

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 in the Investor Relations section.

Group business development

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

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

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

Premium development

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

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

Premiums written in property and casualty insurance grew in 2016 by 3.2 per cent to €2,518.4 million (2015: €2,439.2 million). In health

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

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

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

Development of insurance benefits

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

Operating expenses

Total consolidated operating expenses (see note 33 in the consolidated financial statements) less reinsurance commission and share of profit from reinsurance ceded increased in the 2016 financial year by 8.1 per cent to €1,286.4 million (2015: €1,190.4 million). Expenses for the acquisition of insurance less reinsurance commission and share of profit from reinsurance ceded in the amount of €21.3 million (2015: €19.1 million)

rose – due to a limited increase in provisions in the health insurance and life insurance businesses – by 3.0 per cent to €869.4 million (2015: €844.2 million). Other operating expenses (administrative expenses) increased as a result of expenses amounting to approximately €55 million in connection with the innovation and investment programme by 20.4 per cent to €417.0 million (2015: €346.3 million). Furthermore, adjustments in the works agreements for the pension fund scheme in the previous year had a positive effect on operating expenses.

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

Investment income

The overall investment portfolio (including investment property, financial assets accounted for using the equity method, unit-linked

and index-linked life insurance investments, and cash and cash equivalents) fell in the 2016 financial year due to the sale of Italian subsidiaries by €3,961.4 million to €25,454.6 million (31 December 2015: €29,416.1 million).

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

Other income and other expenses

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

Results

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

sale) came to 10.0 per cent in 2016 after the exclusion of the Italian Group companies (2015: 17.2 per cent). The return on equity (after tax and non-controlling interests) was 4.7 per cent (2015: 10.9 per cent).

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

Own funds and total assets

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

Cash flow

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

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

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

Employees

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

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

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

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

Operating segments

UNIQA Austria

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

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

Premiums

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

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

While premiums written in property and casualty insurance rose by 1.8 per cent to €1,568.6 million (2015: €1,540.8 million), in health insurance they increased by 3.8 per cent to

€956.3 million (2015: €921.6 million). In life insurance (including savings portions from the unit-linked and index-linked life insurance) they fell 22.1 per cent to €1,106.5 million (2015: €1,421.2 million).

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

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

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

Benefits

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

Operating expenses

Operating expenses, not including reinsurance commission and share of profit from reinsurance ceded, which

amounted to €207.8 million (2015: €193.2 million), increased in the 2016 financial year by 9.6 per cent to €589.2 million (2015: €537.5 million) due to investments in the context of the innovation and investment programme. They rose 10.3 per cent in property and casualty insurance to €233.9 million (2015: €212.2 million). In health insurance, they increased by 17.5 per cent to €143.1 million (2015: €121.8 million), influenced by higher commission loads and a sales campaign. In life insurance they grew 4.2 per cent to reach €212.2 million (2015: €203.6 million).

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

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

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).

UNIQA International

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

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

Premiums

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

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

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

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

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

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

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

Liechtenstein and Switzerland – the premiums written, including savings portions from the unit-linked and index-linked life insurance, rose by 18.2 per cent to €36.5 million (2015: €30.9 million).

Benefits

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

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

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

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

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

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

Group functions

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

In the Group functions segment, operating expenses increased by 77.9 per cent to €49.6 million (2015: €27.9 million) due to investments in the context of the innovation and investment

programme. Net investment income amounted to €152.8 million (2015: €207.1 million). Earnings before taxes fell to €51.1 million (2015: €151.7 million).

Consolidation

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

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

Events after the reporting date

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

Outlook

Economic outlook

Since the turn of the year, early economic indicators have been suggesting a positive start for the Austrian economy and the entire eurozone for 2017. In general, economists continue to assume a constant expansion of domestic demand in the eurozone. Political events in 2017 – especially the presidential elections in France in April and the German Bundestag elections in the autumn – remained in the focus of financial investors. In the

core countries of Central and Eastern Europe, the insurance sectors continue to be supported by solid overall economic development. Ukraine and Russia are seeing macroeconomic stabilisation and a slow recovery. The recovery on the commodities markets led to the beginnings of an increase in the inflation rate in many countries. The European Central Bank is expected to maintain its loose monetary policy over a longer period of time. UNIQA is therefore adjusting to a very low general interest rate environment in Europe which will last even longer.

Outlook for the insurance business

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

The increasing improvement of the economic situation in CEE should lead in the coming years to higher income, more prosperity in private households and growing consumer spending. This goes hand-in-hand with increasing demand for insurance solutions. Many of the region's 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