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# 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](http://www.uniqagroup.com) in the Investor Relations section. The Austrian Code of Corporate Governance is also publicly available at [www.uniqagroup.com](http://www.uniqagroup.com) and [www.corporate-governance.at](http://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](http://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  |
|--|---|---|
| <b>Andreas Brandstetter</b> , Chairman<br>Chief Executive and Investment Officer (CEO/CIO)<br>*1969, appointed 1 January 2002 until 30 June 2020 | Innovation, Investor Relations, Group Communication,<br>Group Marketing, Group Human Resources,<br>Group Internal Audit, Group Asset Management,<br>Group General Secretary                     |   |
| <b>Erik Leyers</b> , Member<br>Chief Operating Officer (COO)<br>*1969, appointed 1 June 2016 until 30 June 2020                                  | Strategic Business Organisation, Group IT,<br>Digital Services/Digital Data Management, OPEX<br>(Operational Excellence), Group Service Centre Slovakia   | <ul style="list-style-type: none"> <li>Member of the Supervisory Board of Raiffeisen Informatik GmbH, Vienna (since 1 June 2016)</li> </ul>   |
| <b>Kurt Svoboda</b> , Member<br>Chief Financial and Risk Officer (CFO/CRO)<br>*1967, appointed 1 July 2011 until 30 June 2020                    | Group Finance – Accounting, Group Finance –<br>Controlling, Group Actuarial and Risk Management,<br>Group Reinsurance, Regulatory & Public Affairs,<br>Legal & Compliance, Group Internal Audit |   |
| <b>Hannes Bogner</b> , Member<br>Chief Investment Officer (CIO)<br>*1959, appointed 1 January 1998 until 31 May 2016                             | Group Asset Management (until 31 May 2016),<br>Legal & Compliance (until 31 May 2016),<br>Group Internal Audit (until 31 May 2016)  | <ul style="list-style-type: none"> <li>Member of the Supervisory Board of Casinos Austria Aktiengesellschaft, Vienna</li> <li>Member of the Supervisory Board of CEESEG Aktiengesellschaft, Vienna</li> <li>Member of the Supervisory Board of Niederösterreichische Versicherung AG, St. Pölten</li> <li>Member of the Supervisory Board of Wiener Börse AG, Vienna</li> </ul> |
| <b>Wolfgang Kindl</b> , Member<br>*1966, appointed 1 July 2011 until 31 May 2016   | UNIQA International (until 31 May 2016)   |   |
| <b>Thomas Münkel</b> , Member<br>Chief Operating Officer (COO)<br>*1959, appointed 1 January 2013 until 31 May 2016                              | Group Operations (until 31 May 2016),<br>Group IT (until 31 May 2016),<br>Group Project Office (until 31 May 2016)  | <ul style="list-style-type: none"> <li>Member of the Supervisory Board of Raiffeisen Informatik GmbH, Vienna (until 31 May 2016)</li> </ul>   |

| Management and monitoring duties in significant subsidiaries  | Number of UNIQA shares held              |
|---|--|
| <ul style="list-style-type: none"> <li>• Chairman of the Supervisory Board of UNIQA Österreich Versicherungen AG, Vienna (until 31 May 2016)</li> <li>• Chairman of the Supervisory Board of UNIQA International AG, Vienna (until 31 May 2016)</li> <li>• Chairman of the Supervisory Board of Raiffeisen Versicherung AG, Vienna (until 1 October 2016; company merged with UNIQA Österreich Versicherungen AG)</li> <li>• Chairman of the Supervisory Board of SIGAL UNIQA Group AUSTRIA sh.a., Tirana</li> <li>• Chairman of the Supervisory Board of SIGAL LIFE UNIQA Group AUSTRIA sh.a., Tirana</li> <li>• President of the Board of Directors for UNIQA Re AG, Zurich (since 25 October 2016)</li> </ul>  | as at 31 December 2016:<br>25,219 shares |
| <ul style="list-style-type: none"> <li>• Member of the Management Board of UNIQA Österreich Versicherungen AG, Vienna</li> <li>• Member of the Management Board of UNIQA International AG, Vienna (since 1 June 2016)</li> <li>• Member of the Managing Directors of UNIQA internationale Beteiligungs-Verwaltungs GmbH, Vienna (since 16 August 2016)</li> <li>• Member of the Supervisory Board of FINANCE LIFE Lebensversicherung AG, Vienna (until 1 October 2016; company merged with UNIQA Österreich Versicherungen AG)</li> <li>• Member of the Supervisory Board of UNIQA Asigurari S.A., Bucharest</li> <li>• Member of the Supervisory Board of UNIQA Asigurari de Viata S.A., Bucharest</li> <li>• Member of the Supervisory Board of UNIQA Towarzystwo Ubezpieczeń na Życie S.A., Lodz (since 29 June 2016)</li> <li>• Member of the Supervisory Board of UNIQA Biztosító Zrt., Budapest (since 13 September 2016)</li> <li>• Member of the Supervisory Board of UNIQA pojišťovna, a.s., Prague (since 14 September 2016)</li> </ul>   | as at 31 December 2016:<br>1,391 shares  |
| <ul style="list-style-type: none"> <li>• Member of the Supervisory Board of UNIQA Österreich Versicherungen AG, Vienna (until 31 May 2016)</li> <li>• Member of the Management Board of UNIQA Österreich Versicherungen AG, Vienna (since 1 June 2016)</li> <li>• Member of the Supervisory Board of UNIQA International AG, Vienna (until 31 May 2016)</li> <li>• Member of the Management Board of UNIQA International AG, Vienna (since 1 June 2016)</li> <li>• Member of the Managing Directors of UNIQA internationale Beteiligungs-Verwaltungs GmbH, Vienna (since 16 August 2016)</li> <li>• Member of the Supervisory Board of PremiQaMed Holding GmbH, Vienna (since 1 June 2016)</li> <li>• Member of the Supervisory Board of Raiffeisen Versicherung AG, Vienna (until 1 October 2016; company merged with UNIQA Österreich Versicherungen AG)</li> <li>• Member of the Supervisory Board of UNIQA Asigurari S.A., Bucharest</li> <li>• Member of the Supervisory Board of UNIQA Asigurari de Viata S.A., Bucharest</li> <li>• Member of the Supervisory Board of UNIQA Towarzystwo Ubezpieczeń S.A., Lodz (since 29 June 2016)</li> <li>• Member of the Supervisory Board of UNIQA poistovňa a.s., Bratislava (since 28 June 2016)</li> <li>• Member of the Supervisory Board of UNIQA Towarzystwo Ubezpieczeń na Życie S.A., Lodz (since 29 June 2016)</li> <li>• Member of the Supervisory Board of the UNIQA Insurance Company, Private Joint Stock Company, Kiev (since 1 August 2016)</li> <li>• Member of the Supervisory Board of UNIQA LIFE Private Joint Stock Company, Kiev (since 1 August 2016)</li> <li>• Member of the Supervisory Board of UNIQA Biztosító Zrt., Budapest (since 13 September 2016)</li> <li>• Member of the Supervisory Board of UNIQA pojišťovna, a.s., Prague (since 14 September 2016)</li> <li>• Vice Chairman of the Board of Directors for UNIQA Versicherung AG, Vaduz (until 28 June 2016)</li> <li>• Chairman of the Board of Directors for UNIQA Versicherung AG, Vaduz (since 29 June 2016)</li> <li>• President of the Board of Directors for UNIQA Re AG, Zurich (until 24 October 2016)</li> <li>• Vice President of the Board of Directors for UNIQA Re AG, Zurich (since 25 October 2016)</li> </ul>   | as at 31 December 2016:<br>11,697 shares |
| <ul style="list-style-type: none"> <li>• Vice Chairman of the Supervisory Board of UNIQA Österreich Versicherungen AG, Vienna (until 31 May 2016)</li> <li>• Vice Chairman of the Supervisory Board of UNIQA International AG, Vienna</li> <li>• Vice Chairman of the Supervisory Board of Raiffeisen Versicherung AG, Vienna (until 1 October 2016; company merged with UNIQA Österreich Versicherungen AG)</li> <li>• Member of the Supervisory Board of UNIQA Asigurari S.A., Bucharest (until 31 May 2016)</li> <li>• Member of the Supervisory Board of UNIQA Asigurari de Viata S.A., Bucharest (until 31 May 2016)</li> <li>• Member of the Supervisory Board of UNIQA Assicurazioni S.p.A., Milan (until 30 August 2016)</li> <li>• Member of the Supervisory Board of UNIQA Previdenza S.p.A., Milan (until 30 August 2016)</li> <li>• Member of the Supervisory Board of UNIQA Life S.p.A., Milan (until 30 August 2016)</li> </ul>   | as at 31 May 2016:<br>9,341 shares       |
| <ul style="list-style-type: none"> <li>• Chairman of the Management Board of UNIQA International AG, Vienna</li> <li>• Chairman of the Supervisory Board of UNIQA Österreich Versicherungen AG, Vienna (since 1 June 2016)</li> <li>• Member of the Supervisory Board of UNIQA Österreich Versicherungen AG, Vienna (until 31 May 2016)</li> <li>• Member of the Supervisory Board of Raiffeisen Versicherung AG, Vienna (until 1 October 2016; company merged with UNIQA Österreich Versicherungen AG)</li> <li>• Member of the Supervisory Board of SIGAL UNIQA Group AUSTRIA sh.a., Tirana</li> <li>• Member of the Supervisory Board of SIGAL LIFE UNIQA Group AUSTRIA sh.a., Tirana</li> <li>• Chairman of the Supervisory Board of UNIQA osiguranje d.d., Sarajevo</li> <li>• Chairman of the Supervisory Board of UNIQA Insurance plc, Sofia</li> <li>• Chairman of the Supervisory Board of UNIQA osiguranje d.d., Zagreb</li> <li>• Chairman of the Supervisory Board of UNIQA Asigurari S.A., Bucharest</li> <li>• Chairman of the Supervisory Board of UNIQA Asigurari de Viata S.A., Bucharest</li> <li>• Chairman of the Supervisory Board of UNIQA poistovňa a.s., Bratislava (since 28 June 2016)</li> <li>• Chairman of the Supervisory Board of the UNIQA Insurance Company, Private Joint Stock Company, Kiev</li> <li>• Chairman of the Supervisory Board of UNIQA LIFE Private Joint Stock Company, Kiev (since 1 August 2016)</li> <li>• Chairman of the Supervisory Board of UNIQA Towarzystwo Ubezpieczeń S.A., Lodz (since 7 September 2016)</li> <li>• Chairman of the Supervisory Board of UNIQA Towarzystwo Ubezpieczeń na Życie S.A., Lodz (since 7 September 2016)</li> <li>• Member of the Supervisory Board of UNIQA Biztosító Zrt., Budapest (until 12 September 2016)</li> <li>• Chairman of the Supervisory Board of UNIQA Biztosító Zrt., Budapest (since 13 September 2016)</li> <li>• Member of the Supervisory Board of UNIQA pojišťovna, a.s., Prague (until 13 September 2016)</li> <li>• Chairman of the Supervisory Board of UNIQA pojišťovna, a.s., Prague (since 14 September 2016)</li> <li>• Chairman of the Board of Directors for UNIQA Versicherung AG, Vaduz (until 28 June 2016)</li> <li>• Vice Chairman of the Board of Directors for UNIQA Versicherung AG, Vaduz (since 29 June 2016)</li> <li>• Chairman of the Board of Directors for UNIQA Assurances SA, Geneva</li> <li>• Member of the Board of Directors for UNIQA Re AG, Zurich (until 24 October 2016)</li> <li>• Chairman of the Supervisory Board of UNIQA Assicurazioni S.p.A., Milan</li> <li>• Chairman of the Supervisory Board of UNIQA Previdenza S.p.A., Milan</li> <li>• Chairman of the Supervisory Board of UNIQA Life S.p.A., Milan</li> </ul> | as at 31 May 2016:<br>7,341 shares       |
| <ul style="list-style-type: none"> <li>• Member of the Supervisory Board of UNIQA Österreich Versicherungen AG, Vienna (until 31 May 2016)</li> <li>• Member of the Supervisory Board of UNIQA International AG, Vienna (until 31 May 2016)</li> <li>• Member of the Supervisory Board of Raiffeisen Versicherung AG, Vienna (until 31 May 2016; company merged with UNIQA Österreich Versicherungen AG)</li> </ul>   | as at 31 May 2016:<br>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              |
|--|--|--|--|
| <b>Walter Rothensteiner</b> , Chairman<br>*1953, appointed 3 July 1995 until the 20th Annual General Meeting (2019)                | <ul style="list-style-type: none"> <li>Chairman of the Supervisory Board of Raiffeisen Bank International AG, Vienna</li> </ul>  |  |  |
| <b>Christian Kuhn</b> , First Vice Chairman<br>*1954, appointed 15 May 2006 until the 20th Annual General Meeting (2019)           |  |  |  |
| <b>Erwin Hameseder</b> , Second Vice Chairman<br>*1956, appointed 21 May 2007 until the 20th Annual General Meeting (2019)         | <ul style="list-style-type: none"> <li>Chairman of the Supervisory Board of AGRANA Beteiligungs-Aktiengesellschaft, Vienna</li> <li>Vice Chairman of the Supervisory Board of STRABAG SE, Villach</li> <li>First Vice Chairman of the Supervisory Board of Flughafen Wien Aktiengesellschaft, Vienna Airport</li> <li>First Vice Chairman of the Supervisory Board of Raiffeisen Bank International AG, Vienna</li> <li>Second Vice Chairman of the Supervisory Board of Südzucker AG, Mannheim</li> </ul> |  |  |
| <b>Eduard Lechner</b> , Third Vice Chairman<br>*1956, appointed 25 May 2009 until the 20th Annual General Meeting (2019)           |  |  |  |
| <b>Markus Andréewitch</b> , Member<br>*1955, appointed 26 May 2014 until the 20th Annual General Meeting (2019)                    |  |  |  |
| <b>Ernst Burger</b> , Member<br>*1948, appointed 25 May 2009 until the 20th Annual General Meeting (2019)                          | <ul style="list-style-type: none"> <li>Vice Chairman of the Supervisory Board of Josef Manner &amp; Comp. Aktiengesellschaft, Vienna</li> </ul>  |  |  |
| <b>Peter Gauper (until 30 May 2016)</b> , Member<br>*1962, appointed 29 May 2012 until 30 May 2016                                 |  |  |  |
| <b>Jutta Kath (since 30 May 2016)</b> , Member<br>*1960, appointed 30 May 2016 until the 20th Annual General Meeting (2019)        |  | <ul style="list-style-type: none"> <li>Member of the Board of Directors for UNIQA Re AG, Zurich (since 24 October 2016)</li> </ul> |  |
| <b>Rudolf Könighofer (since 30 May 2016)</b> , Member<br>*1962, appointed 30 May 2016 until the 20th Annual General Meeting (2019) |  |  |  |
| <b>Johannes Schuster</b> , Member<br>*1970, appointed 29 May 2012 until the 20th Annual General Meeting (2019)                     | <ul style="list-style-type: none"> <li>Member of the Supervisory Board of Raiffeisen International AG, Vienna</li> </ul>   |  |  |
| <b>Kory Sorenson</b> , Member<br>*1968, appointed 26 May 2014 until the 20th Annual General Meeting (2019)                         | <ul style="list-style-type: none"> <li>Member of the Board of Directors of SCOR SE, Paris</li> <li>Member of the Board of Directors of Phoenix Group Holdings, Cayman Islands</li> <li>Member of the Board of Directors of Pernod Ricard, Paris</li> </ul>   |  | as at 31 December 2016:<br>10,000 shares |
| <b>Delegated by the Central Works Council</b>  |  |  |  |
| <b>Johann-Anton Auer</b><br>*1954, from 18 February 2008 until 30 May 2016   |  |  | as at 30 May 2016:<br>10,106 shares      |
| <b>Peter Gattinger</b><br>*1976, from 10 April 2013 until 26 May 2015, and since 30 May 2016                                       |  |  |  |
| <b>Heinrich Kames</b><br>*1962, since 10 April 2013  |  |  | as at 31 December 2016:<br>56 shares     |
| <b>Harald Kindermann</b><br>*1969, since 26 May 2015   |  |  |  |
| <b>Franz-Michael Koller</b><br>*1956, since 17 September 1999  |  |  | as at 31 December 2016:<br>912 shares    |
| <b>Friedrich Lehner</b><br>*1952, from 31 May 2000 to 1 September 2008 and since 15 April 2009                                     |  |  | as at 31 December 2016:<br>912 shares    |

