Notes to the Consolidated Financial Statements

1. General information

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

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

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

UNIQA's reporting date is 31 December.

2. Accounting principles

2.1 Principles

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

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

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

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

2.2 Principles for technical items

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

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

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

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

2.3 Consolidation principles

Business combinations

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

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

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

Non-controlling interests

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

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

Subsidiaries

Subsidiaries are entities controlled by UNIQA. UNIQA is regarded as controlling an entity if:

- UNIQA is able to exercise power over the relevant entity,
- UNIQA is exposed to fluctuating returns from its participation and
- UNIQA is able to influence the amount of the returns as a result of the power it exercises.

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

Loss of control

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

Investment in associates

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

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

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

Transactions eliminated on consolidation

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

Discontinued operations

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

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

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

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

Assets and liabilities held for sale

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

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

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

2.4 Basis of consolidation

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

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

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

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

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

Acquisitions

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

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

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

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

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

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

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

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

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

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

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

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

Restructuring processes

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

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

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

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

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

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

Liquidations

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

Sales

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

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

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

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

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

2.5 Currency translation

Functional currency and reporting currency

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

Transactions in foreign currencies

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

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

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

Foreign operations

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

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

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

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

Exchange rates:

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

2.6 Insurance items

Premiums written

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

Insurance and investment contracts

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

Reinsurance contracts

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

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

Deferred acquisition costs

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

Unearned premiums

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

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

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

Insurance provisions

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

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

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

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

Provisions for losses and unsettled claims

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

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

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

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

Provisions for premium refunds and profit sharing

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

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

Other technical provisions

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

Liability Adequacy Test

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

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

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

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

2.7 Other provisions

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

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

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

2.8 Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

Termination benefit entitlements

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

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

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

Pension entitlements

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

Other long-term employee benefits

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

Post-employment benefits

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

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

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

2.9 Income taxes

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

Actual tax

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

Deferred tax

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

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

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

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

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

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

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

Group taxation

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

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

2.10 Property, plant and equipment

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

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

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

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

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

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

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

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

2.11 Intangible assets

Deferred acquisition costs

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

Goodwill

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

Value of insurance contracts

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

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

Other intangible assets

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

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

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

2.12 Investment property

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

2.15 Impairments

Non-derivative financial assets

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

Objective indications that financial assets are impaired are:

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

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

Financial assets measured at amortised cost

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

Available-for-sale financial assets

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

Associates accounted for using the equity method

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

Non-financial assets

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

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

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

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

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

2.16 Determination of fair value

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

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

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

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

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

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

Valuation process and methods

Financial instruments measured at fair value

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

Market-value-oriented approach

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

Net present value approach

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

Cost-oriented approach

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

Non-financial assets and loans

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

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

Financial liabilities

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

Valuation methods and inputs in the determination of fair values:

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

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

2.17 Operating segments

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

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

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

Amendments and standards to be applied for the first time

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

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

IAS 1 – Disclosure initiative

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

IAS 19 – Employee benefits

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

Annual Improvements Project 2011–2013

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

Annual Improvements Project 2012–2014

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

New and amended standards to be applied in the future

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

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

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

IFRS 9 – Financial instruments and IFRS 4 – Insurance contracts

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

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

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

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

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

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

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

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

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

Valuation categories

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

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

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

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

IFRS 15 – Revenue from contracts with customers

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

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

IFRS 16 – Leases

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

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

IAS 7 – Cash flow statements

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

IFRS 2 – Share-based payments

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

4. IAS 8.42 restatements

Presentation of the consolidated statement of cash flows

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

Unearned revenue liability

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

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

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

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

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

5. Use of discretionary decisions and estimates

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

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

5.1 Impairment test

Ascertainment and allocation of goodwill

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

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

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

Determination of the capitalisation rate

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

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

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

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

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

Impairment test for goodwill – ascertainment of the recoverable amount

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

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

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

Cash flow forecast (multi-phase model)

Phase 1: five-year company planning

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

Phase 2: perpetuity growth rate

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

The capitalisation rate for all CGUs is listed below:

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

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

The following discount rates were applied in 2015:

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

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

Uncertainty and sensitivity

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

The reference sources included the following studies and materials:

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

Sensitivity analyses of financial instruments

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

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

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

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

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

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

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

Backtesting

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

5.2 Investment property

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

5.3 Deferred tax assets

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

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

5.4 Provisions for defined benefit obligations

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

5.5. Technical provisions

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

5.6 Investments

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

5.7 Other discretionary judgements and assumptions regarding the future

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

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

RISK REPORT

6.1 Risk strategy

Principles

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

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

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

Organisation

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

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

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

Risk-bearing capacity and risk appetite

We take risks and do so in full knowledge of our risk-bearing capacity. We define this as our ability to absorb potential losses from extreme events so that our medium and long-term objectives are not put in danger.

Our risk decisions centre on our economic capital model (ECM), which we use to quantify risk and determine economic capital. The ECM is based on the standard model according to Solvency II and also reflects our own risk assessment. This is expressed in the quantification of the risks from the non-life sectors, in which we focus on a stochastic cash flow model, additional capital requirements of government bonds and a mark-to-market valuation of asset-backed securities. Based on this model, we are aiming for risk capital cover (capital ratio) of 170 per cent. As long as the capital ratio remains within the range of 155 to 190 per cent no action will be taken, since a certain level of fluctuation is absolutely normal within the framework of the Solvency II regulations. However, immediate steps will be taken to improve the capital position if the marginal value falls below 135 per cent.

We also seek external confirmation of the path we have chosen. Standard & Poor's has given us a credit rating of A–. One of our key objectives is to maintain the rating at this level or to improve upon it.

Non-quantifiable risks, in particular operational risk, litigation risk and strategic risk are identified as part of the risk assessment process and then assessed using scenario-based techniques. This assessment is then used as the basis for implementing any necessary risk mitigation measures.

Our risk strategy specifies the risks we intend to assume and those we plan to avoid. As part of our strategy process, we define our risk appetite on the basis of our risk-bearing capacity. This risk appetite is then used to determine tolerances and limits, which provide us with an early warning system sufficient for us to initiate prompt corrective action should we deviate from our targets. We also consider risks outside our defined appetite. We counter risks that fall into this category, such as reputational risk, with proactive measures, transparency and careful assessment.

We focus on risks that we understand and can actively manage. We divest ourselves of any investments in which the business principles are inconsistent with our core business. We consciously take on risk associated with life, health and non-life underwriting in order to consistently generate our income from our core business. We aim for a balanced mix of risk to achieve the greatest possible effect from diversification.

