,883**	**– 77,246**	**424,637**	**175,757**	**600,394**
Current service costs	16,183	0	16,183	6,837	23,020
Interest expense/income	9,720	0	9,720	2,162	11,882
Past service costs	1,582	0	1,582	1	1,584
Components of defined benefit obligations recognised in the income statement	**27,485**	**0**	**27,485**	**9,001**	**36,485**
Return on plan assets recognised in other comprehensive income	0	460	460	8	468
Actuarial gains and losses that arise from changes in demographic assumptions	0	0	0	273	273
Actuarial gains and losses that arise from changes in financial assumptions	– 3,398	0	– 3,398	5,613	2,215
Actuarial gains and losses that arise from experience adjustments	8,661	0	8,661	– 4,011	4,650
Other comprehensive income	**5,263**	**460**	**5,723**	**1,883**	**7,606**
Changes from currency translation	– 16	0	– 16	– 2	– 17
Payments	– 21,006	0	– 21,006	– 12,862	– 33,867
Contribution to plan assets	0	– 11,103	– 11,103	0	– 11,103
Transfer in	1	0	1	1,952	1,953
Transfer out	– 12,213	12,277	64	– 222	– 158
Change in basis of consolidation	0	0	0	0	0
	0	0	0	– 1,652	– 1,652
At 31 December 2016	**501,397**	**– 75,612**	**425,785**	**173,856**	**599,641**

In € thousand	Defined benefit obligations for pensions	Plan assets at fair value	Net defined benefit obligations for pensions	Termination benefits	Total defined benefit obligations
At 1 January 2015	**503,899**	**– 71,492**	**432,407**	**179,263**	**611,670**
Current service costs	18,026	0	18,026	7,164	25,189
Interest expense / income	12,264	– 1,829	10,436	3,697	14,133
Past service costs	– 47,782	0	– 47,782	– 13,398	– 61,180
Components of defined benefit obligations recognised in the income statement	**– 17,492**	**– 1,829**	**– 19,321**	**– 2,537**	**– 21,858**
Return on plan assets recognised in other comprehensive income	0	– 409	– 409	0	– 409
Actuarial gains and losses that arise from changes in demographic assumptions	0	0	0	147	147
Actuarial gains and losses that arise from changes in financial assumptions	33,519	0	33,519	16,434	49,953
Actuarial gains and losses that arise from experience adjustments	11,008	0	11,008	– 2,701	8,307
Other comprehensive income	**44,527**	**– 409**	**44,118**	**13,881**	**57,999**
Changes from currency translation	1	0	1	0	1
Payments	– 21,900	0	– 21,900	– 16,786	– 38,687
Contribution to plan assets	0	– 6,261	– 6,261	0	– 6,261
Transfer in	0	0	0	458	458
Transfer out	– 7,772	2,728	– 5,044	– 461	– 5,505
Change in basis of consolidation	620	17	637	1,940	2,577
At 31 December 2015	**501,883**	**– 77,246**	**424,637**	**175,757**	**600,394**

The plan assets for the defined benefit obligations are comprised as follows:

	31/12/2016		31/12/2015	
In per cent	Listed	Not listed	Listed	Not listed
Bonds - euro	17.7	0.3	28.8	0.0
Bonds - euro high yield	7.3	0.4	4.4	2.3
Corporate bonds - euro	22.0	1.7	19.6	2.2
Equities - euro	11.7	0.0	7.4	0.0
Equities - non-euro	7.1	0.0	5.9	0.0
Equities - emerging markets	5.5	0.1	0.3	0.0
Alternative investment instruments	2.7	0.0	1.3	0.0
Land and buildings	0.0	0.0	0.0	1.6
Cash	0.1	19.2	0.0	10.1
HTM bonds / term deposits	4.2	0.0	16.1	0.0
Total	**78.3**	**21.7**	**83.8**	**16.2**

The measurement of the defined benefit obligations is based on the following actuarial calculation parameters:

Calculation factors applied In per cent	2016	2015
Discount rate		
Termination benefit obligations	0.9	1.3
Pensions	1.6	2.0
Valorisation of remuneration	3.0	3.0
Valorisation of pensions	2.0	2.0
Employee turnover rate	dependent on years of service	dependent on years of service
Calculation principles	AVÖ 2008 P – Pagler & Pagler/ – salaried employees	AVÖ 2008 P – Pagler & Pagler/ – salaried employees

Weighted average duration in years	Pensions	Termination benefits
31/12/2016	14.4	8.3
31/12/2015	13.8	8.4

Investment risk

The cash value of the defined benefit obligations is calculated using a discount rate which is determined based on the returns from high-quality corporate bonds. There will be a deficit if the changes in the plan assets fall below these returns. The plans for the different benefit obligations include a diversified mix of securities. These primarily include annuities, corporate bonds, equities and other equity instruments, etc. By reducing the duration of the plans, the Group intends to reduce the investment risk by continuously adjusting the portfolio of assets to the requirements of the defined benefit plans.

Interest rate change risk

A fall in the return on corporate bonds results in an increase in the cash value of the defined benefit obligations. However, this effect is absorbed in part by the increase in the plan assets or by higher income from the plan assets.

Life expectancy

The cash value of the benefit obligations from pensions is heavily dependent inter alia on the life expectancy of the beneficiaries. An increase in the life expectancy of the beneficiaries results in an increase in the defined benefit obligations.

Salary risk

The cash value of the defined benefit obligations is ascertained based on the future salaries of the beneficiaries. In this respect, any salary increases result in an increase in the defined benefit obligations. The majority of the assets from the plan assets are not indexed to any rates of inflation or salary increase.

The sensitivity of the defined benefit obligations on changes in the weighted actuarial calculation parameters is:

Sensitivity analysis 2016	Pensions	Termination benefits
Remaining life expectancy		
Change in DBO (+1 year)	3.4%	
Change in DBO (-1 year)	– 3.6%	
Discount rate		
Change in DBO (+1%)	– 11.8%	– 7.8%
Change in DBO (-1%)	14.7%	8.9%
Future salary increase rate		
Change in DBO (+0.75%)	1.4%	6.4%
Change in DBO (-0.75%)	– 1.4%	– 5.9%
Future pension increase rate		
Change in DBO (+0.25%)	3.0%	
Change in DBO (-0.25%)	– 2.9%	

Sensitivity analysis 2015	Pensions	Termination benefits
Remaining life expectancy		
Change in DBO (+1 year)	3.2%	
Change in DBO (-1 year)	– 3.4%	
Discount rate		
Change in DBO (+1%)	– 11.9%	– 7.1%
Change in DBO (-1%)	14.8%	9.0%
Future salary increase rate		
Change in DBO (+0.75%)	1.6%	5.9%
Change in DBO (-0.75%)	– 1.5%	– 6.0%
Future pension increase rate		
Change in DBO (+0.25%)	3.0%	
Change in DBO (-0.25%)	– 2.9%	

Under the defined contribution company pension scheme, the employer pays the fixed amounts into company pension funds. The employer has satisfied their obligation by making these contributions.

In € thousand	1-12/2016	1-12/2015
Contributions to company pension funds	2,011	2,048

Other provisions

In € thousand	Provisions for jubilee benefits	Customer services and marketing provision	Provision for legal and consulting expenses	Provision for premium adjustment of reinsurance contracts	Provision for portfolio maintenance commission	Miscellaneous other provisions	Total
At 1 January 2015	**14,884**	**75,763**	**7,948**	**7,911**	**3,174**	**80,487**	**190,167**
Additions	1,414	73,879	2,504	2,768	1,792	61,708	144,066
Reversal of unused provisions	– 917	– 3,137	– 2,099	– 3	0	– 19,860	– 26,017
Addition due to unwinding of the discount	321	0	0	0	0	0	321
Change in basis of consolidation	0	0	– 1	0	0	1,691	1,690
Reclassifications	0	2	0	0	0	– 2	0
Use in current year	– 10	– 71,219	– 2,932	– 4,853	– 1,023	– 34,171	– 114,208
Foreign exchange differences	0	– 10	0	7	57	– 23	30
At 31 December 2015	**15,692**	**75,279**	**5,420**	**5,829**	**4,000**	**89,830**	**196,049**
At 1 January 2016	**15,692**	**75,279**	**5,420**	**5,829**	**4,000**	**89,830**	**196,049**
Additions	1,162	79,268	712	1,610	3,437	78,829	165,017
Reversal of unused provisions	0	– 1,738	– 428	– 78	– 1	– 18,098	– 20,344
Addition due to unwinding of the discount	144	0	0	0	0	0	144
Change in basis of consolidation	342	0	32	0	0	– 4,389	– 4,015
Reclassifications	0	– 3	0	0	0	603	600
Use in current year	– 1,805	– 64,621	– 2,344	– 3,908	– 3,729	– 52,674	– 129,081
Foreign exchange differences	0	81	– 19	0	0	10	72
Reclassifications held for sale	0	– 306	– 1,480	0	0	– 7,561	– 9,347
At 31 December 2016	**15,535**	**87,960**	**1,894**	**3,452**	**3,707**	**86,549**	**199,096**

29. Liabilities and other items classified as equity or liabilities

In € thousand	31/12/2016	31/12/2015
Reinsurance liabilities		
Deposits retained on assumed reinsurance	459,839	665,447
Reinsurance settlement liabilities	28,139	34,980
	487,978	**700,427**
Other liabilities		
Insurance liabilities		
to policyholders	124,367	129,512
to insurance brokers	45,347	51,764
to insurance companies	5,802	9,633
	175,517	**190,909**
Liabilities to credit institutions	**4,001**	**0**
Other liabilities	**351,662**	**358,301**
of which for taxes	75,059	61,059
of which for social security	11,740	14,182
of which from fund consolidation	1,002	2,224
Total other liabilities	**531,179**	**549,210**
Subtotal	**1,019,157**	**1,249,637**
of which liabilities with a maturity of		
up to 1 year	621,256	723,678
more than 1 year up to 5 years	18,595	3,983
more than 5 years	379,306	521,975
	1,019,157	**1,249,637**
Other debt	**23,087**	**21,935**
Total liabilities and other items classified as liabilities	**1,042,244**	**1,271,572**

Other liabilities basically comprise the balance of the deferred income from the settlement of indirect business.