## COMMITTEES OF THE SUPERVISORY BOARD

| Committee   | Chairman             | Vice Chairman     | Members  | Delegated by the Central Works Council   |
|---|----------------------|-------------------|--|--|
| <b>Committee for Board Affairs</b>                  | Walter Rothensteiner | Christian Kuhn    | Erwin Hameseder, Eduard Lechner  |  |
| <b>Working Committee</b>                            | 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 |
| <b>Audit Committee</b>                              | 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 |
| <b>Investment Committee</b>                         | 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 |
| <b>IT Committee (appointed on 7 September 2016)</b> | 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 <sup>1)</sup>   | 2,379        | 2,469        |
| Variable remuneration  | 2,242        | 1,029        |
| <b>Current remuneration</b>  | <b>4,622</b> | <b>3,498</b> |
| Termination benefit entitlements   | 2,513        | 0            |
| <b>Total</b>   | <b>7,135</b> | <b>3,498</b> |
| 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        |

<sup>1)</sup> 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<br>In € thousand | Fixed remuneration | Variable remuneration (STI) <sup>1)</sup> | Multi-year share-based remuneration (LTI) <sup>2)</sup> | 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 Münkler (until 31 May 2016)              | 202                | 362                                       | 0   | 564                        | 850                              | 1,414              |
| Kurt Svoboda                                    | 490                | 375                                       | 0   | 865                        | 0                                | 865                |
| <b>Total 2016</b>                               | <b>2,379</b>       | <b>2,242</b>                              | <b>0</b>  | <b>4,622</b>               | <b>2,513</b>                     | <b>7,135</b>       |
| Total 2015                                      | 2,469              | 1,029                                     | 0   | 3,498                      | 0                                | 3,498              |

<sup>1)</sup> The Short-Term Incentive (STI) includes the variable remuneration for the 2015 financial year, paid out in 2016.

<sup>2)</sup> 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 allo-

cation 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<br>In € thousand | Current<br>contributions | Compensation<br>payments | Total for<br>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 Münkler (until 31 May 2016)           | 102                      | 1,758                    | 1,861                 |
| Kurt Svoboda                                 | 105                      | 0                        | 105                   |
| <b>Total 2016</b>                            | <b>478</b>               | <b>2,830</b>             | <b>3,308</b>          |
| 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         |
| <b>Total</b>                               | <b>547</b> | <b>474</b> |

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<br>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         |
| <b>Total</b>  | <b>547</b> | <b>474</b> |

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](http://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

# 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 car-

ries 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](http://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<br>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<br>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<br>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<br>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<br>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<br>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<br>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<br>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<br>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<br>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<br>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).

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).

| Life insurance<br>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 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<br>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<br>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<br>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 popu-

lace 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<br>In € thousand   | Notes                 | 31/12/2016        | 31/12/2015<br>adjusted | 1/1/2015<br>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              |
| <b>Total assets</b>   |                       | <b>33,639,160</b> | <b>33,297,873</b>      | <b>33,256,359</b>    |
| <b>Equity and liabilities</b><br>In € thousand  |                       |                   |                        |                      |
| <b>Total equity</b>   | <b>17</b>             |                   |                        |                      |
| <b>Portion attributable to shareholders of UNIQA Insurance Group AG</b>                   |                       |                   |                        |                      |
| 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            |
|   |                       | <b>3,186,253</b>  | <b>3,144,516</b>       | <b>3,067,971</b>     |
| <b>Non-controlling interests</b>  | <b>4, 18</b>          | <b>26,513</b>     | <b>21,853</b>          | <b>19,897</b>        |
|   |                       | <b>3,212,766</b>  | <b>3,166,369</b>       | <b>3,087,868</b>     |
| <b>Liabilities</b>  |                       |                   |                        |                      |
| 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              |
|   |                       | <b>30,426,394</b> | <b>30,131,504</b>      | <b>30,168,491</b>    |
| <b>Total equity and liabilities</b>   |                       | <b>33,639,160</b> | <b>33,297,873</b>      | <b>33,256,359</b>    |



# Consolidated Income Statement

## from 1 January until 31 December 2016

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

<sup>1)</sup> 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<br>adjusted |
|---|----------------|-----------------------|
| <b>Profit/(loss) for the year</b>   | <b>149,618</b> | <b>340,682</b>        |
| <b>Items not reclassified to profit or loss in subsequent periods</b>           |                |                       |
| 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               |
|   | <b>-7,855</b>  | <b>-48,381</b>        |
| <b>Items reclassified to profit or loss in subsequent periods</b>               |                |                       |
| 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                     |
|   | <b>57,697</b>  | <b>-74,660</b>        |
| of which from discontinued operations   | 6,701          | 15,732                |
| <b>Other comprehensive income</b>   | <b>49,841</b>  | <b>-123,041</b>       |
| <b>Total comprehensive income</b>   | <b>199,459</b> | <b>217,641</b>        |
| 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<br>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              |
| <b>Net cash flow from operating activities</b>   |       | <b>976,893</b>   | <b>146,773</b>        |
| 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               |
| <b>Net cash flow from investing activities</b>   |       | <b>- 919,500</b> | <b>- 586,399</b>      |
| 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               |
| <b>Net cash flow from financing activities</b>   |       | <b>- 398,524</b> | <b>354,345</b>        |
| of which from discontinued operations  |       | 0                |                       |
| <b>Change in cash and cash equivalents</b>   |       | <b>- 341,131</b> | <b>- 85,280</b>       |
| 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               |
| <b>Cash and cash equivalents at end of period</b>  |       | <b>549,934</b>   | <b>890,083</b>        |
| 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<br>capital reserves | Treasury shares | Valuation of financial<br>instruments available<br>for sale | Accumulated<br>Revaluations of defined<br>benefit obligations |
|-----------------------------------|-------|--|-----------------|---|---|
| <b>At 31 December 2014</b>        |       | <b>1,789,920</b>                           | <b>- 10,857</b> | <b>443,750</b>  | <b>- 143,503</b>  |
| IAS 8 restatement                 | 4     |  |                 |   |   |
| <b>At 1 January 2015</b>          |       | <b>1,789,920</b>                           | <b>- 10,857</b> | <b>443,750</b>  | <b>- 143,503</b>  |
| Change in basis of consolidation  |       |  |                 |   |   |
| Dividends to shareholders         |       |  |                 |   |   |
| <b>Total comprehensive income</b> |       |  |                 | <b>- 51,997</b>   | <b>- 37,060</b>   |
| Profit/(loss) for the year        |       |  |                 |   |   |
| Other comprehensive income        |       |  |                 | - 51,997  | - 37,060  |
| <b>At 31 December 2015</b>        |       | <b>1,789,920</b>                           | <b>- 10,857</b> | <b>391,753</b>  | <b>- 180,563</b>  |
| <b>At 1 January 2016</b>          |       | <b>1,789,920</b>                           | <b>- 10,857</b> | <b>391,753</b>  | <b>- 180,563</b>  |
| Change in basis of consolidation  |       | 3  | - 5,774         |   |   |
| Dividends to shareholders         | 17    |  |                 |   |   |
| <b>Total comprehensive income</b> |       |  |                 | <b>61,909</b>   | <b>- 6,457</b>  |
| Profit/(loss) for the year        |       |  |                 |   |   |
| Other comprehensive income        |       |  |                 | 61,909  | - 6,457   |
| <b>At 31 December 2016</b>        |       | <b>1,789,923</b>                           | <b>- 16,631</b> | <b>453,662</b>  | <b>- 187,020</b>  |

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

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# 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.

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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  |
|---|--|
| <b>Assets</b>   |  |
| Property, plant and equipment   | At lower of amortised cost or recoverable amount   |
| Investment property   | At lower of amortised cost or recoverable amount   |
| <b>Intangible assets</b>  |  |
| - 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   |
| <b>Investments</b>  |  |
| - 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   |
|--|---|
| <b>Liabilities</b>   |   |
| Subordinated liabilities   | Amortised cost  |
| Technical provisions   | Property insurance: provisions for losses and unsettled claims (undiscounted value of expected future payment obligations)<br>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  |
| <b>Financial liabilities</b>   |   |
| - Liabilities from loans   | Amortised cost  |
| - Derivative financial instruments                                   | Fair value  |
| <b>Other provisions</b>  |   |
| - 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

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

### *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 anti-trust 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 zloty (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.



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### *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.

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**Valuation methods and inputs in the determination of fair values:**

| Assets                                       | Price method      | Input factors   | Price model   |
|--|-------------------|---|---|
| <b>Fixed-income securities</b>               |                   |   |   |
| 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  |
| <b>Variable-income securities</b>            |                   |   |   |
| 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  |
| <b>Derivative financial instruments</b>      |                   |   |   |
| 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  |
| <b>Investments from investment contracts</b> |                   |   |   |
| Listed shares/investment funds               | Listed price      | -   | -   |
| Not listed investment funds                  | Theoretical price | CDS spread, yield curves  | Present value method  |
| <b>Loans and receivables</b>                 |                   |   |   |
| Loans  | Theoretical value | Collateral, creditworthiness  | Discounted cash flow  |
| <b>Others</b>                                |                   |   |   |
| 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 |
|--------------------------|--|---------------------------------|-----------------------|---------------------------------|
| <b>New standards</b>     |  |                                 |                       |                                 |
| IFRS 9                   | Financial instruments  | 1 January 2018                  | Yes                   | Yes                             |
| IFRS 14                  | Regulatory deferral accounts   | 1 January 2016                  | No <sup>1)</sup>      | Yes                             |
| IFRS 15                  | Revenue from contracts with customers  | 1 January 2018                  | Yes                   | Yes                             |
| IFRS 16                  | Leases   | 1 January 2019                  | No                    | Yes                             |
| <b>Amended standards</b> |  |                                 |                       |                                 |
| 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 <sup>2)</sup>      | 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                              |

<sup>1)</sup> The European Commission decided not to adopt this interim standard and to wait for publication of the final standard.

<sup>2)</sup> 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<br>In € thousand   | 31/12/2015<br>adjusted | 31/12/2015<br>published | 31/12/2015<br>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                    |
| <b>Total assets</b>   | <b>33,297,873</b>      | <b>33,078,355</b>       | <b>219,518</b>           |
| <b>Equity and liabilities</b>                                       |                        |                         |                          |
| In € thousand   | 31/12/2015<br>adjusted | 31/12/2015<br>published | 31/12/2015<br>adjustment |
| <b>Total equity</b>   |                        |                         |                          |
| <b>Equity attributable to UNIQA Insurance Group AG shareholders</b> |                        |                         |                          |
| 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                  |
|   | <b>3,144,516</b>       | <b>3,152,714</b>        | <b>- 8,198</b>           |
| <b>Non-controlling interests</b>                                    | <b>21,853</b>          | <b>22,127</b>           | <b>- 274</b>             |
|   | <b>3,166,369</b>       | <b>3,174,841</b>        | <b>- 8,472</b>           |
| <b>Liabilities</b>  |                        |                         |                          |
| Technical provisions  | 21,328,061             | 21,100,072              | 227,989                  |
| <b>Total equity and liabilities</b>                                 | <b>33,297,873</b>      | <b>33,078,355</b>       | <b>219,518</b>           |

| Consolidated income statement<br>In € thousand                    | 1-12/2015<br>adjusted <sup>1)</sup> | 1-12/2015<br>published | 1-12/2015<br>adjustment |
|---|-------------------------------------|------------------------|-------------------------|
| <b>Insurance benefits</b>   |                                     |                        |                         |
| Gross   | - 4,745,094                         | - 4,749,877            | 4,783                   |
| Reinsurers' share   | 142,310                             | 142,310                | 0                       |
|   | <b>- 4,602,784</b>                  | <b>- 4,607,567</b>     | <b>4,783</b>            |
| <b>Operating expenses</b>   |                                     |                        |                         |
| Expenses for the acquisition of insurance                         | - 947,796                           | - 950,390              | 2,594                   |
|   | <b>- 1,296,101</b>                  | <b>- 1,298,695</b>     | <b>2,594</b>            |
| <b>Technical result</b>   | <b>207,242</b>                      | <b>199,864</b>         | <b>7,378</b>            |
| <b>Operating profit/(loss)</b>                                    | <b>501,480</b>                      | <b>494,102</b>         | <b>7,378</b>            |
| <b>Earnings before taxes</b>                                      | <b>430,218</b>                      | <b>422,840</b>         | <b>7,378</b>            |
| <b>Income taxes</b>   | <b>- 89,536</b>                     | <b>- 88,254</b>        | <b>- 1,282</b>          |
| <b>Profit/(loss) for the year</b>                                 | <b>340,682</b>                      | <b>334,586</b>         | <b>6,096</b>            |
| 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                      |
| <b>Earnings per share (in €)</b>                                  | <b>1.09</b>                         | <b>1.07</b>            | <b>0.02</b>             |