We analyse our income and the underlying risk, optimising our portfolio using value-based principles. We therefore strive for a balance between risk and return.

Opportunities

Risk also means opportunity. We regularly analyse trends, risks and phenomena that influence our society and thus our customers and ourselves. We involve our employees in the whole of the business to identify and analyse trends at an early stage, produce suitable action plans and develop innovative approaches.

6.2 Risk management system

The focus of risk management with management structures and defined processes is the attainment of UNIQA's and its subsidiaries' strategic goals.

UNIQA's Risk Management Guidelines form the basis for a uniform standard at various company levels. The guidelines are approved by the Group CFRO and the full Management Board and describe the minimum requirements in terms of organisational structure and process structure. They also provide a framework for all risk management processes for the most important classes of risk.

In addition to the Group Risk Management Guidelines, similar guidelines have also been prepared and approved for the Company's subsidiaries. The Risk Management Guidelines at subsidiary level were approved by the Management Board of the UNIQA subsidiaries and are consistent with UNIQA's Risk Management Guidelines.

They aim to ensure that risks relevant to UNIQA are identified and evaluated in advance. If necessary, proactive measures are introduced to transfer or minimise the risk.

Intensive training on the content and utilisation of these guidelines is required in order to ensure that risk management is incorporated in everyday business activities. Extensive informative and training measures have therefore been taken since 2012; they will be continued in the future and extended to additional target groups.

Organisational structure (governance)

The detailed set-up of the process and organisational structure of risk management is set out in UNIQA's Risk Management Guidelines. They reflect the principles embodied in the concept of "three lines of defence" and the clear differences between the individual lines of defence.

First line of defence: risk management within the business activity

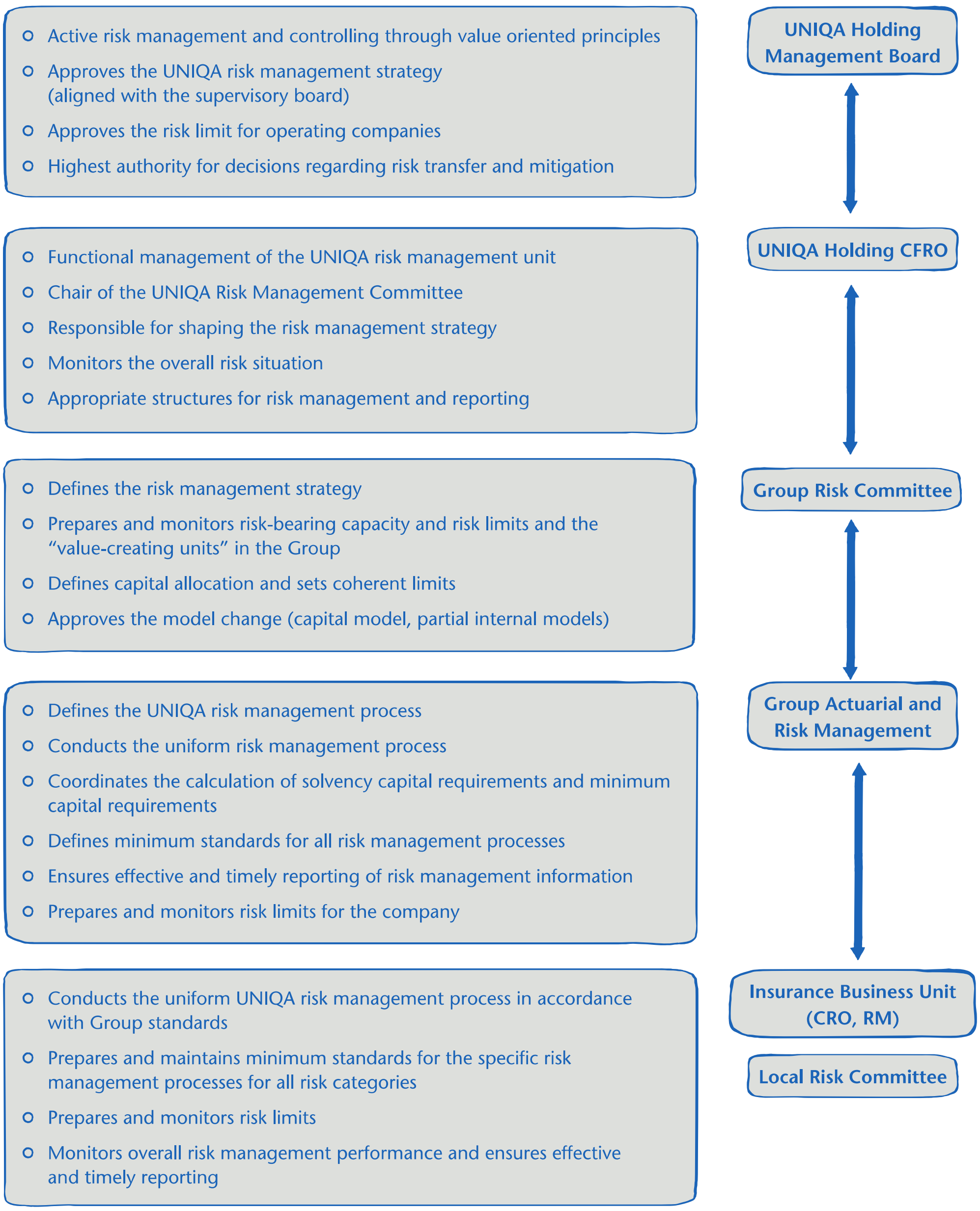
Those responsible for business activities must develop and put into practice an appropriate risk control environment to identify and monitor the risks that arise in connection with the business and processes.

Second line of defence: supervisory functions including risk management functions

The risk management function and the supervisory functions, such as controlling, must monitor business activities without encroaching on operational activities.

Third line of defence: internal and external auditing

This enables an independent review of the formation and effectiveness of the entire internal control system, which comprises risk management and compliance (e.g. internal auditing).



Group Management Board and Group functions

The UNIQA Insurance Group AG Management Board is responsible for establishing the business policy objectives and determining the associated risk strategy. The core components of the risk management system and the associated governance are enshrined within the UNIQA Group Risk Management Policy adopted by the Management Board.

The function of Chief Financial and Risk Officer (CFRO) is a separate area of responsibility at the Group Management Board level. This ensures that risk management is represented on the Group Management Board. The CFRO is supported in the implementation and fulfilment of risk management duties by the Group Actuarial and Risk Management unit.