30. Income tax liabilities

In € thousand	31/12/2016	31/12/2015
Income tax liabilities	**79,120**	**95,970**
of which liabilities with a maturity of		
up to 1 year	1,870	13,089
more than 1 year up to 5 years	77,250	82,881
more than 5 years	0	0

NOTES TO THE CONSOLIDATED INCOME STATEMENT

31. Premiums

Premiums In € thousand	1-12/2016	1-12/2015
Premiums written - gross	4,643,113	4,829,034
Premiums written - reinsurer's share	– 171,950	– 173,659
Premiums written - net	4,471,163	4,655,375
Change in premiums earned - gross	– 31,425	– 11,734
Change in premiums earned - reinsurers' share	3,233	7,487
Premiums earned	4,442,970	4,651,128

Direct insurance In € thousand	1-12/2016	1-12/2015
Property and casualty insurance	2,482,065	2,401,737
Health insurance	1,003,654	964,392
Life insurance	1,108,319	1,412,869
Total	**4,594,038**	**4,778,997**
Of which written in:		
Austria	3,379,538	3,607,781
Remaining EU member states and other states which are party to the Agreement on the European Economic Area	955,980	913,992
Other countries	258,519	257,225
Total	**4,594,038**	**4,778,997**

Indirect insurance In € thousand	1-12/2016	1-12/2015
Property and casualty insurance	36,367	37,449
Health insurance	2	1
Life insurance	12,706	12,586
Total	**49,075**	**50,036**

In € thousand	1-12/2016	1-12/2015
Total	**4,643,113**	**4,829,034**

Property and casualty insurance premiums written In € thousand	1-12/2016	1-12/2015
Direct insurance		
Fire and business interruption insurance	227,994	227,888
Household insurance	178,439	174,015
Other property insurance	229,123	226,992
Motor TPL insurance	579,705	545,364
Other motor insurance	475,044	439,075
Casualty insurance	347,068	331,277
Liability insurance	235,949	235,223
Legal expense insurance	84,991	81,263
Marine, aviation and transport insurance	59,763	73,636
Other forms of insurance	63,988	67,004
Total	**2,482,065**	**2,401,737**
Indirect insurance		
Marine, aviation and transport insurance	1,820	874
Other forms of insurance	34,546	36,576
Total	**36,367**	**37,449**
Total direct and indirect insurance (amount consolidated)	**2,518,432**	**2,439,186**

Reinsurance premiums ceded in € thousand	1-12/2016	1-12/2015
Property and casualty insurance	133,022	132,391
Health insurance	1,265	1,105
Life insurance	37,663	40,163
Total	**171,950**	**173,659**

Premiums earned In € thousand	1-12/2016	1-12/2015
Property and casualty insurance	**2,359,053**	**2,301,270**
Gross	2,488,862	2,426,182
Reinsurers' share	– 129,809	– 124,912
Health insurance	**1,000,356**	**963,899**
Gross	1,001,599	964,975
Reinsurers' share	– 1,243	– 1,076
Life insurance	**1,083,561**	**1,385,959**
Gross	1,121,226	1,426,142
Reinsurers' share	– 37,665	– 40,183
Total	**4,442,970**	**4,651,128**

Premiums earned – indirect insurance in € thousand	1-12/2016	1-12/2015
Posted immediately	13,592	2,860
Recognised with a delay of up to 1 year	19,679	26,587
Posted after more than 1 year	106	0
Property and casualty insurance	**33,377**	**29,447**
Recognised simultaneously	0	642
Recognised with a delay of up to 1 year	2	1
Health insurance	**2**	**644**
Recognised with a delay of up to 1 year	12,222	10,667
Life insurance	**12,222**	**10,667**
Total	**45,601**	**40,758**

Earnings – indirect insurance In € thousand	1-12/2016	1-12/2015
Property and casualty insurance	27,621	26,442
Health insurance	970	123
Life insurance	7,792	1,898
Total	**36,383**	**28,463**

32. Insurance benefits

	Gross		Reinsurers' share		Net	
In € thousand	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
Property and casualty insurance						
Claims expenses						
Claims paid	1,449,961	1,472,667	– 54,383	– 58,938	1,395,578	1,413,729
Change in provision for unsettled claims	127,253	123,135	– 3,756	– 16,650	123,496	106,485
Total	**1,577,214**	**1,595,802**	**– 58,140**	**– 75,589**	**1,519,074**	**1,520,214**
Change in insurance provision	– 379	– 240	1	100	– 377	– 140
Change in other technical provisions	– 464	– 848	0	0	– 464	– 848
Non-profit related and profit-related premium refund expenses	32,361	34,458	0	0	32,361	34,458
Total benefits	**1,608,732**	**1,629,173**	**– 58,138**	**– 75,489**	**1,550,593**	**1,553,683**
Health insurance						
Claims expenses						
Claims paid	664,665	648,021	– 275	– 324	664,390	647,697
Change in provision for unsettled claims	10,207	1,065	– 559	1	9,648	1,066
Total	**674,872**	**649,086**	**– 834**	**– 323**	**674,038**	**648,763**
Change in insurance provision	125,983	121,945	84	92	126,067	122,037
Change in other technical provisions	– 564	207	0	0	– 564	207
Non-profit related and profit-related premium refund expenses	44,030	10,715	0	0	44,030	10,715
Total benefits	**844,321**	**781,953**	**– 750**	**– 232**	**843,571**	**781,721**
Life insurance						
Claims expenses						
Claims paid	1,724,173	2,131,135	– 26,453	– 24,750	1,697,720	2,106,385
Change in provision for unsettled claims	– 22,440	– 25,413	230	– 925	– 22,210	– 26,338
Total	**1,701,732**	**2,105,722**	**– 26,222**	**– 25,674**	**1,675,510**	**2,080,048**
Change in insurance provision	– 698,099	– 800,636	– 7,571	– 13,650	– 705,669	– 814,286
Change in other technical provisions	– 4	869	0	0	– 4	869
Non-profit related and profit-related premium refund expenses and/or (deferred) benefit participation expenses	21,564	69,272	0	0	21,564	69,272
Total benefits	**1,025,194**	**1,375,227**	**– 33,793**	**– 39,324**	**991,401**	**1,335,903**
Total	**3,478,247**	**3,786,352**	**– 92,681**	**– 115,045**	**3,385,566**	**3,671,307**

33. Operating expenses

In € thousand	1-12/2016	1-12/2015
Property and casualty insurance		
Acquisition costs		
Payments	549,185	529,538
Change in deferred acquisition costs	– 9,590	– 2,444
Other operating expenses	233,529	181,410
Reinsurance commission and share of profit from reinsurance ceded	– 9,944	– 8,884
	763,180	**699,621**
Health insurance		
Acquisition costs		
Payments	106,621	87,110
Change in deferred acquisition costs	– 7,472	– 6,590
Other operating expenses	76,800	73,693
Reinsurance commission and share of profit from reinsurance ceded	– 463	– 521
	175,486	**153,693**
Life insurance		
Acquisition costs		
Payments	224,249	225,468
Change in deferred acquisition costs	27,681	30,208
Other operating expenses	106,702	91,150
Reinsurance commission and share of profit from reinsurance ceded	– 10,904	– 9,705
	347,728	**337,121**
Total	**1,286,394**	**1,190,435**

34. Net investment income

Classified by business line	Property and casualty insurance		Health insurance		Life insurance		Total	
In € thousand	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
Investment property	**414**	**1,897**	**3,881**	**32,213**	**41,685**	**76,941**	**45,980**	**111,051**
Financial assets accounted for using the equity method	**5,551**	**3,171**	**11,741**	**12,439**	**21,322**	**7,596**	**38,614**	**23,205**
Variable-income securities	**41,134**	**13,369**	**4,675**	**6,159**	**– 1,881**	**28,310**	**43,928**	**47,838**
Available for sale	40,460	13,047	1,479	5,741	– 1,551	25,695	40,388	44,483
At fair value through profit or loss	674	322	3,196	418	– 330	2,615	3,540	3,354
Fixed-income securities	**85,258**	**102,394**	**96,678**	**98,638**	**272,743**	**372,294**	**454,679**	**573,327**
Available for sale	85,920	102,492	95,805	98,348	264,650	361,629	446,375	562,469
At fair value through profit or loss	– 662	– 98	873	290	8,093	10,666	8,304	10,858
Loans and other investments	**6,995**	**7,660**	**5,396**	**7,534**	**43,725**	**52,280**	**56,116**	**67,473**
Loans	1,691	433	3,569	5,931	10,481	17,474	15,742	23,838
Other investments	5,303	7,227	1,827	1,603	33,244	34,805	40,374	43,636
Derivative financial instruments	**6,909**	**245**	**512**	**– 9,425**	**– 21,976**	**– 42,883**	**– 14,555**	**– 52,062**
Investment administration expenses, interest paid and other investment expenses	**– 13,635**	**– 11,492**	**– 7,976**	**– 7,486**	**– 14,259**	**– 19,870**	**– 35,869**	**– 38,848**
Total	**132,626**	**117,245**	**114,907**	**140,071**	**341,360**	**474,668**	**588,892**	**731,983**

Classified by type of income	Current income		Gains/losses from disposals and changes in value		Total		of which impairment	
In € thousand	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
Financial assets recognised at fair value through profit or loss								
Variable-income securities (within the framework of fair value option)	3,601	7,531	– 61	– 4,177	3,540	3,354	0	0
Fixed-income securities (within the framework of fair value option)	2,758	14,292	5,546	– 3,434	8,304	10,858	0	0
Derivative financial instruments	– 10,432	1,322	– 4,123	– 53,384	– 14,555	– 52,062	0	0
Investments under investment contracts[1]	0	0	0	0	0	0	0	0
Subtotal	**– 4,074**	**23,145**	**1,363**	**– 60,995**	**– 2,711**	**– 37,850**	**0**	**0**
Available-for-sale financial assets								
Variable-income securities	34,292	31,487	6,096	12,996	40,388	44,483	– 42,494	– 7,531
Fixed-income securities	375,364	409,893	71,011	152,575	446,375	562,469	– 35,646	– 33,770
Subtotal	**409,656**	**441,381**	**77,107**	**165,571**	**486,763**	**606,952**	**– 78,140**	**– 41,302**
Loans and receivables								
Fixed-income securities	13,965	18,343	306	2,969	14,271	21,312	0	0
Loans and other investments	40,597	41,901	1,248	4,260	41,845	46,161	– 2,202	– 3,295
Subtotal	**54,562**	**60,245**	**1,554**	**7,229**	**56,116**	**67,473**	**– 2,202**	**– 3,295**
Investment property	**73,282**	**79,927**	**– 27,302**	**31,124**	**45,980**	**111,051**	**– 144**	**– 9,038**
Financial assets accounted for using the equity method	**39,557**	**23,205**	**– 944**	**0**	**38,614**	**23,205**	**0**	**0**
Investment administration expenses, interest paid and other investment expenses	**– 35,869**	**– 38,848**	**0**	**0**	**– 35,869**	**– 38,848**	**0**	**0**
Total	**537,115**	**589,054**	**51,778**	**142,929**	**588,892**	**731,983**	**– 80,486**	**– 53,635**

[1] Income from investments under investment contracts is not stated due to its transitory character.