<sup>1)</sup> 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<br>In per cent                          | Discount factor       |                  | Discount factor perpetuity |                  | Growth rate (perpetuity)           |
|--|-----------------------|------------------|----------------------------|------------------|------------------------------------|
|  | Property/<br>casualty | Life &<br>health | Property/<br>casualty      | Life &<br>health | Property/casualty<br>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<br>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<br>In per cent                          | Discount factor       |                  | Discount factor perpetuity |                  | Growth rate (perpetuity)           |
|--|-----------------------|------------------|----------------------------|------------------|------------------------------------|
|  | Property/<br>casualty | Life &<br>health | Property/<br>casualty      | Life &<br>health | Property/casualty<br>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<br>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<br>In € thousand | Recoverable<br>amount | Recoverable<br>amount exceeds<br>carrying amount | Impairment for the<br>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 ascer-

tained 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*

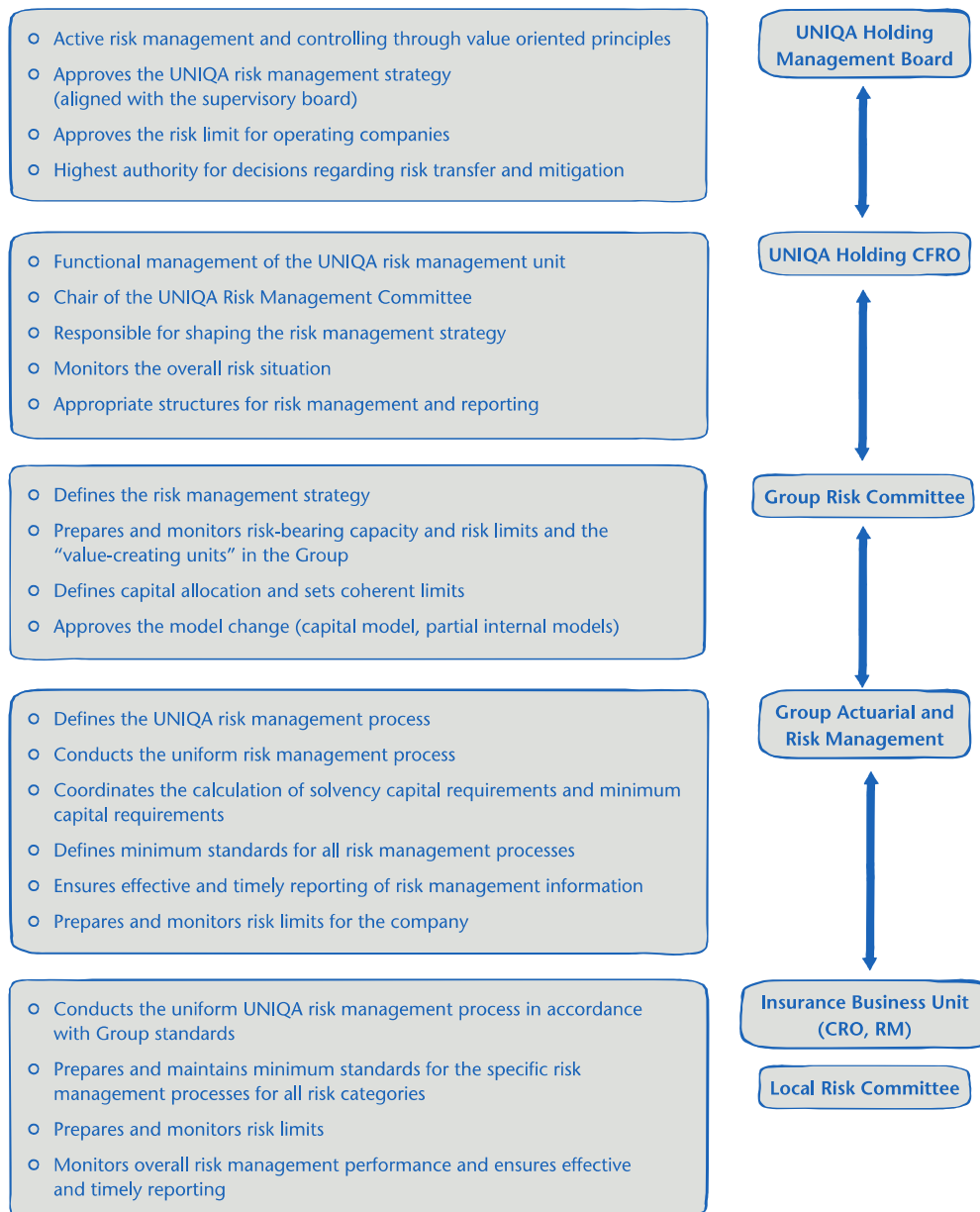
Those responsible for business activities must develop and put into practice an appropriate risk control environment to identify and monitor the risks that arise in connection with the business and processes.

#### *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*

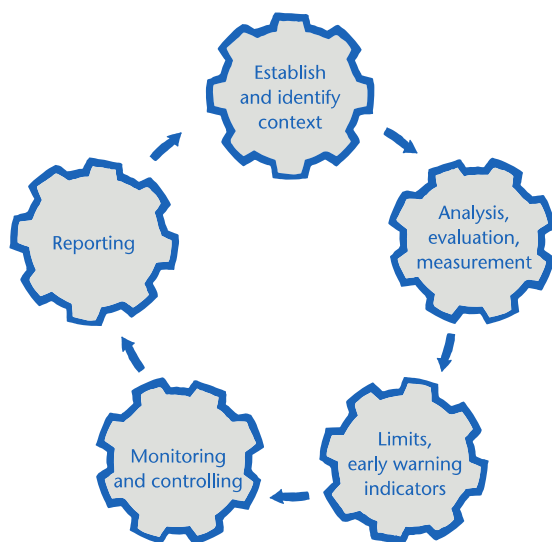
UNIQA's risk management process delivers periodic information about the risk profile and enables the top management to make the decisions for the long-term achievement of objectives.

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<br>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         |
| <b>Total</b>                      | <b>20,659,000</b> | <b>24,295,085</b> |

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   | 31/12/2016        | 31/12/2015        |
|--|-------------------|-------------------|
| <small>In € thousand</small>   |                   |                   |
| 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         |
| <b>Total</b>   | <b>25,652,631</b> | <b>29,638,424</b> |

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)   | 31/12/2016        | 31/12/2015        |
|--|-------------------|-------------------|
| <small>In € thousand</small>   |                   |                   |
| 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         |
| <b>Total</b>   | <b>22,272,584</b> | <b>26,304,334</b> |

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<br>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         |
| <b>Total</b>                      | <b>16,529,778</b> | <b>19,359,770</b> |

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<br>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         |
| <b>Total</b>  | <b>15,722,518</b> | <b>18,994,414</b> |

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 | EUR | USD | Local<br>currency |
|--|-----|-----|-------------------|
| In per cent  |     |     |                   |
| 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<br>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           |
| <b>Total</b>                        | <b>16,529,778</b> | <b>19,359,770</b> |

### *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<br>In € thousand | 31/12/2016        |                            |
|--------------------------------|-------------------|----------------------------|
|                                | Assets            | Provisions and liabilities |
| <b>EUR</b>                     | <b>29,645,082</b> | <b>27,759,009</b>          |
| 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                    |
| <b>Total</b>                   | <b>33,639,160</b> | <b>30,426,394</b>          |

| Currency risk<br>In € thousand | 31/12/2015        |                            |
|--------------------------------|-------------------|----------------------------|
|                                | Assets            | Provisions and liabilities |
| <b>EUR</b>                     | <b>29,375,071</b> | <b>27,558,588</b>          |
| 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                    |
| <b>Total</b>                   | <b>33,297,873</b> | <b>30,131,504</b>          |

### 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        |                   | 31/12/2015        |                   |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                 | +100 basis points | -100 basis points | +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             |
| <b>Total</b>                    | <b>-1,116,839</b> | <b>831,625</b>    | <b>-1,150,574</b> | <b>956,209</b>    |

Spread risk

| In € thousand | 31/12/2016        | 31/12/2015        |
|---------------|-------------------|-------------------|
|               | +                 | +                 |
| <b>Total</b>  | <b>-1,133,350</b> | <b>-1,271,145</b> |

Equity risk

| In € thousand | 31/12/2016     |                 | 31/12/2015     |                 |
|---------------|----------------|-----------------|----------------|-----------------|
|               | 30%            | -30%            | 30%            | -30%            |
| <b>Total</b>  | <b>220,730</b> | <b>-173,966</b> | <b>419,822</b> | <b>-234,195</b> |

Currency risk

| In € thousand | 31/12/2016     |                 | 31/12/2015     |                 |
|---------------|----------------|-----------------|----------------|-----------------|
|               | 10%            | -10%            | 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         |
| <b>Total</b>  | <b>222,645</b> | <b>-221,659</b> | <b>213,027</b> | <b>-206,784</b> |

| 2016<br>In € thousand | Interest rate shock<br>(+100 bp) | Interest rate shock<br>(-100 bp) | Spread shock<br>(+100 bp) | Equity shock<br>(+30%) | Equity shock<br>(-30%) | Currency shock <sup>1</sup><br>(+10%) | Currency shock <sup>1</sup><br>(-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                               |
| <b>Total</b>          | <b>-1,103,117</b>                | <b>820,793</b>                   | <b>-1,115,914</b>         | <b>220,730</b>         | <b>-173,966</b>        | <b>199,049</b>                        | <b>-197,980</b>                       |

<sup>1</sup> 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<br>In € thousand | Interest rate shock<br>(+100 bp) | Interest rate shock<br>(-100 bp) | Spread shock<br>(+100 bp) | Equity shock<br>(+30%) | Equity shock<br>(-30%) | Currency shock <sup>2</sup><br>(+10%) | Currency shock <sup>2</sup><br>(-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                                |
| <b>Total</b>          | <b>-1,136,631</b>                | <b>945,994</b>                   | <b>-1,249,545</b>         | <b>419,822</b>         | <b>-234,195</b>        | <b>189,865</b>                        | <b>-183,622</b>                       |

<sup>2</sup> 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<br>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           |
| <b>Total</b>  | <b>11,842,533</b> | <b>15,503,278</b> |

| Long-term unit-linked and index-linked life insurance contracts<br>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                |
| <b>Total</b>   | <b>4,846,591</b> | <b>4,738,736</b> |

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         |
| <b>Total</b>              | <b>44.6</b>         | <b>46.4</b> | <b>7.9</b>     | <b>7.7</b> | <b>15.1</b>       | <b>12.0</b> |

| 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        |
| <b>Total</b>              | <b>27.6</b>                  | <b>29.4</b> | <b>1.7</b>              | <b>1.5</b> | <b>3.1</b> | <b>2.9</b> |

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 coun-



tries. 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 calcu-

lated 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    |                  | UNIQA International |                  | Reinsurance      |                  |
|---|------------------|------------------|---------------------|------------------|------------------|------------------|
|   | 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 | 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                |
| <b>Premiums written (gross)</b>   | <b>3,385,416</b> | <b>3,613,328</b> | <b>1,240,830</b>    | <b>1,190,962</b> | <b>1,130,795</b> | <b>1,112,080</b> |
| <b>Premiums earned (net)</b>  | <b>2,715,779</b> | <b>2,940,815</b> | <b>803,935</b>      | <b>801,401</b>   | <b>1,022,692</b> | <b>1,014,440</b> |
| 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           |
| <b>Technical result</b>   | <b>117,853</b>   | <b>232,404</b>   | <b>-7,807</b>       | <b>-4,051</b>    | <b>-11,240</b>   | <b>-29,823</b>   |
| 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           |
| <b>Non-technical result</b>   | <b>138,633</b>   | <b>190,032</b>   | <b>43,939</b>       | <b>52,177</b>    | <b>29,410</b>    | <b>27,687</b>    |
| <b>Operating profit/(loss)</b>  | <b>256,487</b>   | <b>422,436</b>   | <b>36,132</b>       | <b>48,126</b>    | <b>18,170</b>    | <b>-2,136</b>    |
| 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                |
| <b>Profit/(loss) for the year from continuing operations</b>  | <b>232,230</b>   | <b>399,742</b>   | <b>13,051</b>       | <b>31,319</b>    | <b>18,091</b>    | <b>-2,136</b>    |
| 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 |           | UNIQA International |           | Reinsurance |           |
|-------------------------------|---------------|-----------|---------------------|-----------|-------------|-----------|
|                               | 1-12/2016     | 1-12/2015 | 1-12/2016           | 1-12/2015 | 1-12/2016   | 1-12/2015 |
| <b>Goodwill</b>               |               |           |                     |           |             |           |
| Impairments                   | 0             | 0         | -16,590             | -13,081   | 0           | 0         |
| <b>Investments</b>            |               |           |                     |           |             |           |
| 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        |  |
| <b>-36,081</b> | <b>-10,269</b> | <b>11,135</b>   | <b>-2,389</b>   | <b>73,861</b>  | <b>185,872</b> |  |
| 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        |  |
| <b>154,680</b> | <b>212,269</b> | <b>-121,681</b> | <b>-201,795</b> | <b>244,982</b> | <b>280,370</b> |  |
| <b>118,599</b> | <b>202,001</b> | <b>-110,546</b> | <b>-204,184</b> | <b>318,842</b> | <b>466,242</b> |  |
| 0              | 0              | 0               | 0               | -25,832        | -18,181        |  |
| -67,456        | -50,262        | 21,563          | 21,339          | -67,477        | -50,243        |  |
| <b>51,143</b>  | <b>151,739</b> | <b>-88,983</b>  | <b>-182,846</b> | <b>225,533</b> | <b>397,818</b> |  |
| 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    |                 |
|--|----------------|----------------|---------------------|-----------------|----------------|-----------------|
|  | 1-12/2016      | 1-12/2015      | 1-12/2016           | 1-12/2015       | 1-12/2016      | 1-12/2015       |
| In € thousand  |                |                |                     |                 |                |                 |
| 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         |
| <b>Technical result</b>                                      | <b>54,831</b>  | <b>55,727</b>  | <b>- 14,947</b>     | <b>- 12,814</b> | <b>- 4,926</b> | <b>- 21,892</b> |
| 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         |
| <b>Non-technical result</b>                                  | <b>15,814</b>  | <b>44,226</b>  | <b>29,254</b>       | <b>40,008</b>   | <b>19,482</b>  | <b>17,482</b>   |
| <b>Operating profit/(loss)</b>                               | <b>70,645</b>  | <b>99,953</b>  | <b>14,307</b>       | <b>27,194</b>   | <b>14,556</b>  | <b>- 4,410</b>  |
| Amortisation of goodwill and impairment losses               | 0              | 0              | - 19,516            | - 15,960        | 0              | 0               |
| Finance costs  | 0              | 0              | - 719               | - 168           | - 79           | 0               |
| <b>Profit/(loss) for the year from continuing operations</b> | <b>70,645</b>  | <b>99,953</b>  | <b>- 5,928</b>      | <b>11,065</b>   | <b>14,477</b>  | <b>- 4,410</b>  |
| <b>Health insurance</b>                                      |                |                |                     |                 |                |                 |
|  | UNIQA Austria  |                | UNIQA International |                 | Reinsurance    |                 |
|  | 1-12/2016      | 1-12/2015      | 1-12/2016           | 1-12/2015       | 1-12/2016      | 1-12/2015       |
| In € thousand  |                |                |                     |                 |                |                 |
| 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               |
| <b>Technical result</b>                                      | <b>67,975</b>  | <b>109,255</b> | <b>- 3,673</b>      | <b>- 6,056</b>  | <b>598</b>     | <b>- 134</b>    |
| 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               |
| <b>Non-technical result</b>                                  | <b>36,577</b>  | <b>78,241</b>  | <b>533</b>          | <b>565</b>      | <b>0</b>       | <b>2</b>        |
| <b>Operating profit/(loss)</b>                               | <b>104,552</b> | <b>187,496</b> | <b>- 3,141</b>      | <b>- 5,491</b>  | <b>598</b>     | <b>- 132</b>    |
| Amortisation of goodwill and impairment losses               | 0              | 0              | 0                   | 0               | 0              | 0               |
| Finance costs  | 0              | 0              | 0                   | 0               | 0              | 0               |
| <b>Profit/(loss) for the year from continuing operations</b> | <b>104,552</b> | <b>187,496</b> | <b>- 3,141</b>      | <b>- 5,491</b>  | <b>598</b>     | <b>- 132</b>    |

| 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        |
| <b>-11,010</b> | <b>-2,647</b>  | <b>6,013</b>    | <b>13,207</b>   | <b>29,961</b>  | <b>31,580</b>  |
| 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        |
| <b>175,659</b> | <b>188,189</b> | <b>-125,378</b> | <b>-184,059</b> | <b>114,831</b> | <b>105,846</b> |
| <b>164,648</b> | <b>185,542</b> | <b>-119,365</b> | <b>-170,852</b> | <b>144,791</b> | <b>137,426</b> |
| 0              | 0              | 0               | 0               | -19,516        | -15,960        |
| -67,348        | -50,108        | 776             | 187             | -67,370        | -50,089        |
| <b>97,300</b>  | <b>135,434</b> | <b>-118,589</b> | <b>-170,665</b> | <b>57,905</b>  | <b>71,376</b>  |
| 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         |
| <b>-4,562</b>  | <b>4,764</b>   | <b>-203</b>     | <b>-6,656</b>   | <b>60,136</b>  | <b>101,173</b> |
| -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         |
| <b>-3,906</b>  | <b>-2,729</b>  | <b>2,820</b>    | <b>-5,842</b>   | <b>36,023</b>  | <b>70,236</b>  |
| <b>-8,468</b>  | <b>2,035</b>   | <b>2,617</b>    | <b>-12,498</b>  | <b>96,159</b>  | <b>171,410</b> |
| 0              | 0              | 0               | 0               | 0              | 0              |
| -107           | -154           | 0               | 0               | -107           | -154           |
| <b>-8,575</b>  | <b>1,881</b>   | <b>2,617</b>    | <b>-12,498</b>  | <b>96,051</b>  | <b>171,256</b> |