A central component of the risk management organisation is UNIQA's risk management committee, which carries out monitoring and initiates appropriate action in relation to the current development and the short and long-term management of the risk profile. The risk management committee establishes the risk strategy, monitors and controls compliance with risk-bearing capacity and limits, and therefore plays a central role in the management process implemented under UNIQA's risk management system.

UNIQA insurance company

In the UNIQA insurance companies, the CRO function has also been established at the Management Board level, with the functions of the risk manager at the next level down. A consistent, uniform risk management system has therefore been set up throughout the Group.

As at Group level, each of the UNIQA insurance companies has its own risk management committee, which forms a central element of the risk management organisation. This committee is responsible for the management of the risk profile and the associated specification and monitoring of risk-bearing capacity and limits.

The Supervisory Board at UNIQA Insurance Group AG receives comprehensive risk reports at Supervisory Board meetings.

Risk management process

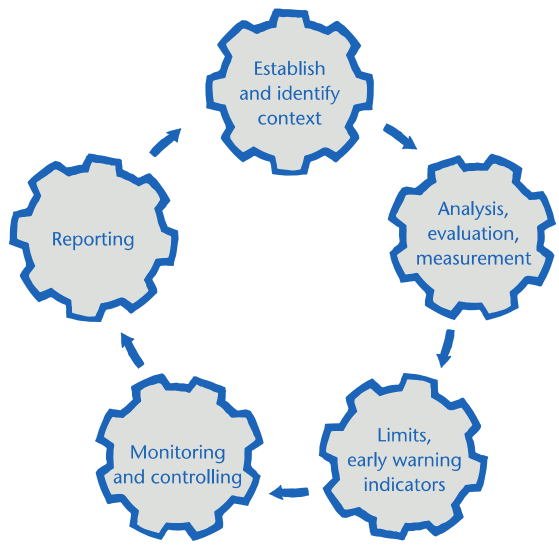
UNIQA's risk management process delivers periodic information about the risk profile and enables the top management to make the decisions for the long-term achievement of objectives.

The process concentrates on risks relevant to the Company and is defined for the following classes of risk:

- Actuarial risk (property and casualty insurance, health and life insurance)
- Market risk/Asset-Liability Management risk (ALM risk)
- Credit risk/default risk
- Liquidity risk
- Concentration risk
- Strategic risk
- Reputational risk
- Operational risk
- Contagion risk
- Emerging risk

A Group-wide, standardised risk management process regularly identifies, evaluates and reports on risks to UNIQA and its subsidiaries within these classes of risk.

UNIQA's risk management process



Risk identification

Risk identification is the starting point for the risk management process, systematically recording all major risks and describing them in as much detail as possible. In order to conduct as complete a risk identification as possible, different approaches are used in parallel, and all classes of risk, subsidiaries, processes and systems are included.

Evaluation/measurement

The risk categories of market risk, technical risk, counterparty default risk and concentration risk are evaluated at UNIQA by means of a quantitative method based on the standard approach of Solvency II and the ECM approach. Furthermore, risk drivers are identified for the results from the standard approach and analysed to assess whether the risk situation is adequately represented (in accordance with the Company's Own Risk and Solvency Assessment (ORSA)). All other classes of risk are evaluated quantitatively or qualitatively with their own risk scenarios.

The scenario analysis (of UNIQA's internal and external economic risk situation) is generally a crucial element in the risk management process.

A scenario is a possible internal or external event that has a short-term or medium-term effect on consolidated profit or loss, the solvency position or sustainability of future results. The scenario is formulated with respect to its inherent characteristic (e.g. the start of Greece's insolvency) and evaluated in terms of its financial effect on UNIQA. The likelihood that the scenario will actually occur is also considered.

Limits/early warning indicators

The limit and early warning system determines risk-bearing capacity (available equity according to IFRS, economic capital) and capital requirements on the basis of the risk situation at ongoing intervals, thereby deriving the level of coverage. If critical coverage thresholds are reached, then a precisely defined process is set in motion, the aim of which is to bring the level of solvency coverage back to a non-critical level.

Reporting

A quarterly report on the solvency situation, together with a monthly risk report on the biggest risks identified, are prepared for each UNIQA insurance company and for the UNIQA Group on the basis of detailed risk analysis and monitoring. The reports for each individual UNIQA subsidiary and the UNIQA Group itself have the same structure, providing an overview of major risk indicators such as risk-bearing capacity, solvency requirements and risk profile. In addition, quantitative and qualitative reporting (in the form of the quantitative reporting templates and the narrative report respectively) is implemented for the UNIQA Group and for all subsidiaries for which Solvency II reporting is mandatory.

Activities and objectives in 2016

Based on external and internal developments, activities in 2016 focused on the following:

- Preparation of the reporting requirements in accordance with Solvency II
- Merger of the operational UNIQA insurance companies in Austria in the course of the Group mergers
- Preparation of other new regulatory requirements

With the entry into force of Solvency II, Risk Management has been working on setting up the new reporting required under Pillar III. Part of the reporting requirements from Directive 2009/138/EC of the European Parliament from 25 November 2009 (Solvency II) relates to the Solvency and Financial Condition Report (SFCR), which aims to make an insurance company's solvency and financial position transparent for market participants. The report includes quantitative and qualitative information on the company's business activities (economic framework), the governance system (organisational structure, internal control system, compliance, internal audit and actuarial function), UNIQA's risk profile, the valuation methods for solvency purposes and on capital management (own funds, solvency capital requirements, etc.) in the company. The aim is to enable the reader of the report to gain a clear picture of the company's financial position based on this comprehensive information.

In addition to the SFCR, the insurance company is also required to provide a fully comprehensive supervisory report known as the Regular Supervisory Report (RSR). The first time that this Report will be provided to the supervisory authority is for the valuation date of 31 December 2016; it differs from the SFCR essentially by the inclusion of details on the results, the business planning periods and projections, as well as details on the remuneration of members of the Management Board.

The Quantitative Reporting Templates (QRTs) are a further essential part of the reporting: these include purely quantitative statements on an insurance company, and are reported to the supervisory authorities in accordance with the filing rules of the European Insurance and Occupational Pensions Authority (EIOPA). A distinction is made here between quarterly and annual reports, which are provided both for individual companies as well as for the Group. UNIQA has invested in technical service programmes to support implementation of proper and timely reporting, and these also meet the corresponding requirements.