Income from available-for-sale fixed-income securities includes losses of €0 thousand (2015: gains of €32,833 thousand) and income from fixed-income and variable-income securities at fair value through profit or loss includes gains of €577 thousand (2015: losses of €1,068 thousand) from Level 3 valuations.

The adjustment of valuation allowances relates to both the reversal of impairment losses as well as the impairment of financial assets, excluding assets held for trading and financial assets at fair value through profit or loss. The interest income from impaired portfolio items amounts to €22,860 thousand (2015: €9,900 thousand). The net investment income of €588,892 thousand (2015: €731,983 thousand) includes realised and unrealised gains and losses amounting to €51,778 thousand (2015: €142,929 thousand), which includes currency gains of €10,778 thousand (2015: €44,715 thousand). These currency gains are essentially the result of investments in US dollars. The currency gains in the underlying US dollar securities amounted to around €22,149 thousand (2015: €106,545 thousand), which were accompanied by expenditures from derivative financial instruments within the scope of hedging transactions in the amount of €1,451 thousand (2015: Expenses in the amount of €66,083 thousand). In addition, currency effects in the amount of €5,356 thousand (2015: €4,216 thousand) were recognised directly in equity. The income from real estate held as financial investments includes rent revenue in the amount of €105,679 thousand (2015: €112,806 thousand) direct operational expenses in the amount of €32,397 thousand (2015: €32,879 thousand).

Net profit by measurement category

In € thousand	2016	2015
Financial assets recognised at fair value through profit or loss		
Recognised in profit/(loss) for the year	– 2,711	– 37,850
Available-for-sale financial assets		
Recognised in profit/(loss) for the year	486,763	606,952
of which reclassified from equity to consolidated income statement	– 82,551	– 73,138
of which recognised in other comprehensive income[1)]	243,315	– 154,336
Net income	**730,078**	**452,616**
Loans and receivables		
Recognised in profit/(loss) for the year	56,116	67,473
Financial liabilities measured at amortised cost		
Recognised in profit/(loss) for the year	– 67,477	– 50,243

[1)] The presentation does not include the share of other comprehensive income allocated to the discontinued operations. This results in differences between these amounts and the amount shown in the consolidated statement of comprehensive income.

The overall interest expenditure from financial instruments amounts to €68,168 thousand (2015: €51,902 thousand). The income from financial instruments amounts to €537,115 thousand (2015: €589,054 thousand).

35. Other income

In € thousand	1-12/2016	1-12/2015
Other non-technical income	**41,828**	**35,818**
Property and casualty insurance	22,458	26,554
Health insurance	5,013	5,650
Life insurance	14,357	3,613
of which		
Services	6,099	8,733
Changes in exchange rates	19,777	10,949
Other	15,952	16,136
Other income	**741**	**0**
From currency translation	742	0
From other	– 2	0
Total	**42,569**	**35,818**

36. Other expenses

In € thousand	1-12/2016	1-12/2015
Other non-technical expenses	**48,806**	**50,243**
Property and casualty insurance	36,888	32,947
Health insurance	6,137	1,736
Life insurance	5,781	15,560
of which		
Services	236	723
Exchange rate losses	9,994	20,034
Motor vehicle registration	5,876	6,422
Other	32,699	23,063
Other expenses	**4,339**	**5,448**
For currency translation	0	1,833
Other	4,339	3,615
Total	**53,145**	**55,691**

37. Income taxes

Income tax In € thousand	1-12/2016	1-12/2015
Actual tax – reporting year	61,847	78,525
Actual tax – previous years	– 11,944	– 11,086
Deferred tax	– 27,093	12,844
Total	**22,810**	**80,283**

Reconciliation statement In € thousand	1-12/2016	1-12/2015
Earnings before taxes	**225,533**	**397,818**
Expected tax expenses[1]	**56,383**	**99,455**
Adjusted by tax effects from		
Tax-free investment income	– 11,513	– 8,266
Amortisation of goodwill and impairment losses	4,148	3,270
Tax-neutral consolidation effect	447	321
Other non-deductible expenses/other tax-exempt income	3,931	5,397
Changes in tax rates	– 1,054	0
Deviations in tax rates	– 5,751	– 4,764
Taxes for previous years	– 20,318	– 11,086
Lapse of loss carried forward and other	– 3,463	– 4,044
Income tax expenses	**22,810**	**80,283**
Average effective tax burden In per cent	**10.1**	**20.2**

[1] Earnings before taxes multiplied by the corporate income tax rate

The basic corporate income tax rate applied for all segments was 25 per cent. National tax regulations in conjunction with life insurance profit participation may lead to a higher than calculated tax rate on profits.

The calculation of deferred tax is based on the specific tax rates of each country, which were between 9 and 25 per cent in this financial year (2015: between 9 and 34 per cent). Changes in tax rates in effect at 31 December 2016 are taken into account.

38. Discontinued operations

The sale of the Italian Group represents a discontinued operation as at the reporting date. With respect to the balance sheet, reference is made here to the statements under note 11.

If an operation is classified as a discontinued operation, the consolidated statement of comprehensive income for the comparative year is adjusted so that it were as if the operation had been discontinued from the start of the comparative year. The profit and loss of the discontinued business line presented in the consolidated income statement is composed as follows:

In € thousand	1-12/2016	1-12/2015 adjusted
Premiums earned (net)	1,237,722	982,379
Technical interest income	87,797	86,699
Other insurance income	208	240
Insurance benefits	– 1,196,318	– 931,476
Operating expenses	– 107,709	– 105,666
Other technical expenses	– 9,592	– 10,807
Technical result	**12,107**	**21,369**
Net investment income and income from investment property	98,564	99,162
Other income	6,664	6,708
Reclassification of technical interest income	– 87,797	– 86,699
Other expenses	– 3,668	– 5,302
Non-technical result	**13,764**	**13,868**
Operating profit/(loss)	**25,871**	**35,237**
Impairment losses	– 1,571	– 2,838
Earnings before taxes	**24,300**	**32,400**
Income taxes	– 6,756	– 9,253
Current profit/(loss) from discontinued operations (after tax)	**17,544**	**23,147**
Amortisation and disposal costs	– 70,649	0
Profit/(loss) from discontinued operations (after tax)	**– 53,105**	**23,147**
of which attributable to shareholders of UNIQA Insurance Group AG	– 53,810	22,455
of which attributable to non-controlling interests	705	691

The consolidation of expenses and earnings in addition to the elimination of interim results were still carried out for transactions between discontinued and ongoing business lines.

In addition to reflecting current earnings, income from discontinued business lines include the depreciation of fair value in the amount of €72,642 thousand and costs to sell. Income from the valuation of financial instruments available for sale, the fluctuations in value of which are reflected in the equity, amount to €68,920 thousand and are reported in other comprehensive income.

39. Other disclosures

Employees

Personnel expenses In € thousand	1-12/2016	1-12/2015
Salaries and wages	418,409	393,521
Expenses for termination benefits	25,411	1,784
Pension expenses	52,128	59,257
Expenditure on mandatory social security contributions as well as income-based charges and compulsory contributions	108,663	105,772
Other social expenditures	7,968	6,342
Total	**612,579**	**566,676**
of which sales	142,007	137,534
of which administration	447,663	399,371
of which retirees	22,909	29,772

Average number of employees[1]	31/12/2016	31/12/2015
Total	**12,855**	**13,782**
of which sales	4,630	5,397
of which administration	8,225	8,385

[1] The presentation does not include the average number of salaried employees in the discontinued operation.

In € thousand	1-12/2016	1-12/2015
Expenses for defined benefit obligations amounted to:		
Members of the Management Board and Executives as defined by Section 80(1) of the Austrian Stock Corporation Act	4,982	4,716
Other employees	31,503	52,760

Both figures include the expenditure for pensioners and surviving dependants.

The active salaries of the members of the Management Board at UNIQA Insurance Group AG amounted to €4,621 thousand in the reporting year (2015: €3,498 thousand). Existing pension commitments to the members of the Management Board amounted to €3,308 thousand (2015: €681 thousand). The amount expended on pensions in the reporting year for former members of the Management Board and their survivors was €815 thousand (2015: €2,751 thousand).

The compensation to the members of the Supervisory Board for their work in the 2015 financial year was €425 thousand. Provisions in the amount of €470 thousand have been recognised for the remuneration to be paid for this work in the 2016 financial year. The amount paid out in attendance fees and cash expenditures in the financial year was €77 thousand (2015: €49 thousand).

There are no advance payments or loans to or liabilities for members of the Management Board and the Supervisory Board.

Share-based remuneration agreement with cash settlement

In the 2013 financial year, the UNIQA Group introduced a share-based remuneration programme for members of the Management Board of UNIQA Insurance Group AG (UIG) and for the members of the Management Board of UNIQA Österreich Versicherungen AG and UNIQA International AG. In line with this programme, qualified members of the Management Board were granted virtual UIG shares between 2013 and 2016, which give them the right to a cash payment after the end of the benefit period, provided certain targets are met, and maximum limits have been agreed. The programme stipulates an obligation to make an annual investment in UNIQA shares with a holding period of four years in each case. A total of 990,291 virtual shares had reached maturity at 31 December 2016.