| Life insurance  | UNIQA Austria |                | UNIQA International |               | Reinsurance   |               |
|---|---------------|----------------|---------------------|---------------|---------------|---------------|
|   | 1-12/2016     | 1-12/2015      | 1-12/2016           | 1-12/2015     | 1-12/2016     | 1-12/2015     |
| In € thousand   |               |                |                     |               |               |               |
| 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        |
| <b>Technical result</b>   | <b>-4,953</b> | <b>67,422</b>  | <b>10,814</b>       | <b>14,820</b> | <b>-6,912</b> | <b>-7,797</b> |
| 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           |
| <b>Non-technical result</b>   | <b>86,243</b> | <b>67,564</b>  | <b>14,152</b>       | <b>11,603</b> | <b>9,928</b>  | <b>10,203</b> |
| <b>Operating profit/(loss)</b>  | <b>81,290</b> | <b>134,987</b> | <b>24,966</b>       | <b>26,423</b> | <b>3,016</b>  | <b>2,406</b>  |
| 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             |
| <b>Profit/(loss) for the year from continuing operations</b>  | <b>57,033</b> | <b>112,293</b> | <b>22,120</b>       | <b>25,745</b> | <b>3,016</b>  | <b>2,406</b>  |

| 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                |
| <b>0</b>       | <b>0</b>       | <b>-38,000</b> | <b>-40,034</b> | <b>1,121,025</b> | <b>1,425,454</b> |
| 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          |
| <b>-20,509</b> | <b>-12,386</b> | <b>5,325</b>   | <b>-8,939</b>  | <b>-16,236</b>   | <b>53,119</b>    |
| -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          |
| <b>-17,073</b> | <b>26,810</b>  | <b>877</b>     | <b>-11,894</b> | <b>94,128</b>    | <b>104,287</b>   |
| <b>-37,582</b> | <b>14,424</b>  | <b>6,202</b>   | <b>-20,833</b> | <b>77,892</b>    | <b>157,407</b>   |
| 0              | 0              | 0              | 0              | -6,316           | -2,220           |
| 0              | 0              | 20,787         | 21,151         | 0                | 0                |
| <b>-37,582</b> | <b>14,424</b>  | <b>26,989</b>  | <b>318</b>     | <b>71,576</b>    | <b>155,186</b>   |

*UNIQA International – classified by region*

| In € thousand                             | Premiums earned (net) |                | Net investment income |               |
|---|-----------------------|----------------|-----------------------|---------------|
|   | 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         |
| <b>Western Europe (WE)</b>                | <b>12,488</b>         | <b>12,779</b>  | <b>405</b>            | <b>1,478</b>  |
| 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         |
| <b>Central Europe (CE)</b>                | <b>413,574</b>        | <b>417,756</b> | <b>29,362</b>         | <b>35,599</b> |
| Romania                                   | 62,496                | 51,352         | 2,740                 | 3,427         |
| Ukraine                                   | 38,553                | 40,708         | 8,849                 | 14,739        |
| <b>Eastern Europe (EE)</b>                | <b>101,049</b>        | <b>92,060</b>  | <b>11,589</b>         | <b>18,166</b> |
| 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             |
| <b>Southeastern Europe (SEE)</b>          | <b>220,849</b>        | <b>230,336</b> | <b>25,669</b>         | <b>26,346</b> |
| Russia                                    | 55,975                | 48,470         | -3,203                | 15,275        |
| <b>Russia (RU)</b>                        | <b>55,975</b>         | <b>48,470</b>  | <b>-3,203</b>         | <b>15,275</b> |
| Austria                                   | 0                     | 0              | -280                  | 391           |
| <b>Administration</b>                     | <b>0</b>              | <b>0</b>       | <b>-280</b>           | <b>391</b>    |
| <b>UNIQA International</b>                | <b>803,935</b>        | <b>801,401</b> | <b>63,542</b>         | <b>97,255</b> |
| 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          |
| <b>-9,409</b>      | <b>-8,609</b>   | <b>-3,851</b>      | <b>-2,716</b>   | <b>924</b>            | <b>4,382</b>   |
| -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          |
| <b>-233,959</b>    | <b>-249,430</b> | <b>-173,725</b>    | <b>-158,707</b> | <b>24,815</b>         | <b>34,784</b>  |
| -39,411            | -27,063         | -21,267            | -22,931         | -5,668                | -2,429         |
| -14,679            | -14,389         | -24,607            | -28,655         | 7,809                 | -2,408         |
| <b>-54,090</b>     | <b>-41,452</b>  | <b>-45,874</b>     | <b>-51,586</b>  | <b>2,140</b>          | <b>-4,836</b>  |
| -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            |
| <b>-138,868</b>    | <b>-150,006</b> | <b>-86,111</b>     | <b>-90,871</b>  | <b>-3,647</b>         | <b>10,182</b>  |
| -48,619            | -36,265         | -9,990             | -9,430          | 5,847                 | 6,658          |
| <b>-48,619</b>     | <b>-36,265</b>  | <b>-9,990</b>      | <b>-9,430</b>   | <b>5,847</b>          | <b>6,658</b>   |
| 0                  | 0               | -16,605            | -20,511         | -17,028               | -19,852        |
| <b>0</b>           | <b>0</b>        | <b>-16,605</b>     | <b>-20,511</b>  | <b>-17,028</b>        | <b>-19,852</b> |
| <b>-484,946</b>    | <b>-485,761</b> | <b>-336,156</b>    | <b>-333,823</b> | <b>13,051</b>         | <b>31,319</b>  |
|                    |                 |                    |                 | 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       |
| <b>Assets</b>   |                                 |                  |                  |                  |
| 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                |
| <b>Total assets by business line</b>  | <b>6,863,514</b>                | <b>7,085,322</b> | <b>3,714,490</b> | <b>3,586,622</b> |
| <b>Liabilities</b>  |                                 |                  |                  |                  |
| 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                |
| <b>Total equity and liabilities by business line</b>                                      | <b>5,615,508</b>                | <b>5,768,793</b> | <b>3,154,426</b> | <b>3,062,619</b> |

| 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             |
| <b>24,026,898</b>  | <b>23,877,385</b> | <b>-965,742</b> | <b>-1,251,455</b> | <b>33,639,160</b> | <b>33,297,873</b> |
| 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                 |
| <b>22,617,703</b>  | <b>22,548,824</b> | <b>-961,244</b> | <b>-1,248,733</b> | <b>30,426,394</b> | <b>30,131,504</b> |
| <b>Consolidated equity and non-controlling interests</b> |                   |                 |                   | <b>3,212,766</b>  | <b>3,166,369</b>  |
| <b>Total equity and liabilities</b>                      |                   |                 |                   | <b>33,639,160</b> | <b>33,297,873</b> |

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<br>In € thousand | Land and buildings<br>for own use | Other property,<br>plant and<br>equipment | Total          |
|------------------------------------|-----------------------------------|---|----------------|
| <b>At 1 January 2015</b>           | <b>288,860</b>                    | <b>234,327</b>                            | <b>523,186</b> |
| 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        |
| <b>At 31 December 2015</b>         | <b>332,390</b>                    | <b>229,174</b>                            | <b>561,564</b> |
| <b>At 1 January 2016</b>           | <b>332,390</b>                    | <b>229,174</b>                            | <b>561,564</b> |
| 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       |
| <b>At 31 December 2016</b>         | <b>278,454</b>                    | <b>222,845</b>                            | <b>501,299</b> |

| Accumulated amortisation and impairment losses<br>In € thousand | Land and buildings<br>for own use | Other property,<br>plant and<br>equipment | Total            |
|---|-----------------------------------|---|------------------|
| <b>At 1 January 2015</b>  | <b>- 101,114</b>                  | <b>- 158,447</b>                          | <b>- 259,561</b> |
| 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                |
| <b>At 31 December 2015</b>                                      | <b>- 110,029</b>                  | <b>- 158,547</b>                          | <b>- 268,575</b> |
| <b>At 1 January 2016</b>  | <b>- 110,029</b>                  | <b>- 158,547</b>                          | <b>- 268,575</b> |
| 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           |
| <b>At 31 December 2016</b>                                      | <b>- 80,458</b>                   | <b>- 155,621</b>                          | <b>- 236,080</b> |

| Carrying amounts<br>In € thousand | Land and buildings<br>for own use | Other property,<br>plant and<br>equipment | Total          |
|-----------------------------------|-----------------------------------|---|----------------|
| <b>At 1 January 2015</b>          | <b>187,746</b>                    | <b>75,880</b>                             | <b>263,626</b> |
| <b>At 31 December 2015</b>        | <b>222,361</b>                    | <b>70,628</b>                             | <b>292,989</b> |
| <b>At 31 December 2016</b>        | <b>197,995</b>                    | <b>67,224</b>                             | <b>265,219</b> |

The fair values of the land and buildings used by the Group are derived from expert reports and are comprised as follows:

| Fair values<br>In € thousand | Property and<br>casualty insurance | Health insurance | Life insurance | Total          |
|------------------------------|------------------------------------|------------------|----------------|----------------|
| <b>At 31 December 2015</b>   | <b>174,877</b>                     | <b>13,876</b>    | <b>143,952</b> | <b>332,705</b> |
| <b>At 31 December 2016</b>   | <b>179,153</b>                     | <b>14,843</b>    | <b>126,858</b> | <b>320,854</b> |

Other property, plant and equipment refers mainly to technical systems and operating and office equipment.

## 8. Investment property

| Acquisition costs<br>In € thousand | Total            |
|------------------------------------|------------------|
| <b>At 1 January 2015</b>           | <b>2,109,251</b> |
| Currency translation               | - 10,513         |
| Change in basis of consolidation   | 6,984            |
| Additions                          | 21,030           |
| Disposals                          | - 111,671        |
| Reclassifications                  | 5,197            |
| <b>At 31 December 2015</b>         | <b>2,020,279</b> |
| <b>At 1 January 2016</b>           | <b>2,020,279</b> |
| 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          |
| <b>At 31 December 2016</b>         | <b>2,014,772</b> |

| Accumulated amortisation and impairment losses<br>In € thousand | Total            |
|---|------------------|
| <b>At 1 January 2015</b>  | <b>- 604,769</b> |
| Currency translation  | 4,036            |
| Additions from amortisation                                     | - 57,590         |
| Additions from impairment                                       | - 9,038          |
| Disposals   | 40,911           |
| Reclassifications   | - 1,108          |
| Reversal of impairment  | - 132            |
| <b>At 31 December 2015</b>                                      | <b>- 627,689</b> |
| <b>At 1 January 2016</b>  | <b>- 627,689</b> |
| 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            |
| <b>At 31 December 2016</b>                                      | <b>- 664,776</b> |

| Carrying amounts<br>In € thousand | Total            |
|-----------------------------------|------------------|
| <b>At 1 January 2015</b>          | <b>1,504,483</b> |
| <b>At 31 December 2015</b>        | <b>1,392,590</b> |
| <b>At 31 December 2016</b>        | <b>1,349,996</b> |

The fair values of the investment property are derived from expert reports.

| Fair values<br>In € thousand | Property<br>and<br>casualty insurance | Health<br>insurance | Life<br>insurance | Total            |
|------------------------------|---------------------------------------|---------------------|-------------------|------------------|
| <b>At 31 December 2015</b>   | <b>383,185</b>                        | <b>511,614</b>      | <b>1,290,594</b>  | <b>2,185,392</b> |
| <b>At 31 December 2016</b>   | <b>471,847</b>                        | <b>533,945</b>      | <b>1,242,487</b>  | <b>2,248,279</b> |

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<br>In € thousand | Deferred<br>acquisition costs | Insurance<br>contract portfolio | Goodwill       | Other<br>intangible assets | Total            |
|------------------------------------|-------------------------------|---------------------------------|----------------|----------------------------|------------------|
| <b>At 1 January 2015</b>           | <b>1,232,068</b>              | <b>169,340</b>                  | <b>572,951</b> | <b>181,295</b>             | <b>2,155,654</b> |
| 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        |
| <b>At 31 December 2015</b>         | <b>1,210,789</b>              | <b>169,026</b>                  | <b>562,451</b> | <b>196,720</b>             | <b>2,138,985</b> |
| <b>At 1 January 2016</b>           | <b>1,210,789</b>              | <b>169,026</b>                  | <b>562,451</b> | <b>196,720</b>             | <b>2,138,985</b> |
| 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        |
| <b>At 31 December 2016</b>         | <b>1,134,853</b>              | <b>113,496</b>                  | <b>377,599</b> | <b>191,493</b>             | <b>1,817,441</b> |

| Accumulated amortisation and impairment losses<br>In € thousand | Deferred<br>acquisition costs | Insurance<br>contract portfolio | Goodwill         | Other<br>intangible assets | Total            |
|---|-------------------------------|---------------------------------|------------------|----------------------------|------------------|
| <b>At 1 January 2015</b>  |                               | <b>- 131,246</b>                | <b>- 120,985</b> | <b>- 153,249</b>           | <b>- 405,480</b> |
| 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            |
| <b>At 31 December 2015</b>                                      |                               | <b>- 138,943</b>                | <b>- 133,191</b> | <b>- 163,794</b>           | <b>- 435,927</b> |
| <b>At 1 January 2016</b>  |                               | <b>- 138,943</b>                | <b>- 133,191</b> | <b>- 163,794</b>           | <b>- 435,927</b> |
| 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           |
| <b>At 31 December 2016</b>                                      |                               | <b>- 95,179</b>                 | <b>- 82,230</b>  | <b>- 147,672</b>           | <b>- 325,081</b> |

| Carrying amounts<br>In € thousand | Deferred<br>acquisition costs | Insurance<br>contract portfolio | Goodwill       | Other<br>intangible assets | Total            |
|-----------------------------------|-------------------------------|---------------------------------|----------------|----------------------------|------------------|
| <b>At 1 January 2015</b>          | <b>1,232,068</b>              | <b>38,093</b>                   | <b>451,966</b> | <b>28,046</b>              | <b>1,750,174</b> |
| <b>At 31 December 2015</b>        | <b>1,210,789</b>              | <b>30,083</b>                   | <b>429,260</b> | <b>32,926</b>              | <b>1,703,058</b> |
| <b>At 31 December 2016</b>        | <b>1,134,853</b>              | <b>18,317</b>                   | <b>295,369</b> | <b>43,820</b>              | <b>1,492,360</b> |

The goodwill is distributed among the individual cash generating units as follows:

| Goodwill by CGU<br>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          |
| <b>Total</b>  | <b>295,369</b> | <b>429,260</b> |

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        |
| <b>Total</b>            | <b>43,820</b> | <b>32,926</b> |