One of the substantial risk management topics in 2016 involved activities related to the merger of the UNIQA insurance companies operating in Austria into the company UNIQA Österreich Versicherungen AG ("AT merger"). These activities resulted in the need to implement an ad-hoc Own Risk and Solvency Assessment ("ad-hoc ORSA"). The appropriateness of the Solvency II standard formula for the new company was tested in this ad-hoc ORSA, and a review took place on whether all material risks had been captured in the risk management process. Solvency planning was also completed for the planning period, with this planning exposed to multiple stress scenarios. The "AT merger" also gave rise to a need to alter the partial internal model for casualty/property insurance, resulting in postponement of the regulatory application process to 2017.

Regulatory challenges

From a regulatory point of view, 2016 was characterised primarily by Solvency II and its entry into force on 1 January 2016. Following wide-ranging points of criticism related to harmonisation, setting of parameters and different national interpretations, the European Commission had already launched the "SII Review Process", appointing EIOPA to analyse and elaborate on the critical topics as part of this. EIOPA is required to submit "technical advice" to the European Commission by 31 October 2017. There is explicit emphasis on the calibration of natural catastrophe cover, the flat-rate real estate shock and the reduced reporting timelines. EIOPA itself plans to reinforce its efforts over the next three years to harmonise the implementation of supervisory law throughout Europe, additional improvements to product-related consumer protection and safeguarding the financial stability of insurance (see Strategic Work Plan 2017–2019).

There is a focus currently on issues surrounding the Insurance Distribution Directive (IDD) and the Regulation on insurance-based investment products (PRIIPs Regulation) with reference to promoting the Digital Single Market and developing the consumer protection provisions related to financial services for private customers. The IDD officially came into force at the start of the year and now has to be implemented in national law by 22 February 2018. For the implementation process, further essential details will be defined at level 2 by delegated acts related to product monitoring and inspection, conflicts of interest, incentives and an assessment of suitability and fitness for purpose along with reporting obligations to customers. EIOPA has launched a comprehensive consultation process in connection with this and also initiated the consultation on technical standards for a mandatory product information document (PID) for non-life products.

As of 31 December 2016 the PRIIPs Regulation requires insurance companies to create a pre-contractual information document (the Key Information Document – KID). At the present time this covers all life insurance products that have a maturity or surrender value. In terms of the format for the KID, Regulatory Technical Standards (RTS) have been developed at level 2 by the ESA (collaboration between the three European supervisory authorities EIOPA, EBA and ESMA), and these were accepted by the European Commission on 30 June 2016. The RTS were subject to massive criticism from the insurance industry as a result of errors and the short deadline for implementation, and were rejected by the European Parliament on 14 September 2016. A postponement term of twelve months, which had already been publicised beforehand, was agreed by the College of Commissioners on 9 December 2016.

At the European level, EIOPA is currently considering plans to subject the UFR (Ultimate Forward Rate) to an annual recalculation. The current fixed value of 4.2 per cent was determined in 2010 within the scope of Omnibus II, and EIOPA no longer believes that this is appropriate for current conditions. EIOPA is proposing a change to the calculation methodology and a gradual reduction (max. 20 basis points) in annual steps. This procedure is now being increasingly questioned by the European insurance industry, primarily based on legal conditions. A decision is expected in March 2017.

6.3 Challenges and priorities in risk management for 2017

Challenges

Low interest rate environment

The period of low interest rates continued also throughout 2016, with rates falling to historically low levels in some cases. This situation has a particularly marked effect in life insurance. Depending on the investment strategy, the persistently low interest rates can lead to a situation in which the income generated is insufficient to finance the guarantees made to policyholders. The topic of low interest rates continues to be of concern to the entire European insurance industry and is leading to intensive discussions about how insurance companies can ensure that customer options and guarantees (in both existing and new business) are financed over the long term. Significant measures taken by UNIQA within the defined life strategy have been to focus on implementing the ALM approach including stringent management rules (e.g. regarding the management of profit participation) and to provide continuous portfolio management to support the new business strategy in the personal injury insurance business.

Supplementary reserves to meet long-term liabilities

One specific issue is the requirements (which vary from country to country) to establish supplementary discount rate provisions, as determined by the relevant local financial accounting regulations in case of a low interest rate environment. As at 31 December 2016, UNIQA had set aside a special provision in the amount of €100.2 million (a €32.6 million addition) in its Austrian companies, as there is a statutory requirement in Austrian accounting regulations to make this special provision. This special provision in the local accounting is to be seen alongside the liability adequacy test (LAT) to check whether the provisions in the IFRS financial statements are adequate. Depending on the interest rate situation and the resulting planning of investment income, there is the fundamental risk in the future of a potential provision requirement as a consequence of the LAT. Following positive development of the underwriting performance in 2015 in the property and casualty area, revenue continued to stabilise in 2016.

This development was also supported by competitors exiting or withdrawing from the market, with an associated easing of competition in individual markets. Despite this positive development it is expected that price competition will persist in the coming years, particularly in the Central European markets. As a result of various group initiatives the premium revenue in the property and casualty segment is expected to continue to rise. The settlement result also made a positive contribution to earnings in 2016. The risk of potential settlement losses should continue to fall steadily in future as a result of further efforts in the area of claim reserves, along with a gradual expansion in reserve monitoring.

Investment programme

Modernisation of the IT landscape

One of the most important and key projects is the modernisation of the UNIQA Group's entire IT management and benefit systems. The portfolio management and benefit systems currently in use have largely reached the end of their useful lives. UNIQA is therefore planning a full modernisation of its IT systems. The actual preparations for this began in 2016 and the start date for implementation is scheduled for the first quarter of 2017. This programme involves modernisation of the most important insurance software and thereby allows the company to respond to the constantly changing competitive environment and meet customer needs and effectively manage the products in the modern insurance market. IT modernisation will therefore be the UNIQA Group's greatest challenge for the next few years in terms of scope, duration and complexity. The level of investment required (including for migration of the existing systems) in UNIQA's six largest markets is estimated to be in the range of €350–450 million (over a period of ten years). Expenditure of €115 million was budgeted in the financial planning for 2016–2020. The risks and difficulties of remaining on budget are well-known from knowledge of other system modernisations carried out in the industry. In addition to a best estimate the Group Management Board also exposed the business case to two scenarios diverging from this. Further analyses took place as part of the ORSA.

Digitalisation

UNIQA is currently working on implementation of a target operating model for Austria, to enable the IT modernisation project to be implemented successfully. Processes for handling of business transactions have been influenced by mergers and takeovers since 1999, resulting in a highly complex process landscape with lots of dependencies. The project for implementation of a target operating model transforms the handling of business transactions to a two-stage logic: Level 1 cases will be only processed either automatically or by a service company in Nitra, Slovakia. Level 2 cases will be processed in central units under the responsibility of the Board members in charge of life and/or property and casualty business. The material risk in this project involves maintaining stable business operations.