Payment for the virtual shares is predicated on certain performance indicators having been met over a period of time equal to four financial years in each case.

Performance target 1

Total Shareholder Return (TSR = (Final quote – initial quote + dividends) : initial quote): average rank of the TSR of the UNIQA ordinary share among the companies managed in the DJ EuroStoxx TMI Insurance index during the performance period (market-based criterion for option grant).

Performance target 2

Return on Equity (ROE = profit/loss for the year : Equity at 31 December, "after non-controlling interests" when relevant): average rank of the ROE of UNIQA among the companies managed in the DJ EuroStoxx TMI Insurance index during the performance period (non-market-based criterion for option grant).

Performance target 3

Property and casualty insurance net combined ratio (CoR = sum of the net loss ratio and the net expense ratio in the IFRS consolidated financial statement): extent to which goals with respect to the targeted amount were achieved by the end of the performance period (non-market-based criterion for option grant).

Performance target 4

Return on Risk Capital (RoRC = annual profit/loss after taxes in relation to required equity): extent to which goals with respect to the targeted amount were achieved by the end of the performance period (non-market-based criterion for option grant).

Only performance targets 1 and 2 are to be considered for the performance period 2013–2016, each weighted 50 per cent. The degree of target achievement was determined as follows:

Rank	TSR target	RoRC target
⩽ 6	200%	200%
7	180%	180%
8	160%	160%
9	140%	140%
10	120%	120%
11	100%	100%
12	90%	90%
13	80%	80%
14	70%	70%
15	60%	60%
16	50%	50%
⩾ 17	0%	0%

Performance targets 1, 3 and 4 will be considered for performance periods 2014–2017, 2015–2018 and 2016–2019, which are all worth a third of the total and may have a value no greater than 200 per cent and no less than 50 per cent. The calibration of TSR targets does not differ from the target calibration determined for the performance period 2013–2016. The following targets, which must be met by the end of the performance period, were set for performance targets 3 and 4, whereby meeting the target is assigned a target value of 100 per cent:

Relevant financial year	CoR target	RoRC target
2017	97.5%	6.6%
2018	96.3%	8.3%
2019	95.3%	9.7%

The concrete degree of target achievement with respect to performance goal 3 was calculated as follows: Degree of target achievement = CoR's change in ACTUAL compared to the previous year / planned changes to the CoR compared to the previous year = (x – Actual-CoR)/(Plan-CoR – Actual-CoR). The first year of a tranche's performance period is taken to be the previous year. The degree of target achievement for performance goal 4 is calculated as follows: Degree of target achievement = Actual-RoRC : Plan-RoRC.

The payment amount in the first half of the year following the end of the performance period is calculated as the product of the following parameters (payment = A × B × C):

- A = Number of virtual shares awarded for the performance period. The virtual number of shares is calculated by dividing the total awarded volume per year in euros by UIG's average share price in the six months prior to the first month of the financial year relevant to the performance evaluation. (For cases in which the authorised party dies before the performance period ends, the number of virtual shares will be reduced p.r.t. with respect to the performance period up to the date of death compared to the entire performance period.)
- B = Average insurance provisions share price. Valuation of virtual shares at the time of payment will be undertaken in each case with respect to UIG's average share price in the six-month period prior to the end of the last month of the financial year relevant to the performance evaluation (daily close on trading days).
- C = Degree of target achievement. The degree of target achievement corresponds to the weighted degree of target achievement of the respective target value at the end of the performance period.

The fair value of share-based remuneration at the reporting date amounts to €2,868 thousand (2015: €531 thousand).

The obligations from share-based remuneration are stated under "Other provisions" (note 28) and are also included under the statements on "Related party transactions – individuals".

Group holding company

The parent company of UNIQA is UNIQA Insurance Group AG. In addition to its duties as Group holding company, this company also performs the duties of a group reinsurer.

Related companies and persons

Companies in the UNIQA Group maintain various relationships with related companies and persons.

In accordance with IAS 24, related companies are identified as those companies which either exercise a controlling or crucial influence on UNIQA. The group of companies also includes the non-consolidated subsidiaries, associates and joint ventures of UNIQA.

The related individuals include the members of management holding key positions for the purposes of IAS 24 along with their close family members. This also includes in particular the members of management in key positions at those companies which either exercise a controlling or crucial influence on UNIQA, along with their close family members.

Related party transactions – companies

In € thousand	Companies with significant influence on UNIQA Group	Affiliated but not consolidated companies	Associated companies of UNIQA Group	Other related parties	Total
Transactions 2016					
Premiums written (gross)	0	463	1,420	29,724	31,607
Interest income due to loans with companies that are related parties	0	79	0	252	331
Interest income and expenses arising from loans with entities that are related parties	0	0	0	– 2,388	– 2,388
Interest income from loans with banks that are related parties and from investments in companies that are related parties	1,371	0	9,511	4,105	14,987
Interest expenses arising from loans with banks that are related parties and from investments in entities that are related parties	– 309	0	0	– 20	– 328
At 31 December 2016					
Investments at fair value	155,653	10,166	532,129	57,202	755,150
Bank deposits	276,278	0	0	147,016	423,294

In € thousand	Companies with significant influence on UNIQA Group	Affiliated but not consolidated companies	Associated companies of UNIQA Group	Other related parties	Total
Transactions 2015					
Premiums written (gross)	0	2,001	1,091	33,821	36,913
Interest income and expenses arising from loans with entities that are related parties	0	1,271	45	1,530	2,847
Interest income from loans with banks that are related parties and from investments in companies that are related parties	0	490	7,295	3,522	11,306
At 31 December 2015					
Investments at fair value	135,848	11,820	445,464	133,323	726,455
Bank deposits	0	0	0	294,286	294,286

Related party transactions – individuals

In € thousand	1-12/2016	1-12/2015
Premiums written (gross)	1,861	1,066
Salaries and short term benefits [1]	5,168	4,526
Pension expenses	407	819
Compensation on termination of employment contract	2,513	– 324
Expenditures for share-based payments	2,495	1,941
Other income	203	236

[1] This item includes fixed and variable Management Board remuneration paid in the financial year and remuneration of the Supervisory Board.

In 2017, it is expected that the members of the Management Board of the UNIQA Insurance Group AG will be paid a variable remuneration (STI) in the amount of €1,739 thousand for the 2016 financial year.

Other financial obligations and contingent liabilities

In € thousand	31/12/2016	31/12/2015
Other contingent liabilities		
Austria	0	13,262
other countries	0	273
Total	**0**	**13,535**

Ukraine (non-life) – option to purchase granted

The shares held by UNIQA in the UNIQA Insurance Company, Private Joint Stock Company (Kiev, Ukraine) were acquired in 2006 from the Ukraine-based Closed JSC Credo-Classic Insurance Company and have been gradually increased to the current level of 92.23 per cent. The existing option agreements with the two remaining minority shareholders were agreed again in 2015. This gives UNIQA the option of acquiring further shares in the company from the local minority shareholders based on previously agreed purchase price formulas in option windows in 2017 and 2020.

SIGAL Group – option to purchase granted

Shares held by UNIQA in the SIGAL UNIQA Group AUSTRIA sh.a. have likewise been gradually increased to the current level of 86.93 per cent. The existing option agreements with the two remaining minority shareholders were agreed again in 2016. This gives UNIQA the option of acquiring further shares in the company from the local minority shareholders based on previously agreed purchase price formulas in an option window between July 2017 and June 2020.

Lease expenses

In € thousand	1-12/2016	1-12/2015
Current lease expenses	3,018	3,664
Future leasing rates		
up to 1 year	2,186	0
more than 1 year up to 5 years	4,363	0
more than 5 years	0	0
Total	**6,549**	**0**

Expenses for the auditor of the financial statements

The auditor fees in the financial year were €1,567 thousand (2015: €1,965 thousand); of which €485 thousand (2015: €307 thousand) is attributable to the annual audit, €859 thousand (2015: €1,590 thousand) to other auditing services and €223 thousand (2015: €68 thousand) to other general services.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Merger of RZB and RBI

On 24 January 2017 the decision was taken in an extraordinary General Meeting of Raiffeisen Bank International AG (RBI) to proceed with a merger of Raiffeisen Bank International AG and Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB). UNIQA holds 2.5 per cent of RZB. The exchange ratio of RZB shares to RBI shares is 1 : 31.55. To achieve this exchange ratio, RBI share capital was increased excluding subscription rights. Following the merger, UNIQA holds 1.7 per cent of RBI.