## 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<br>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 <sup>1)</sup> |               |
|---|--------------------------|---------------|
| 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        |
| <b>Total comprehensive income</b>                   | <b>72,430</b>            | <b>84,560</b> |
| <b>Dividends received from associated companies</b> | <b>10,194</b>            | <b>7,841</b>  |

| Summarised statement of financial position | STRABAG SE <sup>1)</sup> |                   |
|--|--------------------------|-------------------|
| 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         |
| <b>Current assets</b>                      | <b>5,903,864</b>         | <b>6,444,796</b>  |
| <b>Non-current assets</b>                  | <b>4,344,896</b>         | <b>4,284,072</b>  |
| <b>Total assets</b>                        | <b>10,248,760</b>        | <b>10,728,868</b> |
| Current financial liabilities              | 189,194                  | 285,994           |
| Other current liabilities                  | 4,432,035                | 4,602,993         |
| <b>Current liabilities</b>                 | <b>4,621,229</b>         | <b>4,888,987</b>  |
| Non-current liabilities                    | 1,249,517                | 1,293,753         |
| Other non-current liabilities              | 1,307,947                | 1,225,493         |
| <b>Non-current liabilities</b>             | <b>2,557,464</b>         | <b>2,519,246</b>  |
| <b>Total liabilities</b>                   | <b>7,178,693</b>         | <b>7,408,233</b>  |
| <b>Net assets</b>                          | <b>3,070,067</b>         | <b>3,320,635</b>  |

<sup>1)</sup> 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 | STRABAG SE Associated companies not material on stand-alone basis <sup>2)</sup> |                       |                    |                            |                |
|--|---|-----------------------|--------------------|----------------------------|----------------|
|  | In € thousand   | 2016 <sup>1) 3)</sup> | 2015 <sup>3)</sup> | 2016                       | 2015           |
| <b>Net assets at 1 January</b>                     |   | <b>3,029,356</b>      | <b>2,884,712</b>   | <b>164,459</b>             | <b>258,750</b> |
| 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        |
| <b>Net assets at 31 December</b>                   |   | <b>3,113,049</b>      | <b>3,029,356</b>   | <b>111,734</b>             | <b>164,459</b> |
| Shares in associated companies                     |   | 14.26%                | 13.76%             | Various investment amounts |                |
| <b>Carrying amount</b>                             |   | <b>475,831</b>        | <b>463,039</b>     | <b>45,474</b>              | <b>51,127</b>  |

<sup>1)</sup> Estimate for 31 Dec. 2016 based on the interim report as at 30 Sept. 2016 on STRABAG SE available as at the reporting date

<sup>2)</sup> Values in accordance with the last financial statements and/or interim reports available as at the reporting date

<sup>3)</sup> 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   |
|---|--------------|------------------|------------------|--------------|
| <b>Assets</b>   |              |                  |                  |              |
| 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            |
| <b>Assets in disposal groups held for sale</b>          | <b>9,289</b> | <b>5,064,439</b> | <b>5,073,729</b> | <b>9,289</b> |

| In € thousand  | Medial   | Italian Group    | 31/12/2016       | 31/12/2015 |
|--|----------|------------------|------------------|------------|
| <b>Liabilities</b>   |          |                  |                  |            |
| 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          |
| <b>Liabilities in disposal groups held for sale</b>                  | <b>0</b> | <b>4,862,227</b> | <b>4,862,227</b> | <b>0</b>   |

## 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  | Variable-income securities | Fixed-income securities | Loans and other investments | Derivative financial instruments | Investments under investment contracts | Total             |
|--|----------------------------|-------------------------|-----------------------------|----------------------------------|--|-------------------|
| In € thousand  |                            |                         |                             |                                  |  |                   |
| 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         |
| <b>Total</b>   | <b>715,957</b>             | <b>16,512,394</b>       | <b>730,076</b>              | <b>135,122</b>                   | <b>59,924</b>                          | <b>18,153,472</b> |
| of which fair value option                                       | 44,264                     | 231,009                 | 0                           | 0                                | 0                                      | 275,273           |

| At 31 December 2015  | Variable-income securities | Fixed-income securities | Loans and other investments | Derivative financial instruments | Investments under investment contracts | Total             |
|--|----------------------------|-------------------------|-----------------------------|----------------------------------|--|-------------------|
| In € thousand  |                            |                         |                             |                                  |  |                   |
| 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         |
| <b>Total</b>   | <b>736,391</b>             | <b>19,359,770</b>       | <b>1,111,317</b>            | <b>126,545</b>                   | <b>58,452</b>                          | <b>21,392,476</b> |
| 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<br>In € thousand                                    | Level 1           | Level 2          | Level 3        | Total             |
|---|-------------------|------------------|----------------|-------------------|
| <b>Available-for-sale financial assets</b>                              |                   |                  |                |                   |
| 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        |
| <b>Total</b>  | <b>11,895,959</b> | <b>3,897,332</b> | <b>697,260</b> | <b>16,490,551</b> |
| <b>Financial assets recognised at fair value through profit or loss</b> |                   |                  |                |                   |
| 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            |
| <b>Total</b>  | <b>151,001</b>    | <b>177,932</b>   | <b>141,385</b> | <b>470,318</b>    |
| Assets in disposal groups held for sale                                 | 3,763,960         | 357,583          | 32,212         | 4,153,754         |

| At 31 December 2016<br>In € thousand | Level 1  | Level 2       | Level 3  | Total         |
|--------------------------------------|----------|---------------|----------|---------------|
| <b>Financial liabilities</b>         |          |               |          |               |
| Derivative financial instruments     | 0        | 30,555        | 0        | 30,555        |
| <b>Total</b>                         | <b>0</b> | <b>30,555</b> | <b>0</b> | <b>30,555</b> |

#### Fair values of assets and liabilities measured at amortised cost

| At 31 December 2016<br>In € thousand    | Level 1       | Level 2        | Level 3          | Total            |
|---|---------------|----------------|------------------|------------------|
| <b>Investment property</b>              |               |                |                  |                  |
|   | <b>0</b>      | <b>0</b>       | <b>2,248,279</b> | <b>2,248,279</b> |
| <b>Loans and receivables</b>            |               |                |                  |                  |
| Loans and other investments             | 0             | 0              | 40,033           | 40,033           |
| Fixed-income securities                 | 51,499        | 340,994        | 94,785           | 487,279          |
| <b>Total</b>                            | <b>51,499</b> | <b>340,994</b> | <b>134,818</b>   | <b>527,312</b>   |
| Assets in disposal groups held for sale | 0             | 0              | 5,852            | 5,852            |

| At 31 December 2016<br>In € thousand | Level 1        | Level 2  | Level 3       | Total          |
|--------------------------------------|----------------|----------|---------------|----------------|
| <b>Financial liabilities</b>         |                |          |               |                |
| Liabilities from loans               | 0              | 0        | 14,968        | 14,968         |
| <b>Total</b>                         | <b>0</b>       | <b>0</b> | <b>14,968</b> | <b>14,968</b>  |
| <b>Subordinated liabilities</b>      |                |          |               |                |
|                                      | <b>927,240</b> | <b>0</b> | <b>0</b>      | <b>927,240</b> |

*Assets and liabilities measured at fair value  
as at the previous year's reporting date*

| At 31 December 2015<br>In € thousand                                    | Level 1           | Level 2          | Level 3        | Total             |
|---|-------------------|------------------|----------------|-------------------|
| <b>Available-for-sale financial assets</b>                              |                   |                  |                |                   |
| Variable-income securities  | 282,976           | 175,315          | 201,207        | 659,499           |
| Fixed-income securities   | 14,608,314        | 3,886,758        | 0              | 18,495,071        |
| <b>Total</b>  | <b>14,891,290</b> | <b>4,062,073</b> | <b>201,207</b> | <b>19,154,570</b> |
| <b>Financial assets recognised at fair value through profit or loss</b> |                   |                  |                |                   |
| 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            |
| <b>Total</b>  | <b>200,578</b>    | <b>415,919</b>   | <b>0</b>       | <b>616,497</b>    |

| At 31 December 2015<br>In € thousand | Level 1  | Level 2       | Level 3  | Total         |
|--------------------------------------|----------|---------------|----------|---------------|
| <b>Financial liabilities</b>         |          |               |          |               |
| Derivative financial instruments     | 0        | 17,922        | 0        | 17,922        |
| <b>Total</b>                         | <b>0</b> | <b>17,922</b> | <b>0</b> | <b>17,922</b> |

*Fair values of assets and liabilities measured at amortised cost  
as at the previous year's reporting date*

| At 31 December 2015<br>In € thousand | Level 1        | Level 2        | Level 3          | Total            |
|--------------------------------------|----------------|----------------|------------------|------------------|
| <b>Investment property</b>           |                |                |                  |                  |
|                                      | <b>0</b>       | <b>0</b>       | <b>2,185,392</b> | <b>2,185,392</b> |
| <b>Loans and receivables</b>         |                |                |                  |                  |
| Loans and other investments          | 0              | 0              | 59,136           | 59,136           |
| Fixed-income securities              | 120,152        | 414,316        | 0                | 534,468          |
| <b>Total</b>                         | <b>120,152</b> | <b>414,316</b> | <b>59,136</b>    | <b>593,604</b>   |

| At 31 December 2015<br>In € thousand | Level 1        | Level 2        | Level 3       | Total            |
|--------------------------------------|----------------|----------------|---------------|------------------|
| <b>Financial liabilities</b>         |                |                |               |                  |
| Liabilities from loans               | 0              | 0              | 15,658        | 15,658           |
| <b>Total</b>                         | <b>0</b>       | <b>0</b>       | <b>15,658</b> | <b>15,658</b>    |
| <b>Subordinated liabilities</b>      |                |                |               |                  |
|                                      | <b>903,826</b> | <b>255,894</b> | <b>0</b>      | <b>1,159,720</b> |

### 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          |
|---|----------------|-------------------------|----------------|----------------|
| <b>At 1 January 2016</b>                                    | <b>135,848</b> | <b>0</b>                | <b>65,359</b>  | <b>201,207</b> |
| 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        |
| <b>At 31 December 2016</b>                                  | <b>126,071</b> | <b>426,587</b>          | <b>285,987</b> | <b>838,645</b> |

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<br>In € thousand                          | 1-12/2016     |                 | 1-12/2015     |                 |
|--|---------------|-----------------|---------------|-----------------|
|  | Upside        | Downside        | Upside        | Downside        |
| Through equity   | 18,693        | - 14,444        | 19,886        | - 15,813        |
| <b>Effect of changes in the discount rate (+/- 1 percentage point)</b> | <b>18,693</b> | <b>- 14,444</b> | <b>19,886</b> | <b>- 15,813</b> |
| Through equity   | 0             | 0               | 455           | - 557           |
| <b>Effect of changes in the growth rate (+/- 1 percentage point)</b>   | <b>0</b>      | <b>0</b>        | <b>455</b>    | <b>- 557</b>    |

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             | 2016    | 2015    | 2014    | 2013    | 2012    | 2011      | 2010      | 2009      | 2008      |
|--------------------------------|---------|---------|---------|---------|---------|-----------|-----------|-----------|-----------|
| In € thousand                  |         |         |         |         |         |           |           |           |           |
| 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       |
| <b>Loans</b>  |                  |                  |
| 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            |
| <b>Total</b>  | <b>40,033</b>    | <b>59,136</b>    |
| <b>Other investments</b>  |                  |                  |
| Bank deposits   | 576,340          | 935,590          |
| Deposits retained on assumed reinsurance                          | 113,703          | 116,591          |
| <b>Total</b>  | <b>690,043</b>   | <b>1,052,181</b> |
| <b>Total</b>  | <b>730,076</b>   | <b>1,111,317</b> |

Fair values essentially correlate with book values.

| Impairment loans      | 2016           | 2015           |
|-----------------------|----------------|----------------|
| In € thousand         |                |                |
| <b>At 1 January</b>   | <b>-33,843</b> | <b>-35,395</b> |
| Allocation            | -697           | -1,253         |
| Use                   | 7,919          | 1,030          |
| Reversal              | 815            | 1,807          |
| Currency translation  | -26            | -31            |
| <b>At 31 December</b> | <b>-25,832</b> | <b>-33,843</b> |

**Contractual maturities**

| Fair values<br>In € thousand       | Fixed-income securities |                | Loans         |               |
|------------------------------------|-------------------------|----------------|---------------|---------------|
|                                    | 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        |
| <b>Total</b>                       | <b>487,279</b>          | <b>534,468</b> | <b>40,033</b> | <b>59,136</b> |

**13. Receivables including insurance receivables**

| In € thousand  | 31/12/2016     | 31/12/2015     |
|--|----------------|----------------|
| <b>Reinsurance receivables</b>                           |                |                |
| Receivables from reinsurance business                    | 38,024         | 51,753         |
|  | <b>38,024</b>  | <b>51,753</b>  |
| <b>Other receivables</b>                                 |                |                |
| <b>Insurance receivables</b>                             |                |                |
| from policyholders                                       | 210,396        | 244,639        |
| from insurance intermediaries                            | 23,066         | 56,785         |
| from insurance companies                                 | 9,747          | 13,836         |
|  | <b>243,209</b> | <b>315,260</b> |
| <b>Additional receivables</b>                            |                |                |
| 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        |
|  | <b>321,391</b> | <b>512,646</b> |
| <b>Total other receivables</b>                           | <b>564,601</b> | <b>827,906</b> |
| <b>Subtotal</b>  | <b>602,624</b> | <b>879,659</b> |
| of which receivables with a remaining maturity of        |                |                |
| up to 1 year   | 596,312        | 868,879        |
| more than 1 year   | 6,313          | 10,780         |
|  | <b>602,624</b> | <b>879,659</b> |
| 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          |
| <b>Other assets</b>                                      | <b>36,071</b>  | <b>31,818</b>  |
| <b>Total receivables including insurance receivables</b> | <b>638,695</b> | <b>911,477</b> |

Fair values essentially correlate with book values.

| Impairments                     | Reinsurance receivables |              | Insurance receivables <sup>1)</sup> |                 | Additional receivables |                 |
|---------------------------------|-------------------------|--------------|-------------------------------------|-----------------|------------------------|-----------------|
|                                 | 2016                    | 2015         | 2016                                | 2015            | 2016                   | 2015            |
| In € thousand                   |                         |              |                                     |                 |                        |                 |
| 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               |
| <b>At 31 December</b>           | <b>- 243</b>            | <b>- 116</b> | <b>- 20,532</b>                     | <b>- 31,086</b> | <b>- 16,273</b>        | <b>- 14,672</b> |

<sup>1)</sup> 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   |                  | 31/12/2015   |                  |
|--------------------------|--------------|------------------|--------------|------------------|
|                          | Up to 1 year | More than 1 year | Up to 1 year | More than 1 year |
| In € thousand            |              |                  |              |                  |
| 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       |
|---|------------------|------------------|
| <b>Deferred tax assets (gross)</b>                        |                  |                  |
| 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           |
| <b>Total</b>  | <b>190,278</b>   | <b>192,517</b>   |
| <b>Deferred tax liabilities (gross)</b>                   |                  |                  |
| 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         |
| <b>Total</b>  | <b>- 481,365</b> | <b>- 514,098</b> |
| <b>Net deferred tax</b>                                   | <b>- 291,087</b> | <b>- 321,581</b> |

The deferred tax assets and deferred tax liabilities stated in the consolidated statement of financial position performed as follows:

| In € thousand                                    | Net deferred tax |
|--|------------------|
| <b>At 1 January 2015</b>                         | <b>- 343,824</b> |
| Changes recognised in profit/(loss)              | - 6,674          |
| Changes recognised in other comprehensive income | 29,540           |
| Changes due to acquisitions                      | 355              |
| Foreign exchange differences                     | - 977            |
| <b>At 31 December 2015</b>                       | <b>- 321,581</b> |
| <b>At 1 January 2016</b>                         | <b>- 321,581</b> |
| 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             |
| <b>At 31 December 2016</b>                       | <b>- 291,087</b> |

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        |
| <b>Total</b>      | <b>177,280</b> | <b>210,895</b> |