Modernisation of processes is essential if UNIQA is to remain innovative and able to respond to the wishes and needs of customers and owners. This necessarily also involves the world of digitalisation towards which we are making great strides. There is increasing focus on issues surrounding cybercrime, phishing attacks and data theft. UNIQA has already taken precautions to cover the risk of data security. Continuous ongoing development of the security measures is, however, essential and is supported accordingly by the Group Management Board ("tone from the top").

Operational risk

UNIQA counters operational risks, such as may arise through failures in internal processes or unsatisfactory conduct on the part of employees or through other system-related external incidents, using an internal control system (ICS). Essential processes – from a regulatory and corporate point of view – are mapped in the ICS and matched with appropriate monitoring controls and measures, in order to minimise or exclude potential risks.

Priorities

UNIQA is paying greater attention to further development of future IFRSs (IFRS 17 and IFRS 9). The major changes expected in the assessment (balance sheet as well as income statement) of the insurance business require an adequate lead time in order for the content and process-related challenges to be implemented accordingly. Despite UNIQA's good preparations within the scope of Solvency II, we still expect that significant additional effort will be required in order to be able to meet the upcoming IFRS requirements. To this end the results of the initial studies and workshops in 2016 will be tracked for the next few years, using a further development plan which evolved from these.

The Group Management Board also decided to sell the 99.7 per cent holding in the Group company UNIQA Assicurazioni S.p.A. (Milan, Italy) in a resolution dated 2 December 2016 following approval by the Supervisory Board. The sale price is around €295 million. The sale includes UNIQA Assicurazioni S.p.A. (Milan, Italy) and its subsidiaries operating in Italy UNIQA Previdenza S.p.A. (Milan, Italy) and UNIQA Life S.p.A. (Milan, Italy). The sale of the Italian companies is classified as a discontinued business line. The assets and liabilities associated with the discontinued business line are stated in the Consolidated statement of financial position under the assets and liabilities in disposal groups held for sale. The profit and loss of the discontinued business line is presented in the Consolidated Income Statement under the item "Profit/(loss) from discontinued operations (after tax)". The closing of the sale is expected in the first half of 2017 once all necessary official approvals have been obtained. The transaction has a significant effect on UNIQA's economic equity ratio in particular. The reduction in the capital-intensive life insurance business in Italy is having a prolonged positive effect in particular against the background of sustained low interest rates. As already mentioned under activities for 2016, the merger of the UNIQA insurance companies operating in Austria had resulted in postponement of the approval application for the partial internal model for property and casualty insurance to 2017. High priority is accordingly being assigned to the approval procedure for the partial internal model and the necessary resources associated with this, so that the model can be used to assess the regulatory solvency position for the 2017 year end.

As of today UNIQA does not see any direct risk which could represent a risk to the Group's continued existence.

6.4 Capitalisation

As Solvency II came into force on 1 January 2016, the definitions and methods used to calculate available own funds, as well as capital requirements and management standards, have been replaced by Solvency II standards.

Statutory requirements

Risk capital requirements and available own funds have been calculated according to Solvency II regulations since 1 January 2016. In order to guarantee a smooth transition from the Solvency I regulations previously in place, UNIQA has been completing parallel calculations since 2008. One consequence of these efforts is an early Group-wide introduction of the new methods and processes, which is why any loopholes and shortcomings have been identified at an early stage and could be rectified in good time. Initial implementation of the new methods required under Solvency II were covered by the Day 1 Report, which – in accordance with the requirements under Section 375 of the Delegated Regulation (EU) 2015/35 of the Commission from October 2014 – required qualitative and quantitative information on the opening valuations of the assets and liabilities, minimum and solvency capital requirements and the eligible own funds, as at 1 January 2016. Further reporting under Pillar III is addressed by the Solvency and Financial Condition Report as well as by the Regular Supervisory Report, as required under Section 241 et seq. of the Insurance Supervisory Act 2016.

Internal capital adequacy

UNIQA defines its risk appetite on the basis of an economic capital model (ECM). The cover for quantifiable risks by means of eligible own funds (capital ratio) should be between 155 per cent and 190 per cent, according to risk preferences, with a target value set at 170 per cent.

Details for the reporting date of 31 December 2016, including a detailed analysis of changes, can be found in the ECM report.

Standard and Poor’s model

In addition to regulatory and internal provisions, the Group also takes into account the capital requirements specified by an external rating agency to ensure that the Group’s credit quality is presented objectively and can be compared with other entities. Therefore, UNIQA is regularly rated by the rating agency Standard &Poor’s, which gives UNIQA Insurance Group AG a rating of “A–”. UNIQA Österreich Versicherungen AG and UNIQA Re AG each have a rating of “A”; UNIQA Versicherung AG in Liechtenstein is rated with “A–”. The supplementary capital bonds issued in 2013 (€350.0 million Tier 2, first call date 31 July 2023) and 2015 (€500.0 million Tier 2, first call date 27 July 2026) are rated “BBB” by Standard & Poor’s. The agency rates the outlook for all the companies as stable. UNIQA includes the impact on its rating in its capital planning process, with the objective of improving the rating over the long term as the corporate strategy is implemented.

6.5 Risk profile

UNIQA's risk profile is very heavily influenced by life insurance and health insurance portfolios in UNIQA Österreich Versicherungen AG. This situation means that market risk plays a central role in UNIQA's risk profile. The composition of market risk is described in the section "Market risk".

The subsidiaries in Central Europe (CE: Hungary, Czech Republic, Slovakia and Poland) operate insurance business in the property and casualty segment and in the life and health insurance segment.

In the regions of Southeastern (SEE) and Eastern Europe (EE), insurance business is currently conducted primarily in the property and casualty segment, in particular in the motor vehicle insurance segment.

This structure is important to UNIQA, because it creates a high level of diversification from the life and health insurance lines dominated by the Austrian companies.

The distinctive risk features of the regions are also reflected in the risk profiles determined by using the internal measurement approach.

After every calculation for the life, non-life and composite insurers at UNIQA, benchmark profiles are created and compared with the risk profile for each company. The benchmark profiles show that, for composite insurers, there is a balance between market and actuarial risk. Composite insurers are also in a position to achieve the highest diversification effect.

Market and credit risks

Market and credit risks have different weightings and various degrees of seriousness, depending on the investment structure. The table below shows investments classified by asset category.