Affiliated companies and associates

Company	Type	Location	Equity interest at 31/12/2016 In per cent	Equity interest at 31/12/2015 In per cent
Domestic insurance companies				
UNIQA Insurance Group AG (Group Holding Company)		Vienna		
UNIQA Österreich Versicherungen AG	Fully consolidated	Vienna	100.0	100.0
Salzburger Landes-Versicherung AG (Merger: 3/10/2016)	Fully consolidated	Salzburg	0.0	100.0
Raiffeisen Versicherung AG (Merger: 3/10/2016)	Fully consolidated	Vienna	0.0	100.0
FINANCE LIFE Lebensversicherung AG (Merger: 3/10/2016)	Fully consolidated	Vienna	0.0	100.0
SK Versicherung Aktiengesellschaft	At equity	Vienna	25.0	25.0
Foreign insurance companies				
UNIQA Assurances SA	Fully consolidated	Switzerland, Geneva	100.0	100.0
UNIQA Re AG	Fully consolidated	Switzerland, Zurich	100.0	100.0
UNIQA Assicurazioni S.p.A. (classified as asset held for sale since 2/12/2016)	Fully consolidated	Italy, Milan	99.7	99.7
UNIQA poisťovňa a.s.	Fully consolidated	Slovakia, Bratislava	99.9	99.9
UNIQA pojišťovna, a.s.	Fully consolidated	Czech Republic, Prague	100.0	100.0
UNIQA osiguranje d.d.	Fully consolidated	Croatia, Zagreb	100.0	100.0
UNIQA Towarzystwo Ubezpieczeń S.A.	Fully consolidated	Poland, Lodz	98.6	98.6
UNIQA Towarzystwo Ubezpieczeń na Życie S.A.	Fully consolidated	Poland, Lodz	99.8	99.8
UNIQA Biztosító Zrt.	Fully consolidated	Hungary, Budapest	100.0	100.0
UNIQA Versicherung AG	Fully consolidated	Liechtenstein, Vaduz	100.0	100.0
UNIQA Previdenza S.p.A. (classified as asset held for sale since 2/12/2016)	Fully consolidated	Italy, Milan	99.7	99.7
UNIQA osiguranje d.d.	Fully consolidated	Bosnia and Herzegovina, Sarajevo	99.8	99.8
UNIQA Insurance plc	Fully consolidated	Bulgaria, Sofia	99.9	99.9
UNIQA Life Insurance plc	Fully consolidated	Bulgaria, Sofia	99.6	99.6
UNIQA životno osiguranje a.d.	Fully consolidated	Serbia, Belgrade	100.0	100.0
UNIQA Insurance company, Private Joint Stock Company	Fully consolidated	Ukraine, Kiev	100.0	100.0
UNIQA LIFE Private Joint Stock Company	Fully consolidated	Ukraine, Kiev	100.0	100.0
UNIQA životno osiguranje a.d.	Fully consolidated	Montenegro, Podgorica	100.0	100.0
UNIQA neživotno osiguranje a.d.	Fully consolidated	Serbia, Belgrade	100.0	100.0
UNIQA neživotno osiguranje a.d.	Fully consolidated	Montenegro, Podgorica	100.0	100.0
UNIQA Asigurari S.A.	Fully consolidated	Romania, Bucharest	100.0	100.0
UNIQA Asigurari De Viata S.A.	Fully consolidated	Romania, Bucharest	100.0	100.0
Raiffeisen Life Insurance Company LLC	Fully consolidated	Russia, Moscow	75.0	75.0
UNIQA Life S.p.A. (classified as asset held for sale since 2/12/2016)	Fully consolidated	Italy, Milan	89.7	89.7
SIGAL UNIQA Group AUSTRIA sh.a.	Fully consolidated	Albania, Tirana	86.9	86.9
UNIQA AD Skopje	Fully consolidated	Macedonia, Skopje	86.9	86.9
SIGAL LIFE UNIQA Group AUSTRIA sh.a.	Fully consolidated	Albania, Tirana	86.9	86.9
SIGAL UNIQA Group AUSTRIA sh.a.	Fully consolidated	Kosovo, Pristina	86.9	86.9
UNIQA Life AD Skopje	Fully consolidated	Macedonia, Skopje	86.9	86.9
SIGAL LIFE UNIQA Group AUSTRIA sh.a	Fully consolidated	Kosovo, Pristina	86.9	86.9
SH.A.F.P SIGAL LIFE UNIQA Group AUSTRIA sh.a.	Fully consolidated	Albania, Tirana	44.3	44.3
Group domestic service companies				
UNIQA Real Estate Management GmbH	Fully consolidated	Vienna	100.0	100.0
Versicherungsmarkt-Servicegesellschaft m.b.H.	Fully consolidated	Vienna	100.0	100.0
Agenta Risiko- und Finanzierungsberatung Gesellschaft m.b.H.	Fully consolidated	Vienna	100.0	100.0

Company	Type	Location	Equity interest at 31/12/2016 In per cent	Equity interest at 31/12/2015 In per cent
Raiffeisen Versicherungsmakler Vorarlberg GmbH (Deconsolidation: 12/11/2016)	At equity	Bregenz	0.0	50.0
Dr E. Hackhofer EDV-Softwareberatung Gesellschaft m.b.H. (Merger: 1/7/2016)	Fully consolidated	Vienna	0.0	100.0
UNIQA IT Services GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Capital Markets GmbH	Fully consolidated	Vienna	100.0	100.0
call us Assistance International GmbH	Fully consolidated	Vienna	50.2	50.2
UNIQA International AG	Fully consolidated	Vienna	100.0	100.0
UNIQA internationale Beteiligungs-Verwaltungs GmbH	Fully consolidated	Vienna	100.0	100.0
Assistance Beteiligungs-GesmbH	Fully consolidated	Vienna	64.0	64.0
UNIQA Real Estate Beteiligungsverwaltung GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Real Estate Finanzierungs GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Group Audit GmbH	Fully consolidated	Vienna	100.0	100.0
Valida Holding AG	At equity	Vienna	40.1	40.1
RHG Management GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Finanzbeteiligung GmbH	Fully consolidated	Vienna	100.0	100.0
Group foreign service companies				
UNIQA Raiffeisen Software Service Kft.	Fully consolidated	Hungary, Budapest	60.0	60.0
InsData spol. s r.o.	Fully consolidated	Slovakia, Nitra	98.0	98.0
UNIPARTNER s.r.o.	Fully consolidated	Slovakia, Bratislava	99.9	99.9
UNIQA InsService spol. s r.o.	Fully consolidated	Slovakia, Bratislava	99.9	99.9
UNIQA Ingatlanhasznosító Kft.	Fully consolidated	Hungary, Budapest	100.0	100.0
UNIQA Számítástechnikai Szolgáltató Kft.	Fully consolidated	Hungary, Budapest	100.0	100.0
Vitosha Auto OOD	Fully consolidated	Bulgaria, Sofia	99.8	99.8
UNIQA Raiffeisen Software Service S.R.L.	Fully consolidated	Romania, Cluj-Napoca	60.0	60.0
sTech d.o.o	Fully consolidated	Serbia, Belgrade	100.0	100.0
DEKRA-Expert Műszaki Szakértői Kft.	At equity	Hungary, Budapest	50.0	50.0
Financial and strategic domestic shareholdings				
Medial Beteiligungs-Gesellschaft m.b.H. (classified as asset held for sale since 30/9/2015)	At equity	Vienna	29.6	29.6
UNIQA Leasing GmbH	At equity	Vienna	25.0	25.0
PremiQaMed Holding GmbH	Fully consolidated	Vienna	100.0	100.0
PremiQaMed Privatkliniken GmbH	Fully consolidated	Vienna	100.0	100.0
Ambulatorien Betriebsgesellschaft m.b.H.	Fully consolidated	Vienna	100.0	100.0
STRABAG SE	At equity	Villach	14.3	13.8
PremiQaMed Management GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Beteiligungs-Holding GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Erwerb von Beteiligungen Gesellschaft m.b.H.	Fully consolidated	Vienna	100.0	100.0
Diakonissen & Wehrle Privatklinik GmbH	Fully consolidated	Gallneukirchen	60.0	60.0
PremiQaMed Beteiligungs GmbH	Fully consolidated	Vienna	100.0	100.0
Goldenes Kreuz Privatklinik BetriebsGmbH (Initial consolidation: 7/7/2016)	Fully consolidated	Vienna	75.0	
Real-estate companies				
UNIQA Real Estate CZ, s.r.o.	Fully consolidated	Czech Republic, Prague	100.0	100.0
UNIQA Real s.r.o.	Fully consolidated	Slovakia, Bratislava	100.0	100.0
UNIQA Real II s.r.o. (Deconsolidation: 12/8/2016)	Fully consolidated	Slovakia, Bratislava	0.0	100.0
UNIQA Immobilien-Projekterrichtungs GmbH	Fully consolidated	Vienna	100.0	100.0
Raiffeisen evolution project development GmbH (Deconsolidation: 22/12/2016)	At equity	Vienna	0.0	20.0
DIANA-BAD Errichtungs- und Betriebs GmbH	At equity	Vienna	33.0	33.0
UNIQA Real Estate GmbH	Fully consolidated	Vienna	100.0	100.0