## 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<br>In € thousand | 31/12/2016      | 31/12/2015    |
|--|-----------------|---------------|
| Deferred tax   | - 23,203        | 29,540        |
| <b>Total</b>   | <b>- 23,203</b> | <b>29,540</b> |

**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 |
|---|------------|------------|
| <b>UNIQA Insurance Group AG</b>           |            |            |
| Cost in € thousand                        | 10,857     | 10,857     |
| Number of shares                          | 819,650    | 819,650    |
| Share of subscribed capital in %          | 0.27       | 0.27       |
| <b>UNIQA Österreich Versicherungen AG</b> |            |            |
| 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.

|   | 1-12/2016             | 1-12/2015   |
|---|-----------------------|-------------|
| <b>Earnings per share</b>               |                       |             |
| 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 € <sup>1)</sup>   | 0.48                  | 1.09        |
| Dividend per share in €                 | 0.49 <sup>2)</sup>    | 0.47        |
| Dividend payment in € thousand          | 150,413 <sup>2)</sup> | 144,845     |

<sup>1)</sup> Calculated based on consolidated profit/(loss) for the year

<sup>2)</sup> 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        |
| <b>Total</b>   | <b>26,513</b> | <b>21,853</b> |

**19. Subordinated liabilities**

| Carrying amounts      | 31/12/2016        | 31/12/2015        |
|-----------------------|-------------------|-------------------|
| In € thousand         |                   |                   |
| Supplementary capital | 846,043           | 1,095,745         |
| <b>Fair values</b>    | <b>31/12/2016</b> | <b>31/12/2015</b> |
| In € thousand         |                   |                   |
| 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     |
|---------------------------------------|----------------|----------------|
| <b>Unearned premiums</b>              | <b>23,302</b>  | <b>21,962</b>  |
| Property and casualty insurance       | 23,021         | 21,883         |
| Health insurance                      | 281            | 79             |
| <b>Insurance provision</b>            | <b>142,563</b> | <b>357,577</b> |
| Property and casualty insurance       | 13             | 14             |
| Health insurance                      | 995            | 794            |
| Life insurance                        | 141,556        | 356,769        |
| <b>Provision for unsettled claims</b> | <b>156,598</b> | <b>167,874</b> |
| Property and casualty insurance       | 151,227        | 151,645        |
| Health insurance                      | 582            | 22             |
| Life insurance                        | 4,789          | 16,206         |
| <b>Other technical provisions</b>     | <b>1,980</b>   | <b>1,553</b>   |
| <b>Total</b>                          | <b>324,443</b> | <b>548,966</b> |

## 21. Unearned premiums

| In € thousand                          | 31/12/2016     | 31/12/2015     |
|--|----------------|----------------|
| <b>Property and casualty insurance</b> |                |                |
| Gross                                  | 541,701        | 616,780        |
| Reinsurers' share                      | - 23,021       | - 21,883       |
|  | <b>518,681</b> | <b>594,897</b> |
| <b>Health insurance</b>                |                |                |
| Gross                                  | 7,780          | 19,077         |
| Reinsurers' share                      | - 281          | - 79           |
|  | <b>7,499</b>   | <b>18,998</b>  |
| <b>Total</b>                           |                |                |
| Gross                                  | 549,482        | 635,857        |
| Reinsurers' share                      | - 23,302       | - 21,962       |
| <b>Total</b>                           | <b>526,180</b> | <b>613,895</b> |

## 22. Insurance provision

| In € thousand                          | 31/12/2016        | 31/12/2015        |
|--|-------------------|-------------------|
| <b>Property and casualty insurance</b> |                   |                   |
| Gross                                  | 12,273            | 12,344            |
| Reinsurers' share                      | - 13              | - 14              |
|  | <b>12,260</b>     | <b>12,330</b>     |
| <b>Health insurance</b>                |                   |                   |
| Gross                                  | 2,660,066         | 2,561,667         |
| Reinsurers' share                      | - 995             | - 794             |
|  | <b>2,659,072</b>  | <b>2,560,873</b>  |
| <b>Life insurance</b>                  |                   |                   |
| Gross                                  | 10,774,952        | 14,289,078        |
| Reinsurers' share                      | - 141,556         | - 356,769         |
|  | <b>10,633,396</b> | <b>13,932,309</b> |
| <b>Total</b>                           |                   |                   |
| Gross                                  | 13,447,291        | 16,863,089        |
| Reinsurers' share                      | - 142,563         | - 357,577         |
|  | <b>13,304,728</b> | <b>16,505,512</b> |

The interest rates used as an accounting basis were as follows:

| For<br>In per cent             | Health insurance<br>acc. to SFAS 60 | Life insurance<br>acc. to SFAS 120 |
|--------------------------------|-------------------------------------|------------------------------------|
| <b>2016</b>                    |                                     |                                    |
| For insurance provision        | 1.50 - 5.50                         | 0.00 - 4.00                        |
| For deferred acquisition costs | 1.50 - 5.50                         | 2.50 - 3.12                        |
| <b>2015</b>                    |                                     |                                    |
| 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       |
|--|------------------|------------------|
| <b>Property and casualty insurance</b> |                  |                  |
| Gross                                  | 2,287,500        | 2,371,658        |
| Reinsurers' share                      | - 151,227        | - 151,645        |
|  | <b>2,136,273</b> | <b>2,220,013</b> |
| <b>Health insurance</b>                |                  |                  |
| Gross                                  | 158,203          | 157,917          |
| Reinsurers' share                      | - 582            | - 22             |
|  | <b>157,622</b>   | <b>157,895</b>   |
| <b>Life insurance</b>                  |                  |                  |
| Gross                                  | 139,844          | 193,741          |
| Reinsurers' share                      | - 4,789          | - 16,206         |
|  | <b>135,055</b>   | <b>177,535</b>   |
| <b>Total</b>                           |                  |                  |
| Gross                                  | 2,585,547        | 2,723,316        |
| Reinsurers' share                      | - 156,598        | - 167,874        |
|  | <b>2,428,950</b> | <b>2,555,443</b> |

The provisions for unsettled claims developed in the property and casualty insurance as follows:

| In € thousand                                       | 31/12/2016         | 31/12/2015         |
|---|--------------------|--------------------|
| <b>Provisions for unsettled claims at 1 January</b> |                    |                    |
| Gross   | 2,371,658          | 2,240,465          |
| Reinsurers' share                                   | - 151,645          | - 137,605          |
| <b>Net</b>  | <b>2,220,013</b>   | <b>2,102,860</b>   |
| <b>Plus (net) claims expenditures</b>               |                    |                    |
| Current year claims                                 | 1,687,286          | 1,376,992          |
| Prior-year claims                                   | - 37,638           | 10,474             |
| <b>Total</b>  | <b>1,649,649</b>   | <b>1,387,466</b>   |
| <b>Less (net) claims paid</b>                       |                    |                    |
| Current year claims                                 | - 828,423          | - 650,301          |
| Prior-year claims                                   | - 700,078          | - 619,931          |
| <b>Total</b>  | <b>- 1,528,501</b> | <b>- 1,270,232</b> |
| <b>Currency translation</b>                         | <b>- 6,764</b>     | <b>723</b>         |
| <b>Other changes</b>                                | <b>391</b>         | <b>- 803</b>       |
| <b>Reclassifications held for sale</b>              | <b>- 198,515</b>   |                    |
| <b>Claim provision at 31 December</b>               |                    |                    |
| Gross   | 2,287,500          | 2,371,658          |
| Reinsurers' share                                   | - 151,227          | - 151,645          |
| <b>Net</b>  | <b>2,136,273</b>   | <b>2,220,013</b>   |

| Claims payments  | 2006      | 2007      | 2008      | 2009      | 2010      | 2011      | 2012      | 2013      | 2014      | 2015      | 2016      | Total            |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------------|
| In € thousand  |           |           |           |           |           |           |           |           |           |           |           |                  |
| 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  |           |           |           |           |           |           |           |           |           |           |           |                  |
| 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           |
| <b>Total settlement gains/losses</b>                                   |           |           |           |           |           |           |           |           |           |           |           | <b>45,328</b>    |
| 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           |
| <b>Provisions for unsettled claims (gross) at 31. December 2016</b>    |           |           |           |           |           |           |           |           |           |           |           | <b>2,287,500</b> |

## 24. Provision for premium refunds

Provision for non-profit related premium refunds:

| Gross<br>In € thousand       | 31/12/2016    | 31/12/2015    |
|------------------------------|---------------|---------------|
| <b>At 1 January</b>          | <b>43,483</b> | <b>49,743</b> |
| Additions                    | 7,759         | 11,056        |
| Disposals                    | -9,854        | -17,313       |
| Foreign exchange differences | 33            | -2            |
| <b>At 31 December</b>        | <b>41,422</b> | <b>43,483</b> |

Provision for profit-related premium refunds and/or policyholder profit participation and latent profit participation:

| Gross<br>In € thousand   | 31/12/2016     | 31/12/2015       |
|--|----------------|------------------|
| <b>Provision for profit-related premium refunds and/or policyholder profit participation</b> |                |                  |
| <b>At 1 January</b>  | <b>112,096</b> | <b>188,481</b>   |
| Additions  | 48,229         | 3,421            |
| Disposals  | -19,619        | -61,709          |
| Portfolio changes  | -13,716        | -18,130          |
| Foreign exchange differences   | 529            | 32               |
| <b>At 31 December</b>  | <b>127,518</b> | <b>112,096</b>   |
| <b>Deferred profit participation</b>   |                |                  |
| <b>At 1 January</b>  | <b>905,019</b> | <b>952,801</b>   |
| 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                |
| <b>At 31 December</b>  | <b>837,520</b> | <b>905,019</b>   |
| <b>Total</b>   | <b>965,038</b> | <b>1,017,115</b> |

## 25. Technical provisions

| Gross<br>In € thousand                 | Unearned<br>premiums | Insurance<br>provision | Provision for<br>unsettled claims | Provision for non-<br>profit related<br>premium refunds | Provision for profit-<br>related premium<br>refunds and/<br>policyholder profit<br>participation | Other technical<br>provisions | Total             |
|--|----------------------|------------------------|-----------------------------------|---|--|-------------------------------|-------------------|
| <b>Property and casualty insurance</b> |                      |                        |                                   |   |  |                               |                   |
| <b>At 1 January 2016</b>               | <b>616,780</b>       | <b>12,344</b>          | <b>2,371,658</b>                  | <b>27,183</b>   | <b>1,155</b>   | <b>15,761</b>                 | <b>3,044,881</b>  |
| 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          |
| <b>At 31 December 2016</b>             | <b>541,701</b>       | <b>12,273</b>          | <b>2,287,500</b>                  | <b>26,815</b>   | <b>1,399</b>   | <b>15,096</b>                 | <b>2,884,784</b>  |
| <b>Health insurance</b>                |                      |                        |                                   |   |  |                               |                   |
| <b>At 1 January 2016</b>               | <b>19,077</b>        | <b>2,561,667</b>       | <b>157,917</b>                    | <b>12,811</b>   | <b>27,218</b>  | <b>1,212</b>                  | <b>2,779,902</b>  |
| 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           |
| <b>At 31 December 2016</b>             | <b>7,780</b>         | <b>2,660,066</b>       | <b>158,203</b>                    | <b>10,684</b>   | <b>44,621</b>  | <b>561</b>                    | <b>2,881,916</b>  |
| <b>Life insurance</b>                  |                      |                        |                                   |   |  |                               |                   |
| <b>At 1 January 2016</b>               |                      | <b>14,289,078</b>      | <b>193,741</b>                    | <b>3,489</b>  | <b>988,743</b>   | <b>28,228</b>                 | <b>15,503,278</b> |
| 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        |
| <b>At 31 December 2016</b>             |                      | <b>10,774,952</b>      | <b>139,844</b>                    | <b>3,923</b>  | <b>919,019</b>   | <b>4,795</b>                  | <b>11,842,533</b> |
| <b>Total</b>                           |                      |                        |                                   |   |  |                               |                   |
| <b>At 1 January 2016</b>               | <b>635,857</b>       | <b>16,863,089</b>      | <b>2,723,316</b>                  | <b>43,483</b>   | <b>1,017,115</b>   | <b>45,201</b>                 | <b>21,328,061</b> |
| 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        |
| <b>At 31 December 2016</b>             | <b>549,482</b>       | <b>13,447,291</b>      | <b>2,585,547</b>                  | <b>41,422</b>   | <b>965,038</b>   | <b>20,452</b>                 | <b>17,609,233</b> |



| Reinsurers' share<br>In € thousand     | Unearned<br>premiums | Insurance<br>provision | Provision for<br>unsettled claims | Provision for non-<br>profit related<br>premium refunds | Provision for profit-<br>related premium<br>refunds and/or<br>policyholder profit<br>participation | Other technical<br>provisions | Total          |
|--|----------------------|------------------------|-----------------------------------|---|--|-------------------------------|----------------|
| <b>Property and casualty insurance</b> |                      |                        |                                   |   |  |                               |                |
| <b>At 1 January 2016</b>               | <b>21,883</b>        | <b>14</b>              | <b>151,645</b>                    |   |  | <b>1,730</b>                  | <b>175,272</b> |
| 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        |
| <b>At 31 December 2016</b>             | <b>23,021</b>        | <b>13</b>              | <b>151,227</b>                    |   |  | <b>2,158</b>                  | <b>176,419</b> |
| <b>Health insurance</b>                |                      |                        |                                   |   |  |                               |                |
| <b>At 1 January 2016</b>               | <b>79</b>            | <b>794</b>             | <b>22</b>                         |   |  |                               | <b>895</b>     |
| 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            |
| <b>At 31 December 2016</b>             | <b>281</b>           | <b>995</b>             | <b>582</b>                        |   |  |                               | <b>1,857</b>   |
| <b>Life insurance</b>                  |                      |                        |                                   |   |  |                               |                |
| <b>At 1 January 2016</b>               |                      | <b>356,769</b>         | <b>16,206</b>                     |   |  | <b>- 177</b>                  | <b>372,798</b> |
| 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      |
| <b>At 31 December 2016</b>             |                      | <b>141,556</b>         | <b>4,789</b>                      |   |  | <b>- 178</b>                  | <b>146,166</b> |
| <b>Total</b>                           |                      |                        |                                   |   |  |                               |                |
| <b>At 1 January 2016</b>               | <b>21,962</b>        | <b>357,577</b>         | <b>167,874</b>                    |   |  | <b>1,553</b>                  | <b>548,965</b> |
| 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      |
| <b>At 31 December 2016</b>             | <b>23,302</b>        | <b>142,563</b>         | <b>156,598</b>                    |   |  | <b>1,980</b>                  | <b>324,443</b> |

| Net<br>In € thousand                   | Unearned<br>premiums | Insurance<br>provision | Provision for<br>unsettled claims | Provision for non-<br>profit related<br>premium refunds | Provision for profit-<br>related premium<br>refunds and/or<br>policyholder profit<br>participation | Other technical<br>provisions | Total             |
|--|----------------------|------------------------|-----------------------------------|---|--|-------------------------------|-------------------|
| <b>Property and casualty insurance</b> |                      |                        |                                   |   |  |                               |                   |
| <b>At 1 January 2016</b>               | <b>594,897</b>       | <b>12,330</b>          | <b>2,220,013</b>                  | <b>27,183</b>   | <b>1,155</b>   | <b>14,031</b>                 | <b>2,869,609</b>  |
| 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         |
| <b>At 31 December 2016</b>             | <b>518,681</b>       | <b>12,260</b>          | <b>2,136,273</b>                  | <b>26,815</b>   | <b>1,399</b>   | <b>12,937</b>                 | <b>2,708,366</b>  |
| <b>Health insurance</b>                |                      |                        |                                   |   |  |                               |                   |
| <b>At 1 January 2016</b>               | <b>18,998</b>        | <b>2,560,873</b>       | <b>157,895</b>                    | <b>12,811</b>   | <b>27,218</b>  | <b>1,212</b>                  | <b>2,779,007</b>  |
| 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          |
| <b>At 31 December 2016</b>             | <b>7,499</b>         | <b>2,659,072</b>       | <b>157,622</b>                    | <b>10,684</b>   | <b>44,621</b>  | <b>561</b>                    | <b>2,880,058</b>  |
| <b>Life insurance</b>                  |                      |                        |                                   |   |  |                               |                   |
| <b>At 1 January 2016</b>               |                      | <b>13,932,309</b>      | <b>177,535</b>                    | <b>3,489</b>  | <b>988,743</b>   | <b>28,405</b>                 | <b>15,130,480</b> |
| 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       |
| <b>At 31 December 2016</b>             |                      | <b>10,633,396</b>      | <b>135,055</b>                    | <b>3,923</b>  | <b>919,019</b>   | <b>4,974</b>                  | <b>11,696,366</b> |
| <b>Total</b>                           |                      |                        |                                   |   |  |                               |                   |
| <b>At 1 January 2016</b>               | <b>613,895</b>       | <b>16,505,512</b>      | <b>2,555,443</b>                  | <b>43,483</b>   | <b>1,017,115</b>   | <b>43,648</b>                 | <b>20,779,096</b> |
| 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       |
| <b>At 31 December 2016</b>             | <b>526,180</b>       | <b>13,304,728</b>      | <b>2,428,950</b>                  | <b>41,422</b>   | <b>965,038</b>   | <b>18,472</b>                 | <b>17,284,790</b> |