Asset Allocation In € thousand	31/12/2016	31/12/2015
Fixed-income securities	16,693,001	19,557,462
Equities	438,324	374,323
Alternative Investments	32,732	38,263
Equity investments	770,989	813,192
Loans	40,033	59,136
Real estate	1,554,036	1,623,425
Liquid funds	1,129,886	1,829,284
Total	**20,659,000**	**24,295,085**

The effects of the market and credit risks on the value of investments also influence the level of actuarial liabilities. Thus, there is – particularly in life insurance – a dependence between the growth of assets and liabilities from insurance contracts. UNIQA monitors the income expectations and risks of assets and liabilities arising from insurance contracts as part of the asset liability management (ALM) process. The objective is to achieve a return on capital that is sustainably higher than the technical liabilities carried forward while retaining the greatest possible security. To do this, assets and liabilities are allocated to different accounting groups.

The following two tables show the main accounting groups generated by the various product categories.

Assets In € thousand	31/12/2016	31/12/2015
Long-term life insurance contracts with guaranteed interest and profit participation	12,664,450	16,411,343
Long-term unit-linked and index-linked life insurance contracts	4,879,928	5,226,748
Long-term health insurance contracts	3,352,381	3,174,365
Short-term property and casualty insurance contracts	4,755,872	4,825,969
Total	**25,652,631**	**29,638,424**

These values refer to the following statement of financial position items:
• Property, plant and equipment
• Investment property
• Equity investments accounted for using the equity method
• Investments
• Unit-linked and index-linked life insurance investments
• Current bank balances and cash-in-hand

Technical provisions and liabilities (net) In € thousand	31/12/2016	31/12/2015
Long-term life insurance contracts with guaranteed interest and profit participation	11,836,846	15,479,470
Long-term unit-linked and index-linked life insurance contracts	4,846,591	5,175,437
Long-term health insurance contracts	2,880,768	2,779,801
Short-term property and casualty insurance contracts	2,708,379	2,869,625
Total	**22,272,584**	**26,304,334**

These values refer to the following statement of financial position items:
• Technical provisions
• Technical provisions for unit-linked and index-linked life insurance
• Reinsurance liabilities (only securities account liabilities from reinsurance ceded)
• Reinsurers' share of technical provisions
• Reinsurers' share of technical provisions for unit-linked and index-linked life insurance

Interest rate risk
Interest rate risk arises on all statement of financial position asset and liability items the value of which fluctuates as a result of changes in risk-free yield curves or associated volatility. Given the investment structure and the high proportion of interest-bearing securities in the asset allocation, interest rate risk forms an important part of market risk. However, a structural reduction to the interest rate risk has been achieved in recent years as a result of the ALM-based investment strategy implemented in 2012.

The following table shows the maturity structure of interest-bearing securities and bonds reclassified as loans. The actual interest rate is calculated using the weighted average returns and in terms of the purchase price is an average of 2.13 per cent with fixed-income securities.

Exposure by term In € thousand	31/12/2016	31/12/2015
Up to 1 year	1,370,025	1,095,058
More than 1 year up to 3 years	2,120,877	3,282,360
More than 3 years up to 5 years	2,372,347	2,845,054
More than 5 years up to 7 years	2,553,898	3,472,911
More than 7 years up to 10 years	2,420,522	2,954,254
More than 10 years up to 15 years	2,232,827	2,436,602
More than 15 years	3,459,282	3,273,532
Total	**16,529,778**	**19,359,770**

In comparison with this, the next table shows the insurance provision before reinsurance in health and life insurance and the gross provision for unsettled insurance claims in non-life insurance, broken down into annual brackets. In health and life insurance the breakdown takes place using expected cash flows from the ALM process.

IFRS reserve by expected maturity date In € thousand	31/12/2016	31/12/2015
Up to 1 year	1,334,940	1,276,255
More than 1 year up to 3 years	2,311,871	3,071,023
More than 3 years up to 5 years	1,434,894	1,914,474
More than 5 years up to 7 years	1,177,977	1,414,351
More than 7 years up to 10 years	1,797,645	2,039,901
More than 10 years up to 15 years	2,307,471	2,780,886
More than 15 years	5,357,720	6,497,525
Total	**15,722,518**	**18,994,414**

Due to the particular importance of the ALM process in life insurance, the focus will be placed on this segment. For practical reasons, it is not possible to fully achieve the objective of matching cash flows for assets and liabilities. The duration of the assets in life insurance is 8.1 years, while for liabilities it is longer. This is referred to as a duration gap. It gives rise to an interest rate risk which in the Solvency II risk capital calculation must be backed by capital. The discount rate that may be used in the costing when new business is written is based in most UNIQA companies on a maximum discount rate imposed by the relevant local supervisory authority. In all those countries in which the maximum permissible discount rate is not imposed in this way, appropriate prudent, market-based assumptions are made by the actuaries responsible for the calculation. In our core market of Austria, the maximum interest rate from 1 January 2017 is 0.5 per cent per year. However, the portfolio also includes older contracts with different discount rates. In the relevant markets of the UNIQA Group, these rates amount to as much as 4.0 per cent per year.

The following table provides an indication of the average discount rates for each region.

Average technical discount rates, core business by region and currency In per cent	EUR	USD	Local currency
Austria (AT)	2.5	–	-
Central Europe (CE)	3.5	–	3.3
Eastern Europe (EE)	3.6	4.0	3.4
Southeastern Europe (SEE)	2.8	2.4	1.7
Russia (RU)	3.0	3.0	4.0

Definition of regions:
AT – Austria
CE – Poland, Hungary, Czech Republic, Slovakia
EE – Romania, Ukraine
SEE – Bulgaria, Serbia, Bosnia and Herzegovina, Croatia, Albania, Montenegro, Kosovo, Macedonia
RU – Russia

As these discount rates are guaranteed by the insurance company, the financial risk lies in not being able to generate these returns. Because classic life insurance business predominantly invests in interest-bearing securities (bonds, loans, etc.), the unpredictability of long-term interest rate trends is the most significant financial risk for a life insurance company. Investment and reinvestment risk arises from the fact that premiums received in the future must be invested to achieve the rate of return guaranteed when a policy is written. However, it is entirely possible that no appropriate securities will be available at the time the premium is received. In the same way, future income must be reinvested to achieve a return equivalent to at least the original discount rate. For this reason, UNIQA has already decided to offer products to its key markets that are only based on a low or zero discount rate.