Company	Type	Location	Equity interest at 31/12/2016 In per cent	Equity interest at 31/12/2015 In per cent
PremiQaMed Immobilien GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Real Estate Zweite Beteiligungsverwaltung GmbH	Fully consolidated	Vienna	100.0	100.0
Design Tower GmbH	Fully consolidated	Vienna	100.0	100.0
Aspernbrückengasse Errichtungs- und Betriebs GmbH	Fully consolidated	Vienna	99.0	99.0
UNIQA Real Estate Holding GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Real Estate Dritte Beteiligungsverwaltung GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Real Estate Vierte Beteiligungsverwaltung GmbH	Fully consolidated	Vienna	100.0	100.0
"Hotel am Bahnhof" Errichtungs GmbH & Co KG	Fully consolidated	Vienna	100.0	100.0
GLM ErrichtungsGmbH	Fully consolidated	Vienna	100.0	100.0
EZL Entwicklung Zone Lassallestraße GmbH & Co. KG	Fully consolidated	Vienna	100.0	100.0
Fleischmarkt Inzersdorf Vermietungs GmbH	Fully consolidated	Vienna	100.0	100.0
Praterstraße Eins Hotelbetriebs GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Real Estate Inlandsholding GmbH (Initial consolidation: 14/6/2016)	Fully consolidated	Vienna	100.0	
UNIQA Plaza Irodaház és Ingatlankezelő Kft.	Fully consolidated	Hungary, Budapest	100.0	100.0
Floreasca Tower SRL	Fully consolidated	Romania, Bucharest	100.0	100.0
Pretium Ingatlan Kft.	Fully consolidated	Hungary, Budapest	100.0	100.0
UNIQA Szolgáltató Kft.	Fully consolidated	Hungary, Budapest	100.0	100.0
UNIQA poslovni centar korzo d.o.o.	Fully consolidated	Croatia, Rijeka	100.0	100.0
UNIQA-Invest Kft.	Fully consolidated	Hungary, Budapest	100.0	100.0
Knesebeckstraße 8–9 Grundstücksgesellschaft mbH	Fully consolidated	Germany, Berlin	100.0	100.0
UNIQA Real Estate Bulgaria EOOD	Fully consolidated	Bulgaria, Sofia	100.0	100.0
UNIQA Real Estate BH nekretnine, d.o.o. (Merger: 29/12/2016)	Fully consolidated	Bosnia and Herzegovina, Sarajevo	0.0	100.0
UNIQA Real Estate d.o.o.	Fully consolidated	Serbia, Belgrade	100.0	100.0
Renaissance Plaza d.o.o.	Fully consolidated	Serbia, Belgrade	100.0	100.0
IPM International Property Management Kft.	Fully consolidated	Hungary, Budapest	100.0	100.0
UNIQA Real Estate Polska Sp. z o.o.	Fully consolidated	Poland, Warsaw	100.0	100.0
Black Sea Investment Capital LLC	Fully consolidated	Ukraine, Kiev	100.0	100.0
LEGIWATON INVESTMENTS Limited Company	Fully consolidated	Cyprus, Limassol	100.0	100.0
UNIQA Real III, spol. s r.o.	Fully consolidated	Slovakia, Bratislava	100.0	100.0
UNIQA Real Estate BV	Fully consolidated	Netherlands, Hoofddorp	100.0	100.0
Reytarske LLC	Fully consolidated	Ukraine, Kiev	100.0	100.0
ALBARAMA Limited Company	Fully consolidated	Cyprus, Nikosia	100.0	100.0
AVE-PLAZA LLC	Fully consolidated	Ukraine, Kharkiv	100.0	100.0
Asena LLC	Fully consolidated	Ukraine, Nikolaev	100.0	100.0
BSIC Holding LLC (Deconsolidation: 12/1/2016)	Fully consolidated	Ukraine, Kiev	0.0	100.0
Sedmi element d.o.o. (Merger: 1/1/2016)	Fully consolidated	Croatia, Zagreb	0.0	100.0
Deveti element d.o.o. (Merger: 1/1/2016)	Fully consolidated	Croatia, Zagreb	0.0	100.0
Kremser Landstraße Projektentwicklung GmbH	Fully consolidated	Vienna	100.0	100.0
Schöpferstrasse Projektentwicklung GmbH	Fully consolidated	Vienna	100.0	100.0
"BONADEA" Immobilien GmbH	Fully consolidated	Vienna	100.0	100.0
"Graben 27–28" Besitzgesellschaft m.b.H.	Fully consolidated	Vienna	100.0	100.0
Hotel Burgenland Betriebs GmbH	Fully consolidated	Vienna	100.0	100.0
R-FMZ Immobilienholding GmbH	Fully consolidated	Vienna	100.0	100.0
Neue Marktgasse Einkaufspassage Stockerau GmbH	Fully consolidated	Vienna	100.0	100.0
DEVELOP Baudurchführungs- und Stadtentwicklungs-Gesellschaft m.b.H.	Fully consolidated	Vienna	100.0	100.0
Raiffeisen-Fachmarktzentrum Mercurius GmbH	Fully consolidated	Vienna	100.0	100.0
Raiffeisen-Fachmarktzentrum ZWEI GmbH	Fully consolidated	Vienna	100.0	100.0
Raiffeisen-Fachmarktzentrum Ivesis GmbH	Fully consolidated	Vienna	100.0	100.0
Raiffeisen-Fachmarktzentrum VIER GmbH	Fully consolidated	Vienna	100.0	100.0
Raiffeisen-Fachmarktzentrum SIEBEN GmbH	Fully consolidated	Vienna	100.0	100.0
R-FMZ "MERCATUS" Holding GmbH	Fully consolidated	Vienna	100.0	100.0

Approval for publication

These consolidated financial statements were prepared by the Management Board as at the date of signing and approved for publication.

Declaration of the legal representatives

Pursuant to Section 82(4) of the Austrian Stock Exchange Act, the Management Board of UNIQA Insurance Group AG hereby confirms, that, to the best of our knowledge, the consolidated financial statements, which were prepared in accordance with the relevant accounting standards, give a true and fair view of the financial position, financial performance and cash flows of the group, and that the Group management report describes the relevant risks and uncertainties which the Group faces.

Vienna, 10 March 2017

Andreas Brandstetter Chairman of the Management Board	Erik Leyers Member of the Management Board	Kurt Svoboda Member of the Management Board

Audit opinion

Report on the consolidated financial statements

Audit opinion

We have audited the enclosed consolidated financial statements of UNIQA Insurance Group AG, Vienna, and its subsidiaries (the Group), consisting of the consolidated statement of financial position at 31 December 2016, the separate consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and consolidated statement of changes in equity for the financial year ending on this reporting date as well as the notes to the consolidated financial statements.

In our opinion, the attached consolidated financial statements comply with the legal requirements and provide a true and fair view of the financial position and of the Groups' earnings position at 31 December 2016 for the financial year ending on this reporting date, in accordance with the International Financial Reporting Standards (IFRSs) as applicable in the EU and the additional requirements of Section 245a of the Austrian Commercial Code and the supplementary provisions of Section 138(8) of the Austrian Insurance Supervision Act.

Basis for the audit opinion

We have conducted an audit of these financial statements in accordance with the Austrian principles of proper auditing of financial statements. These principles require the application of the international audit standards (International Standards on Auditing). Our responsibilities as in accordance with these regulations and standards are outlined in detail in the section of our auditor opinion entitled "Responsibilities of the auditors in auditing the consolidated financial statements". Our work has been completed independently of the Group and is in line with Austrian company law and professional regulations, and our other professional duties have been discharged in line with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit assessment.

Particularly relevant data related to the audit

Particularly relevant data related to the audit are those data that, in our judgement, had a significant impact on our audit of the consolidated financial statement for the reporting year. These data were treated in our audit of the consolidated financial statement as a whole and were considered as such in the preparation of this audit opinion. We do not deliver a separate audit opinion for this data specifically.

Our discussion of these particularly relevant data is structured as follows:

- **Data and statement of the problem**
- **Method of audit and findings**
- **Reference to additional information**

1. Valuation of technical provisions

– **Data and statement of the problem**
Identifying assumptions related to interest rates, costs, mortality and lapses in valuating insurance provisions and assets in life insurance requires the Management Board to produce subjective estimates of future developments. Minor alterations to these assumptions and the methodologies used could produce a significant change in the valuation.

– **Method of audit and findings**
Across the Group, we have:

- conducted spot-check comparisons between the data used for the evaluation and basic documentation,
- involved actuarial specialists from PwC and compared the models and assumptions used with industry-specific knowledge and our professional experience with recognised actuarial practices,
- assessed the plausibility of the modelled findings,
- evaluated that valuation methods were applied consistently,
- evaluated processes and tested core monitoring and
- conducted actuarial assessments of the appropriateness of the insurance provisions.

– **Reference to additional information**
See Chapter 5 of the Annual Report: “Use of discretionary decisions and estimates”.

2. Appropriateness of the claim reserve

– **Data and statement of the problem**
The calculation of the claim reserve requires the Management Board to take discretionary decisions and provide estimates and assumptions. Minor alterations to these assumptions and the methodologies used could produce a significant change in the valuation.

– **Method of audit and findings**
Across the Group, we have:

- conducted spot-check comparisons between the data used for the evaluation and basic documentation,
- involved actuarial specialists from PwC and compared the models and assumptions used with industry-specific knowledge and our professional experience with recognised actuarial practices,
- assessed the plausibility of the best-estimate reserves against PwC-internal calculations and identified a significant combined ratio on car insurance in the CEE region,
- evaluated that valuation methods were applied consistently,
- evaluated processes and tested core monitoring and
- conducted actuarial assessments of the appropriateness of the insurance provisions.

– **Reference to additional information**
See Chapter 5 of the Annual Report: “Use of discretionary decisions and estimates”.

3. Valuation of investments

- **Data and statement of the problem**

  The ongoing volatility in capital markets and challenging macroeconomic environment constitute an inherent risk in assessing valuations of investments insofar as these valuations are not based on stock exchange prices or other market prices, e.g. the ABS portfolio, structured and illiquid bonds. The Management Board will in this respect need to take discretionary decisions and provide estimates and assumptions. Minor alterations to these assumptions and the methodologies used could produce a significant change in the valuation.

- **Method of audit and findings**

  Across the Group, we have:
  - conducted spot-tests of valuations,
  - validated external appraisals of significant investments and audited the balance sheet items' recoverability,
  - involved actuarial specialists from PwC and compared the models and assumptions used with our industry-specific knowledge and our experience against suitable benchmarks,
  - evaluated that valuation methods were applied consistently,
  - evaluated processes and tested core monitoring and

- **Reference to additional information**

  See Chapter 5 of the Annual Report: "Use of discretionary decisions and estimates".

4. Impairment of goodwill

- **Data and statement of the problem**

  The assessment of goodwill resulting from the acquisition of companies requires the Management Board to take discretionary decisions and provide estimates and assumptions.

- **Method of audit and findings**

  We scrutinised the Management Board's discretionary decisions and appointed evaluation specialists from PwC:
  - to compare the models and assumptions with our industry-specific knowledge and our experience against suitable benchmarks and
  - to audit and check the calculations of potential required depreciation in line with the IFRSs. Here, we placed our focus on Romania and Bulgaria.

- **Reference to additional information**

  See Chapter 5 of the Annual Report: "Use of discretionary decisions and estimates".

Responsibility of the Management and the Audit Committee for the consolidated financial statements

The Company's management is responsible for the Group accounting system and for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a of the Austrian Commercial Code and the supplemental regulations under Section 138(8) of the Austrian Insurance Supervision Act that accurately reflects the Group's assets, financial position and profitability. The legal representatives are additionally responsible for the internal controls which they consider to be required in order to enable the preparation of consolidated financial statements that are free from material intentional or unintentional false representations.

The legal representatives are responsible as part of the preparation of consolidated financial statements to assess the Group's ability to continue its business activities, to provide pertinent data related to the continuation of business activities and to apply relevant accounting standards to the continuation of business activities unless the legal representatives intend to liquidate the Group or discontinue business activities or have no other realistic alternative than to do so.

The Audit Committee is responsible for monitoring the Group's accounting processes.