## 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         |
| <b>Total</b>      | <b>4,527,955</b> | <b>4,859,791</b> |

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          |
| <b>Financial liabilities</b>     | <b>30,801</b>  | <b>14,723</b>   | <b>18,324</b>  | <b>15,256</b>   |
| <b>Subordinated liabilities</b>  | <b>846,043</b> | <b>0</b>        | <b>845,745</b> | <b>250,000</b>  |
| <b>Total</b>                     | <b>876,844</b> | <b>14,723</b>   | <b>864,070</b> | <b>265,256</b>  |

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 |
|---|------------------------|----------------------------------|--------------------------|
| <b>Carrying amount at 1 January 2015</b>      | <b>16,692</b>          | <b>32,489</b>                    | <b>600,000</b>           |
| 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                        |
| <b>Carrying amount at 1 January 2016</b>      | <b>15,658</b>          | <b>17,922</b>                    | <b>1,095,745</b>         |
| 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                 |
| <b>Carrying amount at 31 December 2016</b>    | <b>14,968</b>          | <b>30,555</b>                    | <b>846,043</b>           |

**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        |
| <b>Total</b>                     | <b>70,505</b> | <b>56,004</b> | <b>56,514</b> | <b>58,844</b> | <b>73,181</b> | <b>1,055,773</b> |

**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        |
| <b>Total</b>                     | <b>323,918</b> | <b>58,044</b> | <b>57,965</b> | <b>57,840</b> | <b>57,575</b> | <b>1,125,327</b> |

**28. Other provisions**

| In € thousand               | 31/12/2016     | 31/12/2015     |
|-----------------------------|----------------|----------------|
| Defined benefit obligations | 599,641        | 600,394        |
| Other provisions            | 199,096        | 196,049        |
| <b>Total</b>                | <b>798,737</b> | <b>796,442</b> |

**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 |
|---|--|---------------------------|--|--|-----------------------------------|
| <b>At 1 January 2016</b>  | <b>501,883</b>                           | <b>-77,246</b>            | <b>424,637</b>                               | <b>175,757</b>                                       | <b>600,394</b>                    |
| 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                             |
| <b>Components of defined benefit obligations recognised in the income statement</b> | <b>27,485</b>                            | <b>0</b>                  | <b>27,485</b>                                | <b>9,001</b>   | <b>36,485</b>                     |
| 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                             |
| <b>Other comprehensive income</b>   | <b>5,263</b>                             | <b>460</b>                | <b>5,723</b>                                 | <b>1,883</b>   | <b>7,606</b>                      |
| 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                            |
| <b>At 31 December 2016</b>  | <b>501,397</b>                           | <b>-75,612</b>            | <b>425,785</b>                               | <b>173,856</b>                                       | <b>599,641</b>                    |

| In € thousand   | Defined benefit obligations for pensions | Plan assets at fair value | Net defined benefit obligations for pensions | Termination benefits | Total defined benefit obligations |
|---|--|---------------------------|--|----------------------|-----------------------------------|
| <b>At 1 January 2015</b>  | <b>503,899</b>                           | <b>- 71,492</b>           | <b>432,407</b>                               | <b>179,263</b>       | <b>611,670</b>                    |
| 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                          |
| <b>Components of defined benefit obligations recognised in the income statement</b> | <b>- 17,492</b>                          | <b>- 1,829</b>            | <b>- 19,321</b>                              | <b>- 2,537</b>       | <b>- 21,858</b>                   |
| 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                             |
| <b>Other comprehensive income</b>   | <b>44,527</b>                            | <b>- 409</b>              | <b>44,118</b>                                | <b>13,881</b>        | <b>57,999</b>                     |
| 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                             |
| <b>At 31 December 2015</b>  | <b>501,883</b>                           | <b>- 77,246</b>           | <b>424,637</b>                               | <b>175,757</b>       | <b>600,394</b>                    |

The plan assets for the defined benefit obligations are comprised as follows:

| In per cent                        | 31/12/2016  |             | 31/12/2015  |             |
|------------------------------------|-------------|-------------|-------------|-------------|
|                                    | 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         |
| <b>Total</b>                       | <b>78.3</b> | <b>21.7</b> | <b>83.8</b> | <b>16.2</b> |

The measurement of the defined benefit obligations is based on the following actuarial calculation parameters:

| Calculation factors applied<br>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 / -<br>salaried employees | AVÖ 2008 P – Pagler & Pagler / -<br>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 |
|-------------------------------------|----------|----------------------|
| <b>Remaining life expectancy</b>    |          |                      |
| Change in DBO (+1 year)             | 3.4%     |                      |
| Change in DBO (-1 year)             | - 3.6%   |                      |
| <b>Discount rate</b>                |          |                      |
| Change in DBO (+1%)                 | - 11.8%  | - 7.8%               |
| Change in DBO (-1%)                 | 14.7%    | 8.9%                 |
| <b>Future salary increase rate</b>  |          |                      |
| Change in DBO (+0.75%)              | 1.4%     | 6.4%                 |
| Change in DBO (-0.75%)              | - 1.4%   | - 5.9%               |
| <b>Future pension increase rate</b> |          |                      |
| Change in DBO (+0.25%)              | 3.0%     |                      |
| Change in DBO (-0.25%)              | - 2.9%   |                      |

| Sensitivity analysis 2015           | Pensions | Termination benefits |
|-------------------------------------|----------|----------------------|
| <b>Remaining life expectancy</b>    |          |                      |
| Change in DBO (+1 year)             | 3.2%     |                      |
| Change in DBO (-1 year)             | - 3.4%   |                      |
| <b>Discount rate</b>                |          |                      |
| Change in DBO (+1%)                 | - 11.9%  | - 7.1%               |
| Change in DBO (-1%)                 | 14.8%    | 9.0%                 |
| <b>Future salary increase rate</b>  |          |                      |
| Change in DBO (+0.75%)              | 1.6%     | 5.9%                 |
| Change in DBO (-0.75%)              | - 1.5%   | - 6.0%               |
| <b>Future pension increase rate</b> |          |                      |
| 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<br>jubilee benefits | Customer services<br>and marketing<br>provision | Provision for legal<br>and consulting<br>expenses | Provision for<br>premium<br>adjustment of<br>reinsurance<br>contracts | Provision for<br>portfolio<br>maintenance<br>commission | Miscellaneous<br>other provisions | Total          |
|---|------------------------------------|---|---|---|---|-----------------------------------|----------------|
| <b>At 1 January 2015</b>                  | <b>14,884</b>                      | <b>75,763</b>                                   | <b>7,948</b>                                      | <b>7,911</b>  | <b>3,174</b>  | <b>80,487</b>                     | <b>190,167</b> |
| 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             |
| <b>At 31 December 2015</b>                | <b>15,692</b>                      | <b>75,279</b>                                   | <b>5,420</b>                                      | <b>5,829</b>  | <b>4,000</b>  | <b>89,830</b>                     | <b>196,049</b> |
| <b>At 1 January 2016</b>                  | <b>15,692</b>                      | <b>75,279</b>                                   | <b>5,420</b>                                      | <b>5,829</b>  | <b>4,000</b>  | <b>89,830</b>                     | <b>196,049</b> |
| 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        |
| <b>At 31 December 2016</b>                | <b>15,535</b>                      | <b>87,960</b>                                   | <b>1,894</b>                                      | <b>3,452</b>  | <b>3,707</b>  | <b>86,549</b>                     | <b>199,096</b> |



**29. Liabilities and other items classified as equity or liabilities**

| In € thousand  | 31/12/2016       | 31/12/2015       |
|--|------------------|------------------|
| <b>Reinsurance liabilities</b>                                     |                  |                  |
| Deposits retained on assumed reinsurance                           | 459,839          | 665,447          |
| Reinsurance settlement liabilities                                 | 28,139           | 34,980           |
|  | <b>487,978</b>   | <b>700,427</b>   |
| <b>Other liabilities</b>   |                  |                  |
| <b>Insurance liabilities</b>                                       |                  |                  |
| to policyholders   | 124,367          | 129,512          |
| to insurance brokers   | 45,347           | 51,764           |
| to insurance companies   | 5,802            | 9,633            |
|  | <b>175,517</b>   | <b>190,909</b>   |
| <b>Liabilities to credit institutions</b>                          | <b>4,001</b>     | <b>0</b>         |
| <b>Other liabilities</b>   | <b>351,662</b>   | <b>358,301</b>   |
| 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            |
| <b>Total other liabilities</b>                                     | <b>531,179</b>   | <b>549,210</b>   |
| <b>Subtotal</b>  | <b>1,019,157</b> | <b>1,249,637</b> |
| 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          |
|  | <b>1,019,157</b> | <b>1,249,637</b> |
| <b>Other debt</b>  | <b>23,087</b>    | <b>21,935</b>    |
| <b>Total liabilities and other items classified as liabilities</b> | <b>1,042,244</b> | <b>1,271,572</b> |

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    |
|---|---------------|---------------|
| <b>Income tax liabilities</b>           | <b>79,120</b> | <b>95,970</b> |
| 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                                      | 1-12/2016 | 1-12/2015 |
|---|-----------|-----------|
| In € thousand                                 |           |           |
| 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                | 1-12/2016        | 1-12/2015        |
|---------------------------------|------------------|------------------|
| In € thousand                   |                  |                  |
| 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        |
| <b>Total</b>                    | <b>4,594,038</b> | <b>4,778,997</b> |

| 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          |
| <b>Total</b>   | <b>4,594,038</b> | <b>4,778,997</b> |

| Indirect insurance              | 1-12/2016     | 1-12/2015     |
|---------------------------------|---------------|---------------|
| In € thousand                   |               |               |
| Property and casualty insurance | 36,367        | 37,449        |
| Health insurance                | 2             | 1             |
| Life insurance                  | 12,706        | 12,586        |
| <b>Total</b>                    | <b>49,075</b> | <b>50,036</b> |

| In € thousand | 1-12/2016        | 1-12/2015        |
|---------------|------------------|------------------|
| <b>Total</b>  | <b>4,643,113</b> | <b>4,829,034</b> |

| Property and casualty insurance premiums written<br>In € thousand | 1-12/2016        | 1-12/2015        |
|---|------------------|------------------|
| <b>Direct insurance</b>   |                  |                  |
| 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           |
| <b>Total</b>  | <b>2,482,065</b> | <b>2,401,737</b> |
| <b>Indirect insurance</b>   |                  |                  |
| Marine, aviation and transport insurance                          | 1,820            | 874              |
| Other forms of insurance  | 34,546           | 36,576           |
| <b>Total</b>  | <b>36,367</b>    | <b>37,449</b>    |
| <b>Total direct and indirect insurance (amount consolidated)</b>  | <b>2,518,432</b> | <b>2,439,186</b> |
| <b>Reinsurance premiums ceded</b><br>in € thousand                | <b>1-12/2016</b> | <b>1-12/2015</b> |
| Property and casualty insurance                                   | 133,022          | 132,391          |
| Health insurance  | 1,265            | 1,105            |
| Life insurance  | 37,663           | 40,163           |
| <b>Total</b>  | <b>171,950</b>   | <b>173,659</b>   |
| <b>Premiums earned</b><br>In € thousand                           | <b>1-12/2016</b> | <b>1-12/2015</b> |
| <b>Property and casualty insurance</b>                            | <b>2,359,053</b> | <b>2,301,270</b> |
| Gross   | 2,488,862        | 2,426,182        |
| Reinsurers' share   | -129,809         | -124,912         |
| <b>Health insurance</b>   | <b>1,000,356</b> | <b>963,899</b>   |
| Gross   | 1,001,599        | 964,975          |
| Reinsurers' share   | -1,243           | -1,076           |
| <b>Life insurance</b>   | <b>1,083,561</b> | <b>1,385,959</b> |
| Gross   | 1,121,226        | 1,426,142        |
| Reinsurers' share   | -37,665          | -40,183          |
| <b>Total</b>  | <b>4,442,970</b> | <b>4,651,128</b> |
| <b>Premiums earned - indirect insurance</b><br>in € thousand      | <b>1-12/2016</b> | <b>1-12/2015</b> |
| 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                |
| <b>Property and casualty insurance</b>                            | <b>33,377</b>    | <b>29,447</b>    |
| Recognised simultaneously   | 0                | 642              |
| Recognised with a delay of up to 1 year                           | 2                | 1                |
| <b>Health insurance</b>   | <b>2</b>         | <b>644</b>       |
| Recognised with a delay of up to 1 year                           | 12,222           | 10,667           |
| <b>Life insurance</b>   | <b>12,222</b>    | <b>10,667</b>    |
| <b>Total</b>  | <b>45,601</b>    | <b>40,758</b>    |

| Earnings – indirect insurance   | 1-12/2016     | 1-12/2015     |
|---------------------------------|---------------|---------------|
| In € thousand                   |               |               |
| Property and casualty insurance | 27,621        | 26,442        |
| Health insurance                | 970           | 123           |
| Life insurance                  | 7,792         | 1,898         |
| <b>Total</b>                    | <b>36,383</b> | <b>28,463</b> |