Spread risk

Since the interest rate risk has been reduced significantly through the ALM process, the spread risk, also stemming predominantly from interest-bearing securities, represents the biggest market risk in terms of the standard approach under Solvency II. Spread risk refers to the risk of changes in the price of asset or liability items in the financial statement, as a consequence of changes in credit risk premiums or associated volatility, and under Solvency II is ascertained for individual securities in accordance with their rating and duration. When investing in securities, UNIQA chooses securities with a wide variety of ratings, taking into consideration the potential risks and returns.

The following table shows the credit quality of those interest rate-sensitive securities that are neither overdue nor written down, based on their ratings.

Exposure by rating In € thousand	31/12/2016	31/12/2015
AAA	3,227,227	4,801,934
AA	5,335,448	4,190,494
A	3,763,978	3,816,635
BBB	2,351,805	4,186,371
BB	1,151,994	1,219,575
B	124,947	687,580
<=CCC	29,206	102,039
Not rated	545,173	355,142
Total	**16,529,778**	**19,359,770**

Equity risk

Equity risk arises from movements in the value of equities and similar investments as a result of fluctuations in international stock markets and therefore stems in particular from the asset categories of shares and investments. The effective equity weighting is controlled by hedging with the selective use of derivative financial instruments.

UNIQA's equity risk from investments in shares and equity as at the reporting date has been reduced as part of the process in recent years to implement an ALM-based investment strategy, and now only plays a subordinate role in the composition of the ECR market risk.

Currency risk

Currency risk is caused by fluctuations in exchange rates and associated volatility. Given the international nature of the insurance business, UNIQA invests in securities denominated in different currencies, thus following the principle of ensuring matching liabilities with assets in the same currency to cover liabilities at the coverage fund or company level. Despite the selective use of derivative financial instruments for hedging purposes, it is not always possible on cost grounds or from an investment point of view to achieve complete and targeted currency matching between the assets and liabilities. As in the previous year, the greatest component of this risk arises from investments in US dollars. The following table shows a breakdown of assets and liabilities by currency.

Currency risk	31/12/2016	
In € thousand	Assets	Provisions and liabilities
EUR	**29,645,082**	**27,759,009**
USD	738,810	81,978
CZK	525,420	443,214
HUF	450,209	542,874
PLN	944,326	832,182
RON	282,564	209,137
Other	1,052,749	558,000
Total	**33,639,160**	**30,426,394**

Currency risk	31/12/2015	
In € thousand	Assets	Provisions and liabilities
EUR	**29,375,071**	**27,558,588**
USD	807,472	48,595
CZK	523,651	436,469
HUF	428,907	523,297
PLN	927,607	816,640
RON	258,289	189,655
Other	976,877	558,261
Total	**33,297,873**	**30,131,504**

Liquidity risk

Ongoing liquidity planning takes place in order to ensure that UNIQA is able to meet its payment obligations over the next twelve months. A minimum amount of cash reserves which must be available daily is also defined at Group Management Board level for the individual companies according to their business model.

Investments are aimed at maximum possible (even if not complete) matching of maturities as part of the ALM process, to ensure coverage for liabilities with maturities exceeding twelve months. Aside from this, a majority of the securities portfolio is listed in liquid markets and can be sold quickly and without significant markdowns if cash is required.

Regarding private equity investments, there are still remaining payment obligations in the amount of €1.2 million.

Specific events in 2016

The ongoing political uncertainty in Ukraine as a result of the armed conflict since 2014 in the east of the country, between separatists aligned with Russia and Ukraine's central government, continues to constrain the country's economic performance. According to the International Monetary Fund, which is providing 17.5 billion dollars in support to the country as part of a programme agreed in 2014, additional measures, to combat rampant corruption and implement economic structural reforms, are needed for the country's continued economic development. Timely servicing of government debt is not necessarily guaranteed, despite international support, given that implementation of these required measures is being met with resistance in some cases. In 2015 the debt owed to international creditors holding Ukrainian government bonds was reduced by 20 per cent haircut.

As at 31 December 2016, the UNIQA Group's portfolio of Ukrainian government bonds came to a nominal value of €34.2 million and a fair value of €30.1 million. Of these, a nominal value of €31.2 million are invested in the Ukrainian subsidiary.

The Ukrainian currency, the hryvnia (UAH), weakened by approximately 7.8 per cent against the euro during the course of 2016 (exchange rate as at 31 December 2016: 0.0353). The total value of all the UAH securities in the UNIQA Group amounts to a fair value of €11.7 million.

The EU sanctions imposed on Russia on account of the Ukrainian conflict, along with the low price of crude oil, had a severely negative impact on economic development for 2015 and 2016. Expectations of a return to economic growth in 2017 (as estimated by the International Monetary Fund) did, however, result in a recovery in the exchange rate for the rouble against the euro from 0.0124 (31 December 2015) to 0.0156 (31 December 2016). The fall in the interest rate level, which accompanied the rise in the exchange rate, increased the value of securities quoted in roubles, with the market value for these amounting to €116.1 million as at the reporting date, of which €101.4 million is invested in the Russian subsidiary's investment portfolio. The nominal value of Russian government bonds in the UNIQA Group's portfolio (not only those quoted in roubles) amounts to €131.2 million (of which €112.0 million is held by the Russian subsidiary), with a fair value of €128.8 million.

UNIQA strives to keep investment concentrations in securities from individual issuers or groups of issuers as low as possible depending on their credit rating.

The United Kingdom's exit from the EU as decided in the referendum on 23 June 2016 (Brexit) provoked strong immediate reactions on the financial markets, influenced by risk aversion, and these also have a negative impact on the UNIQA Group's economic balance sheet (under Solvency II). Due to the relatively prompt correction in the financial markets however, the consequences of this decision for the UNIQA Group are limited to the impact – estimated to be minor – on the long-term economic development of UNIQA's core markets of Austria, Central, Eastern and Southeastern Europe, and on investments held in the British pound, which has suffered a sustained loss in value as a result of Brexit. The market value of investments quoted in British pounds as at 31 December 2016 was €1.7 million (nominal value of €1.7 million).

Sensitivities

Market and credit risk

Stress tests and sensitivity analyses are used in particular to measure and manage the market and credit risk, in addition to figures from the established market and credit risk models (MCEV, SCR, ECR, etc.).

The following tables show the most important market risks in the form of key sensitivity figures, along with their impact on the net profit and equity. These key figures represent a snapshot on the reporting date and are only intended as an indication of future changes in fair value. Depending on the measurement principle to be applied, any future losses from the valuation at fair value may result in different fluctuations in the net profit for the year or in other comprehensive income. The key figures are calculated theoretically on the basis of actuarial principles and do not take into consideration any diversification effects between the individual market risks or countermeasures taken in the various market scenarios.