Responsibilities of the auditors in auditing the consolidated financial statements

Our goal is to secure an adequate level of certainty that the consolidated financial statements, as a whole, are basically free of erroneous representations, whether intentional or unintentional, and to provide a report containing our audit opinion. This adequate level of certainty provides a high degree of certainty, though not a full guarantee, that an audit conducted fully in line with Austrian regulations, which stipulate the application of ISA rules, will in every case discover an essentially false representation, provided one exists. False representations may be an instance of fraud or may be a result of errors and will in principal be identified as such in cases in which there is a reasonable expectation that a single instance or group of these could influence decisions taken by readers on the basis of information provided by the consolidated financial statements.

As part of the consolidated financial statements, prepared according to Austrian regulations that require the application of ISA rules, we exercise obligatory discretion and maintain a critical stance throughout.

In addition,

- we identify and evaluate risks in the statements of intended or unintended false presentations, devise substantive procedures in response to these risks, execute them and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. There is a greater risk that a false presentation resulting from fraud will not be uncovered than one resulting from error since fraud could involve deceitful collusion, falsifications, purposeful omissions, deceptive presentations or the suspension of internal control measures.
- In evaluating these risks, the auditor takes into account the internal control system in order to plan audit actions that are reasonable under the given circumstances, but not with the objective of providing an audit assessment on the effectiveness of the Group's internal control system.
- An audit also includes an assessment of the reasonableness of the accounting principles applied and of the validity of the values estimated by the legal representatives in the accounting along with as assessment of related statements.

- We draw conclusions regarding the suitability of the accounting standards applied by the legal representatives to the continuation of business activities and, based on the solicited audit evidence, whether any fundamental uncertainty results from circumstances or events that could create significant doubt about the Group's ability to continue its business activities. If it is concluded that a significant uncertainty does exist, we are required to draw attention in our audit report to the relevant entries in the consolidated financial statements or, if this type of statement is inappropriate, to modify our audit opinion. Conclusions are established based on the audit evidence that was acquired up to the date of the audit opinion. Future events or circumstances could lead the Group to abandon the continuation of business activities as a result.
- We evaluate the consolidated financial statements' overall presentation, its structure and contents, including the provided data and whether the consolidated financial statements present the business activities and circumstances in an honest and complete manner.
- We request sufficient and relevant audit evidence regarding financial information related to the units or business activities within the Group in order to provide an audit opinion on the consolidated financial statements. We are responsible for guiding, monitoring and conducting the audit of the consolidated financial statements. We assume full and sole responsibility for our audit opinion.

We communicated with the Audit Committee regarding, among other things, the intended scope and scheduling of the audit and significant findings of the audit, including any significant shortcomings in the internal system of monitoring that we were able to identify over the course of our audit.

We provided the Audit Committee with a statement to the effect that we maintained the requirements for professional conduct and independence and provided said committee with information regarding all circumstances and facts which could reasonably be seen to have a possible effect on our independence and – when relevant – related precautionary measures.

We certify that the data that we shared with the Audit Committee were the most pertinent data in auditing the reporting year's consolidated financial statements and therefore represented particularly significant audit data. We describe this data in our audit opinion unless there are laws or other legal regulations that preclude sharing this information or we have determined, in a very small number of cases, that any the benefit of sharing certain information in the audit opinion in the interest of serving the public interest is outweighed by the probable negative effects of publication.

Other legal and regulatory requirements

Report on the group management report

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and whether it was prepared in line with applicable legal requirements.

The legal representatives are responsible for preparing the management report in line with Austrian company law and insurance supervisory regulations.

We prepared our audit in line with professional principles related to conducting audits of management reports.

Opinion

In our opinion, the management report for the Group has been prepared in line with applicable legal requirements and is consistent with the consolidated financial statements.

Declaration

Based on the data collected during the audit of the consolidated financial statements and familiarity with the Group and its circumstances, we have identified no erroneous information in the management report.

Other disclosures

The legal representatives are responsible for all other information. Other information includes all information in the annual report, excluding the consolidated financial statements, the management report and the audit opinion. The annual report was only provided after the date of the audit opinion.

Our audit opinion on the consolidated financial statements does not cover this other information, and we can offer no assurances of any kind with respect to it.

In conjunction with our audit of the consolidated financial statements, it is our responsibility to review this other information as soon as it is made available and determine whether it contradicts or compromises the validity of any of the findings of the audit in an essential way.

Public accountant responsible for the project

The public accountant responsible for this project is Liane Hirner.

Vienna, 10 March 2017

PwC Wirtschaftsprüfung GmbH

Liane Hirner
Chartered Accountant

Publication and duplication of the consolidated financial statements together with the audit opinion in a form differing from the version audited by us is not permitted. This audit opinion refers exclusively to the German version of the complete consolidated financial statements and the Group management report. For differing versions, the regulations of Section 281(2) Austrian Commercial Code apply.

Glossary

Acquisition costs
The amount paid to acquire an asset in cash or cash equivalents or the fair value of another form of compensation at the time of acquisition.

Affiliated companies
The parent company and its subsidiaries are affiliated companies. Subsidiaries are entities controlled by UNIQA.

Amortised cost
Amortised costs are costs of acquisition less permanent impairment (e.g. ongoing depreciation and amortisation).

Asset allocation
The structure of the investments, i.e. the proportional composition of the overall investments made up of the different types of investment (e.g. equities, fixed-income securities, equity investments, land and buildings, money market instruments).

Asset liability management
Management concept whereby decisions related to company assets and the equity and liabilities are coordinated with each other. Strategies related to the assets and the equity and liabilities are formulated, implemented, monitored and revised with this in a continuous process in order to attain the financial objectives given the risk tolerances and restrictions specified.

Associates
Associates are all the entities over which UNIQA has significant influence but does not exercise control or joint control over their financial and operating policies. This is generally the case as soon as there is a voting share of between 20 and 50 per cent or a comparable significant influence is guaranteed legally or in practice via other contractual regulations.

Available-for-sale financial assets
The available-for-sale financial assets include financial assets that are neither due to be held to maturity, nor have they been acquired for short-term trading purposes. Available-for-sale financial assets are measured at fair value. Fluctuations in value are recognised in other comprehensive income in the consolidated statement of comprehensive income.

Benchmark method
An accounting and measurement method preferred within the scope of IFRS accounting.

Best estimate
Calculation based on the best estimate. This is the probability-weighted average of future cash flows taking into account the expected present value and using the relevant risk-free yield curve.

Claims rate
Insurance benefits in property and casualty insurance as a ratio of premiums earned.

Combined ratio
Total sum of operating expenses and insurance benefits in relation to the (net) premiums earned in property and casualty insurance.

Corporate governance
Corporate governance refers to the legal and factual framework for managing and monitoring companies. Corporate governance regulations are used in order to ensure transparency and thereby boost confidence in responsible company management and controls based around added value.

Cost ratio
Ratio of total insurance operations expenses (net of reinsurance commissions received and share of profit from reinsurance ceded) to consolidated premiums earned (including savings portions of unit-linked and index-linked life insurance).

Deferred acquisition costs
These include the costs of the insurance company incurred in connection with the acquisition of new or the extension of existing contracts. Costs such as acquisition commissions as well as costs for processing applications and risk assessments are some of the items to be recorded here.

Direct insurance/insurance business acquired with the company itself
This relates to those contracts that a direct insurer enters into with private individuals or companies. The opposite of this is insurance acquired as a reinsurer (indirect business) for business acquired from another primary insurer or a reinsurer.

Duration
Duration refers to the weighted average term of an interest rate-sensitive investment or of a portfolio and is a measure of risk for the sensitivity of investments in the event of changes to interest rates.

ECM
Economic Capital Model. UNIQA assessment based on the EIOPA standard formula for calculating the risk capital requirement with the deviations of risk exposure for EEA (European Economic Area) government bonds, treatment of asset backed securities and using the partial internal model for property and casualty insurance.

ECR
Economic Capital Requirement. Risk capital requirement that results from the economic capital model.

ECR ratio
Economic Capital Requirement ratio. Relation of eligible capital (own funds) to risk capital according to the UNIQA Economic Capital Model. It represents a solvency ratio according to internal calculation methodology.

Equity method
Investment in associates is accounted for using this method. The value assessed corresponds with the Group's proportional equity in these companies. In the case of shares in companies that prepare their own consolidated financial statements, their Group equity is assessed accordingly in each case. Within the scope of ongoing valuations, this value must be updated to incorporate proportional changes in equity; the pro rate profit on ordinary activities is imputed to the Group results with this.

Fair value
The fair value is the price that would be collected in an ordinary business transaction between market participants for the sale of an asset or that would be paid for transferring a liability.

FAS
US Financial Accounting Standards that set out the details on US GAAP (Generally Accepted Accounting Principles).

Gross (premiums written)
The gross (premiums written) includes details on the items in the balance sheet and the income statement, excluding the proportion from reinsurance.

Hedging
Hedging against unwanted changes in exchange rates or prices using an appropriate offsetting item, particularly derivative financial instruments.

IASs
International Accounting Standards.

IFRSs
International Financial Reporting Standards. Since 2002 the term IFRSs has applied to the overall concept of standards adopted by the International Accounting Standards Board. Standards already adopted beforehand continue to be referred to as International Accounting Standards (IASs).

Insurance benefits
Total of insurance benefit payments and changes in the claims provision during the financial year in connection with direct insurance and reinsurance contracts (gross). This involves net insurance benefits when reduced by the amount ceded to reinsurance companies. This does not include claims settlement expenses and changes in the provisions for claims settlement expenses.

Insurance provision
Provision in the amount of the existing obligation to pay insurance benefits and reimbursements, predominantly in life and health insurance. The provision is determined using actuarial methods as a balance of the present value of future obligations less the present value of future premiums.

MCR
Minimum Capital Requirement. The minimum level of security below which the eligible basic own funds should not fall. The MCR is calculated using a formula in relation to the solvency capital requirement.

Non-controlling interests
Shares in the profit/(loss) that are not attributable to the Group but rather to companies outside the Group that hold shares in affiliated companies.

Operating expenses
This item includes acquisition expenses, portfolio management expenses and the expenses for implementing reinsurance. The operating expenses remain for the company's own account following deduction of the commissions and profit participation received from the reinsurance business ceded.