### 32. Insurance benefits

| In € thousand  | Gross            |                  | Reinsurers' share |                  | Net              |                  |
|--|------------------|------------------|-------------------|------------------|------------------|------------------|
|  | 1-12/2016        | 1-12/2015        | 1-12/2016         | 1-12/2015        | 1-12/2016        | 1-12/2015        |
| <b>Property and casualty insurance</b>   |                  |                  |                   |                  |                  |                  |
| 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          |
| <b>Total</b>   | <b>1,577,214</b> | <b>1,595,802</b> | <b>- 58,140</b>   | <b>- 75,589</b>  | <b>1,519,074</b> | <b>1,520,214</b> |
| 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           |
| <b>Total benefits</b>  | <b>1,608,732</b> | <b>1,629,173</b> | <b>- 58,138</b>   | <b>- 75,489</b>  | <b>1,550,593</b> | <b>1,553,683</b> |
| <b>Health insurance</b>  |                  |                  |                   |                  |                  |                  |
| 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            |
| <b>Total</b>   | <b>674,872</b>   | <b>649,086</b>   | <b>- 834</b>      | <b>- 323</b>     | <b>674,038</b>   | <b>648,763</b>   |
| 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           |
| <b>Total benefits</b>  | <b>844,321</b>   | <b>781,953</b>   | <b>- 750</b>      | <b>- 232</b>     | <b>843,571</b>   | <b>781,721</b>   |
| <b>Life insurance</b>  |                  |                  |                   |                  |                  |                  |
| 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         |
| <b>Total</b>   | <b>1,701,732</b> | <b>2,105,722</b> | <b>- 26,222</b>   | <b>- 25,674</b>  | <b>1,675,510</b> | <b>2,080,048</b> |
| 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           |
| <b>Total benefits</b>  | <b>1,025,194</b> | <b>1,375,227</b> | <b>- 33,793</b>   | <b>- 39,324</b>  | <b>991,401</b>   | <b>1,335,903</b> |
| <b>Total</b>   | <b>3,478,247</b> | <b>3,786,352</b> | <b>- 92,681</b>   | <b>- 115,045</b> | <b>3,385,566</b> | <b>3,671,307</b> |

### 33. Operating expenses

| In € thousand   | 1-12/2016        | 1-12/2015        |
|---|------------------|------------------|
| <b>Property and casualty insurance</b>                            |                  |                  |
| 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           |
|   | <b>763,180</b>   | <b>699,621</b>   |
| <b>Health insurance</b>   |                  |                  |
| 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             |
|   | <b>175,486</b>   | <b>153,693</b>   |
| <b>Life insurance</b>   |                  |                  |
| 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           |
|   | <b>347,728</b>   | <b>337,121</b>   |
| <b>Total</b>  | <b>1,286,394</b> | <b>1,190,435</b> |

### 34. Net investment income

| Classified by business line  | Property and casualty insurance |                | Health insurance |                | Life insurance |                | Total          |                |
|--|---------------------------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|
|  | 1-12/2016                       | 1-12/2015      | 1-12/2016        | 1-12/2015      | 1-12/2016      | 1-12/2015      | 1-12/2016      | 1-12/2015      |
| In € thousand  |                                 |                |                  |                |                |                |                |                |
| <b>Investment property</b>   | <b>414</b>                      | <b>1,897</b>   | <b>3,881</b>     | <b>32,213</b>  | <b>41,685</b>  | <b>76,941</b>  | <b>45,980</b>  | <b>111,051</b> |
| <b>Financial assets accounted for using the equity method</b>                          | <b>5,551</b>                    | <b>3,171</b>   | <b>11,741</b>    | <b>12,439</b>  | <b>21,322</b>  | <b>7,596</b>   | <b>38,614</b>  | <b>23,205</b>  |
| <b>Variable-income securities</b>  | <b>41,134</b>                   | <b>13,369</b>  | <b>4,675</b>     | <b>6,159</b>   | <b>-1,881</b>  | <b>28,310</b>  | <b>43,928</b>  | <b>47,838</b>  |
| 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          |
| <b>Fixed-income securities</b>   | <b>85,258</b>                   | <b>102,394</b> | <b>96,678</b>    | <b>98,638</b>  | <b>272,743</b> | <b>372,294</b> | <b>454,679</b> | <b>573,327</b> |
| 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         |
| <b>Loans and other investments</b>   | <b>6,995</b>                    | <b>7,660</b>   | <b>5,396</b>     | <b>7,534</b>   | <b>43,725</b>  | <b>52,280</b>  | <b>56,116</b>  | <b>67,473</b>  |
| 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         |
| <b>Derivative financial instruments</b>  | <b>6,909</b>                    | <b>245</b>     | <b>512</b>       | <b>-9,425</b>  | <b>-21,976</b> | <b>-42,883</b> | <b>-14,555</b> | <b>-52,062</b> |
| <b>Investment administration expenses, interest paid and other investment expenses</b> | <b>-13,635</b>                  | <b>-11,492</b> | <b>-7,976</b>    | <b>-7,486</b>  | <b>-14,259</b> | <b>-19,870</b> | <b>-35,869</b> | <b>-38,848</b> |
| <b>Total</b>   | <b>132,626</b>                  | <b>117,245</b> | <b>114,907</b>   | <b>140,071</b> | <b>341,360</b> | <b>474,668</b> | <b>588,892</b> | <b>731,983</b> |

| Classified by type of income   | Current income |                | Gains/losses from disposals and changes in value |                | Total          |                | of which impairment |                |
|--|----------------|----------------|--|----------------|----------------|----------------|---------------------|----------------|
|  | 1-12/2016      | 1-12/2015      | 1-12/2016  | 1-12/2015      | 1-12/2016      | 1-12/2015      | 1-12/2016           | 1-12/2015      |
| In € thousand  |                |                |  |                |                |                |                     |                |
| <b>Financial assets recognised at fair value through profit or loss</b>                |                |                |  |                |                |                |                     |                |
| 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 <sup>1)</sup>                                   | 0              | 0              | 0  | 0              | 0              | 0              | 0                   | 0              |
| <b>Subtotal</b>  | <b>-4,074</b>  | <b>23,145</b>  | <b>1,363</b>                                     | <b>-60,995</b> | <b>-2,711</b>  | <b>-37,850</b> | <b>0</b>            | <b>0</b>       |
| <b>Available-for-sale financial assets</b>   |                |                |  |                |                |                |                     |                |
| 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        |
| <b>Subtotal</b>  | <b>409,656</b> | <b>441,381</b> | <b>77,107</b>                                    | <b>165,571</b> | <b>486,763</b> | <b>606,952</b> | <b>-78,140</b>      | <b>-41,302</b> |
| <b>Loans and receivables</b>   |                |                |  |                |                |                |                     |                |
| 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         |
| <b>Subtotal</b>  | <b>54,562</b>  | <b>60,245</b>  | <b>1,554</b>                                     | <b>7,229</b>   | <b>56,116</b>  | <b>67,473</b>  | <b>-2,202</b>       | <b>-3,295</b>  |
| <b>Investment property</b>   | <b>73,282</b>  | <b>79,927</b>  | <b>-27,302</b>                                   | <b>31,124</b>  | <b>45,980</b>  | <b>111,051</b> | <b>-144</b>         | <b>-9,038</b>  |
| <b>Financial assets accounted for using the equity method</b>                          | <b>39,557</b>  | <b>23,205</b>  | <b>-944</b>                                      | <b>0</b>       | <b>38,614</b>  | <b>23,205</b>  | <b>0</b>            | <b>0</b>       |
| <b>Investment administration expenses, interest paid and other investment expenses</b> |                |                |  |                |                |                |                     |                |
|  | <b>-35,869</b> | <b>-38,848</b> | <b>0</b>   | <b>0</b>       | <b>-35,869</b> | <b>-38,848</b> | <b>0</b>            | <b>0</b>       |
| <b>Total</b>   | <b>537,115</b> | <b>589,054</b> | <b>51,778</b>                                    | <b>142,929</b> | <b>588,892</b> | <b>731,983</b> | <b>-80,486</b>      | <b>-53,635</b> |

<sup>1)</sup> 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                                      | 2016           | 2015           |
|---|----------------|----------------|
| In € thousand   |                |                |
| <b>Financial assets recognised at fair value through profit or loss</b> |                |                |
| Recognised in profit/(loss) for the year                                | - 2,711        | - 37,850       |
| <b>Available-for-sale financial assets</b>                              |                |                |
| 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 <sup>1)</sup>         | 243,315        | - 154,336      |
| <b>Net income</b>   | <b>730,078</b> | <b>452,616</b> |
| <b>Loans and receivables</b>  |                |                |
| Recognised in profit/(loss) for the year                                | 56,116         | 67,473         |
| <b>Financial liabilities measured at amortised cost</b>                 |                |                |
| Recognised in profit/(loss) for the year                                | - 67,477       | - 50,243       |

<sup>1)</sup> 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     |
|-----------------------------------|---------------|---------------|
| <b>Other non-technical income</b> | <b>41,828</b> | <b>35,818</b> |
| 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        |
| <b>Other income</b>               | <b>741</b>    | <b>0</b>      |
| From currency translation         | 742           | 0             |
| From other                        | - 2           | 0             |
| <b>Total</b>                      | <b>42,569</b> | <b>35,818</b> |

**36. Other expenses**

| In € thousand                       | 1-12/2016     | 1-12/2015     |
|-------------------------------------|---------------|---------------|
| <b>Other non-technical expenses</b> | <b>48,806</b> | <b>50,243</b> |
| 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        |
| <b>Other expenses</b>               | <b>4,339</b>  | <b>5,448</b>  |
| For currency translation            | 0             | 1,833         |
| Other                               | 4,339         | 3,615         |
| <b>Total</b>                        | <b>53,145</b> | <b>55,691</b> |

**37. Income taxes**

| In € thousand               | 1-12/2016     | 1-12/2015     |
|-----------------------------|---------------|---------------|
| <b>Income tax</b>           |               |               |
| Actual tax - reporting year | 61,847        | 78,525        |
| Actual tax - previous years | - 11,944      | - 11,086      |
| Deferred tax                | - 27,093      | 12,844        |
| <b>Total</b>                | <b>22,810</b> | <b>80,283</b> |

| In € thousand   | 1-12/2016      | 1-12/2015      |
|---|----------------|----------------|
| <b>Reconciliation statement</b>                       |                |                |
| <b>Earnings before taxes</b>                          | <b>225,533</b> | <b>397,818</b> |
| <b>Expected tax expenses<sup>1)</sup></b>             | <b>56,383</b>  | <b>99,455</b>  |
| 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        |
| <b>Income tax expenses</b>                            | <b>22,810</b>  | <b>80,283</b>  |
| <b>Average effective tax burden in per cent</b>       | <b>10.1</b>    | <b>20.2</b>    |

<sup>1)</sup> 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<br>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              |
| <b>Technical result</b>   | <b>12,107</b>   | <b>21,369</b>         |
| 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               |
| <b>Non-technical result</b>   | <b>13,764</b>   | <b>13,868</b>         |
| <b>Operating profit/(loss)</b>  | <b>25,871</b>   | <b>35,237</b>         |
| Impairment losses   | - 1,571         | - 2,838               |
| <b>Earnings before taxes</b>  | <b>24,300</b>   | <b>32,400</b>         |
| Income taxes  | - 6,756         | - 9,253               |
| <b>Current profit/(loss) from discontinued operations (after tax)</b> | <b>17,544</b>   | <b>23,147</b>         |
| Amortisation and disposal costs                                       | - 70,649        | 0                     |
| <b>Profit/(loss) from discontinued operations (after tax)</b>         | <b>- 53,105</b> | <b>23,147</b>         |
| 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<br>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          |
| <b>Total</b>  | <b>612,579</b> | <b>566,676</b> |
| 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 <sup>1)</sup> | 31/12/2016    | 31/12/2015    |
|---|---------------|---------------|
| <b>Total</b>                              | <b>12,855</b> | <b>13,782</b> |
| of which sales                            | 4,630         | 5,397         |
| of which administration                   | 8,225         | 8,385         |

<sup>1)</sup> 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 =  $(x - \text{Actual-CoR}) / (\text{Plan-CoR} - \text{Actual-CoR})$ . 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 =  $\text{Actual-RoRC} : \text{Plan-RoRC}$ .

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 =  $A \times B \times C$ ):

- 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   |
|--|---|---|-------------------------------------|-----------------------|---------|
| <b>Transactions 2016</b>   |   |   |                                     |                       |         |
| 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    |
| <b>At 31 December 2016</b>   |   |   |                                     |                       |         |
| 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   |
|---|---|---|-------------------------------------|-----------------------|---------|
| <b>Transactions 2015</b>  |   |   |                                     |                       |         |
| 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  |
| <b>At 31 December 2015</b>  |   |   |                                     |                       |         |
| 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 <sup>1)</sup>     | 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       |

<sup>1)</sup> 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    |
|-------------------------------------|------------|---------------|
| <b>Other contingent liabilities</b> |            |               |
| Austria                             | 0          | 13,262        |
| other countries                     | 0          | 273           |
| <b>Total</b>                        | <b>0</b>   | <b>13,535</b> |

**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         |
| <b>Total</b>                   | <b>6,549</b> | <b>0</b>  |

**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<br>31/12/2016<br><small>In per cent</small> | Equity interest at<br>31/12/2015<br><small>In per cent</small> |
|---|--------------------|-------------------------------------|--|--|
| <b>Domestic insurance companies</b>   |                    |                                     |  |  |
| UNIQA Insurance Group AG (Group Holding Company)                                  |                    | Vienna                              |  |  |
| UNIQA Österreich Versicherungen AG  | Fully consolidated | Vienna                              | 100.0  | 100.0  |
| Salzburger Landes-Versicherung AG<br>(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<br>(Merger: 3/10/2016)                         | Fully consolidated | Vienna                              | 0.0  | 100.0  |
| SK Versicherung Aktiengesellschaft  | At equity          | Vienna                              | 25.0   | 25.0   |
| <b>Foreign insurance companies</b>  |                    |                                     |  |  |
| 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<br>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<br>since 2/12/2016)    | Fully consolidated | Italy, Milan                        | 99.7   | 99.7   |
| UNIQA osiguranje d.d.   | Fully consolidated | Bosnia and Herzegovina,<br>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<br>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   |
| <b>Group domestic service companies</b>   |                    |                                     |  |  |
| 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<br>Gesellschaft m.b.H.                   | Fully consolidated | Vienna                              | 100.0  | 100.0  |



| Company  | Type               | Location               | Equity interest at<br>31/12/2016<br>In per cent | Equity interest at<br>31/12/2015<br>In per cent |
|--|--------------------|------------------------|---|---|
| Raiffeisen Versicherungsmakler Vorarlberg GmbH<br>(Deconsolidation: 12/11/2016)                | At equity          | Bregenz                | 0.0   | 50.0  |
| Dr E. Hackhofer EDV-Softwareberatung Gesellschaft m.b.H.<br>(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   |
| <b>Group foreign service companies</b>   |                    |                        |   |   |
| 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 Ingtatlanhasznosító 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  |
| <b>Financial and strategic domestic shareholdings</b>  |                    |                        |   |   |
| Medial Beteiligungs-Gesellschaft m.b.H. (classified as asset<br>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 Privatlinik GmbH  | Fully consolidated | Gallneukirchen         | 60.0  | 60.0  |
| PremiQaMed Beteiligungs GmbH   | Fully consolidated | Vienna                 | 100.0   | 100.0   |
| Goldenes Kreuz Privatlinik BetriebsGmbH (Initial<br>consolidation: 7/7/2016)                   | Fully consolidated | Vienna                 | 75.0  |   |
| <b>Real-estate companies</b>   |                    |                        |   |   |
| 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-Projektterrichtungs GmbH  | Fully consolidated | Vienna                 | 100.0   | 100.0   |
| Raiffeisen evolution project development GmbH<br>(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<br>31/12/2016<br>In per cent | Equity interest at<br>31/12/2015<br>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<br>(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 poslovní 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:<br>29/12/2016)             | Fully consolidated | Bosnia and Herzegovina,<br>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<br>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   |

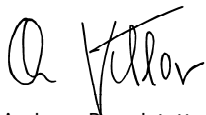
**Approval for publication**

These consolidated financial statements were prepared by the Management Board as at the date of signing and approved for publication.

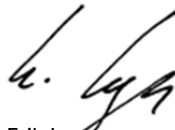
**Declaration of the legal representatives**

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 valuing 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.

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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.uniqa.com](http://reports.uniqa.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.