ORSA
Own Risk and Solvency Assessment. The company's own forward-looking risk and solvency assessment process. It forms an integral part of corporate strategy and the planning process – but at the same time also part of the overall risk management strategy.

Overall solvency needs
Overall solvency needs (OSN) refer to the company's individual risk assessment and capital requirements resulting therefrom. Corresponds with the ECR at UNIQA.

(Partial) internal model
Internally generated model developed by the insurance or reinsurance entity concerned and at the instruction of the FMA to calculate the solvency capital requirement or relevant risk modules (on a partial basis).

Premiums
Total premiums written. All premiums from contracts written in the financial year from business acquired by the company directly and as inward reinsurance.

Premiums earned
The actuarial premiums earned that determine the income for the year. In order to determine these, the changes to the unearned premiums, the cancellation provisions and the premium volume not yet written are taken into account, along with the gross premium volume written attributable to the financial year.

Premiums written
All premiums due during the financial year arising from insurance contracts under direct insurance business, regardless of whether these premiums relate (either wholly or partially) to a later financial year. This involves (net) premiums written when reduced by the amount ceded to reinsurance companies.

Profit participation
Policyholders have a reasonable right under statutory and contractual regulations to the company's surplus profits generated in life and health insurance. The level of this profit participation is determined again each year.

Provisions for premium refunds and profit sharing
The part of the surplus set aside for future distribution to the policyholders is placed in the provisions for premium refunds or profit participation. Deferred amounts are also included in the provision.

Provisions for unsettled claims
Also known as a claims reserve; takes into account obligations from claims that have already occurred as at the reporting date but which have not yet been settled in full.

Reinsurance
An insurance company insures part of its risk via another insurance company.

Reinsurance premiums ceded
Proportion of premiums to which the reinsurer is entitled as a result of assuming certain risks within the scope of reinsurance coverage.

Retention
The part of risk which is assumed but that the insurer/reinsurer does not cede as reinsurance.

Retrocession
Retrocession means reinsurance of inward reinsurance and is used as a risk policy instrument by professional reinsurance companies as well as in active reinsurance by other insurance companies.

Return on equity (ROE)
The return on equity is the ratio of the profit/(loss) to the average equity, after deducting non-controlling interests in each case.

Revaluation reserves
Unrealised gains and losses resulting from the difference between the fair value and the amortised cost are recorded directly in the equity in the item "Revaluation reserve" without affecting profit, and following deduction of deferred tax and deferred profit participation (in life insurance).

Risk appetite
Conscious assumption and handling of risk within risk-bearing capacity.

Risk limit
Limits the level of risk and ensures that, based on a specified probability, a certain level of loss or a certain negative variance from budgeted values (estimated performance) is not exceeded.

Risk margin
Under Section 161 of the Austrian Insurance Supervision Act 2016, the risk margin is an add-on to the best estimate to ensure that the value of technical provisions equates to the amount that insurers and reinsurers would need so that they are able to assume and satisfy their insurance and reinsurance obligations.

SCR
Solvency Capital Requirement. The eligible own funds that insurers or reinsurers must hold to enable them to absorb significant losses and give reasonable assurance to policyholders and beneficiaries that payments will be made as they fall due. It is calculated to ensure that all quantifiable risks (such as market risk, credit risk, life underwriting risk) are reliably taken into account. It covers both current operating activities and the new business expected in the subsequent twelve months.

Securities held to maturity
Securities that are held to maturity are debt securities that are intended to be held until they reach maturity. They are accounted for at amortised cost.

Solvency
An insurance company's equity base.

Solvency II
European Union Directive on publication obligations and solvency rules for the equity base of an insurance company.

Standard model (formula)
Standard formula for calculating the solvency capital requirement.

Stress test
Stress tests are a special form of scenario analysis. The objective is to provide a quantitative statement on the loss potential for portfolios in the event of extreme market fluctuations.

Subordinated liabilities
Liabilities that can only be repaid following the rest of the liabilities in the event of liquidation or bankruptcy.

Supplementary capital
Paid-in capital that is provided to the insurance company for a minimum of five years with a waiver of the right to cancel under the relevant agreement, and for which interest may only be paid provided that this is covered by the annual net profit.

Tiers
Classification of the basic own fund components into Tier 1, Tier 2 and Tier 3 capital using the own funds list in accordance with the criteria specified in the EU implementing regulation. If a component of basic own funds is not included in the list, an entity must carry out its own assessment and decide on a classification.

Unearned premiums
The part of the premiums that represents the compensation for the insurance period after the reporting date but which has not yet been earned as at the reporting date. Except in the case of life insurance, unearned premiums must be stated in the balance sheet as a separate item under the technical provisions.

US GAAP
US Generally Accepted Accounting Principles.

Value at Risk
Risk quantification method. This involves the calculation of the expected value of a loss that may arise in the event of unfavourable market developments with a probability specified within a defined period.

Value of business in-force
Calculation of the value of business in-force (VIF). Designates the present value of future profits arising from life insurance contracts, less the present value of the costs arising from the capital to be held in connection with this business.

Key figures at a glance 2012 – 2016

Consolidated key figures – 5-year comparison In € million	2012	2013	2014	2015	2016
Premiums written, including savings portions from unit-linked and index-linked life insurance	**5,543**	**5,886**	**6,064**	**5,211**	**5,048**
of which property and casualty insurance	2,546	2,591	2,621	2,439	2,518
of which health insurance	909	938	961	964	1,004
of which life insurance	2,088	2,357	2,483	1,807	1,526
Insurance benefits (net)	**-3,759**	**-3,959**	**-4,384**	**-3,671**	**-3,386**
of which property and casualty insurance	-1,639	-1,634	-1,724	-1,554	-1,551
of which health insurance	-756	-769	-781	-782	-844
of which life insurance	-1,363	-1,557	-1,880	-1,336	-991
Operating expenses (net)	**-1,319**	**-1,354**	**-1,299**	**-1,190**	**-1,286**
of which property and casualty insurance	-787	-803	-749	-700	-763
of which health insurance	-139	-162	-167	-154	-175
of which life insurance	-394	-389	-383	-337	-348
Combined ratio after reinsurance (in per cent)	**101.3%**	**99.8%**	**99.6%**	**97.9%**	**98.1%**
Claims rate (in per cent)	68.4%	66.9%	69.4%	67.5%	65.7%
Cost ratio (in per cent)	32.9%	32.9%	30.2%	30.4%	32.4%
Net investment income	**791**	**780**	**888**	**732**	**589**
Earnings before taxes	**204**	**308**	**378**	**398**	**226**
of which property and casualty insurance	-12	47	61	71	58
of which health insurance	103	84	130	171	96
of which life insurance	113	177	187	155	72
Consolidated profit/(loss)	**127**	**285**	**290**	**337**	**148**
Earnings per share (in €)	**0.75**	**1.21**	**0.94**	**1.09**	**0.48**
Dividend per share (in €)	**0.25**	**0.35**	**0.42**	**0.47**	**0.49**[1]
Equity (portion attributable to shareholders of UNIQA Insurance Group AG)	**2,009**	**2,763**	**3,082**	**3,145**	**3,186**
Total assets	**30,055**	**31,002**	**33,038**	**33,298**	**33,639**
Operating return on equity (in per cent)	**16.0%**	**14.6%**	**15.6%**	**17.2%**	**10.0%**
Economic capital ratio – ECR ratio (in per cent)	**108%**	**161%**	**150%**	**182%**	**215%**

[1] Proposal to the Annual General Meeting

Imprint

Owner and publisher

UNIQA Insurance Group AG
Commercial registry no.: 92933t
Data processing register: 0055506

Concept, advice, editorial work and design
be.public Corporate & Financial Communications GmbH / www.bepublic.at
Rosebud, Inc. / www.rosebud-inc.com
Translation and linguistic consulting
ASI GmbH / www.asint.at
Photography and image editing
UNIQA, Ricardo Herrgott, Lukas Ilgner
Paper
Cover: Gardapat 11, 250 g/m²
Image section: Gardapat 11, 135 g/m²
Financial section: Munken Kristall, 100 g/m²
Printed by
AV+Astoria Druckzentrum GmbH
Editorial deadline
18 April 2017

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Information

UNIQA's Group Report is published in German and English and can be downloaded as a PDF file from the Investor Relations area on our Group website. The interactive online version is also available at reports.uniqagroup.com.

This is a translation of the German Group Report of UNIQA Group. In case of any divergences, the German original is legally binding.

Clause regarding predictions about the future

This report contains statements which refer to the future development of the UNIQA Group. These statements present estimations which were reached upon the basis of all of the information available to us at the present time. If the assumptions on which they are based do not occur, the actual events may vary from the results currently expected. As a result, no guarantee can be provided for the information given.

FSC www.fsc.org
MIX
Papier aus verantwortungsvollen Quellen
FSC® C068074

Print CO_2 kompensiert
Id-Nr. 1546720
www.druckmedien.at

Group Report 2016
UNIQA Group

Think safer, better, longer living.

We look to support our clients in their living safer, better, longer lives. And in this way, we hope to make a small contribution to help them to enjoy life more. This – and only this – is our mission. Therefore, we have dedicated the cover of this annual report exclusively to this theme – with no text or logos. And since joy of life is as individual as it is diverse, you are also holding one of many covers. You can see all cover motifs – which feature UNIQA employees and clients – here:


Eva

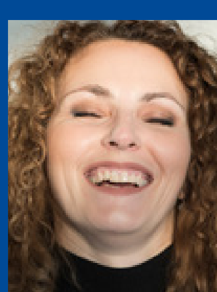

Reinhard

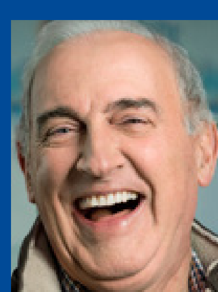

Laetitia

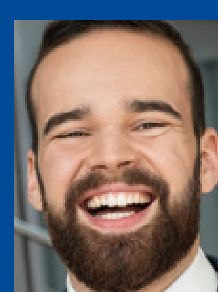

Johann


Ivana


Peter


Andrea


Michael


Lukas


Anita

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