The sensitivities are determined by simulating each scenario for each individual item, with all other parameters remaining constant in each case.

Sensitivities

Interest rate risk	31/12/2016		31/12/2015	
In € thousand	+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
Total	**– 1,116,839**	**831,625**	**– 1,150,574**	**956,209**

Spread risk	31/12/2016	31/12/2015
In € thousand	+	+
Total	**– 1,133,350**	**– 1,271,145**

Equity risk	31/12/2016		31/12/2015	
In € thousand	30%	– 30%	30%	– 30%
Total	**220,730**	**– 173,966**	**419,822**	**– 234,195**

Currency risk	31/12/2016		31/12/2015	
In € thousand	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
Total	**222,645**	**– 221,659**	**213,027**	**– 206,784**

2016 In € thousand	Interest rate shock (+100 bp)	Interest rate shock (– 100 bp)	Spread shock (+100 bp)	Equity shock (+30%)	Equity shock (–30%)	Currency shock[1] (+10%)	Currency shock[1] (– 10%)
Income statement	– 11,262	– 7,036	– 9,918	35,475	– 29,443	184,378	– 183,309
Equity	– 1,091,855	827,829	– 1,105,996	185,254	– 144,522	14,671	– 14,671
Total	**– 1,103,117**	**820,793**	**– 1,115,914**	**220,730**	**– 173,966**	**199,049**	**– 197,980**

[1] Changes in market value without accounting impact included risk reclassified bonds in the case of interest rate and spread risk and real estate in the case of currency risk.

2015 In € thousand	Interest rate shock (+100 bp)	Interest rate shock (– 100 bp)	Spread shock (+100 bp)	Equity shock (+30%)	Equity shock (–30%)	Currency shock[2] (+10%)	Currency shock[2] (–10%)
Income statement	608	3,446	– 13,865	211,893	– 83,817	181,010	– 174,766
Equity	– 1,137,239	942,548	– 1,235,681	207,929	– 150,378	8,855	– 8,855
Total	**– 1,136,631**	**945,994**	**– 1,249,545**	**419,822**	**– 234,195**	**189,865**	**– 183,622**

[2] Currency shock from land and buildings amounting to €23.2 million (+10%) and €–23,2 million (–10%) will not be incurred either on the income statement or in equity because real estate is recognised at book value, the carrying amount and shocks on a fair value basis.

Life insurance

In life insurance the interest rate assumptions are the crucial influencing factor on the liability adequacy test and the deferred acquisition costs. The impact of the implied new funds assumption (including reinvestment) is therefore stated below.

If new funds are assumed with a +100 bp increase, then the resulting net effect (after accounting for the deferred profit participation) amounts to €+9 million. A –100 bp reduction in this assumption results in net effect of €–10 million. The effects described relate to the changes in the deferred acquisition costs along with the impact on the liability adequacy test. The results were determined using the traditional business in Austria which makes up the majority of the insurance provision in the Group.

Non-life insurance

The provision for unsettled insurance claims is formed based on reported claims and applying accepted statistical methods. One crucial assumption here is that the pattern of claims observed from the past can be sensibly extrapolated for the future. Additional adjustments need to be made in cases where this assumption is not possible.

The calculation of the claim provisions is associated with uncertainty based on the time required to process claims. In addition to the normal chance risk, there are also other factors that may influence the future processing of the claims that have already occurred. The reserving process for court damages in property/casualty insurance should be mentioned here in particular. A reserve estimate is prepared here for these damages based on expert assessment, although this estimate can be exposed to high levels of volatility specifically with major damage at the start of the process for collecting court costs.

The partial model in property and casualty insurance is a suitable instrument for quantifying the volatility involved in processing. Following analysis of these model results and after consulting experts it was determined that a deviation of 5 per cent from the basic provision determined may represent a realistic scenario. On basis of the current provision for unsettled claims of €2,202 million (excluding additional provisions such as provisions for claims settlement) in the Group on gross basis, this would mean an increase in claims incurred by €110.1 million.

Health insurance

Health insurance operated on the similar to life technique is now also affected by the period of low interest rates, as the tariffs that are currently covered primarily result in actuarial discount rates of 3 per cent, but also in some cases of 2.5 per cent and even of 1.75 per cent. Since the average discount rate is still relatively high, the capital earnings may not be enough for the required addition to the coverage capital. A reduction in the capital earnings by 100 bp (based on investment results 2016) would reduce the profit from ordinary activities by €30 million.

Actuarial risks

Non-life

The actuarial risk in the non-life segment is broken down into the three risk categories of premium, reserve and catastrophe risk.

Premium risk is defined as the risk that future benefits and expenses in connection with insurance operations will exceed the premiums collected for the insurance concerned. Such a loss may also be caused in insurance operations by exceptionally significant, but rare loss events, known as major claims or shock losses. Appropriate distribution assumptions are made to ensure that these events are also adequately incorporated into risk modelling.

Natural disasters represent a further threat from events that are infrequent but that nevertheless cause substantial losses. This risk includes financial losses caused by natural hazards, such as floods, storms, hail or earthquakes. In contrast to major individual claims, insurance companies in this case refer to cumulative losses.

Reserve risk refers to the risk that technical provisions recognised for claims that have already occurred will turn out to be inadequate. The loss in this case is referred to as run-off loss. The claims reserve is calculated using actuarial methods. External factors, such as changes in the amount or frequency of claims, legal decisions, repair and/or handling costs, can lead to differences compared with estimates.

To counter and actively manage these risks, UNIQA runs a number of processes integrated into its insurance operations. For example, Group guidelines specify that new products may only be launched if they satisfy certain profitability criteria. Major claims and losses from natural disasters are appropriately managed by means of special risk management in the underwriting process (primarily in corporate activities) and by the provision of suitable reinsurance capacity.

In connection with claim reserves, guidelines also specify the procedures to be followed by local units when recognising such reserves in accordance with IFRS. A quarterly monitoring system and an internal validation process safeguard the quality of the reserves recognised in the whole of the Group.

An essential element in risk assessment and further risk management is the use of the non-life partial model. This risk model uses stochastic simulations to quantify the risk capital requirement for each risk class at both Company and Group levels. The model also produces further key figures that are then used as part of the risk- and value-based management of the insurance business.

Life

The risk of an individual insurance contract lies in the occurrence of the insured event. The occurrence is considered random and therefore unpredictable. Various risks exist in life insurance, particularly in classic life insurance. The insurance company takes on this risk for a corresponding premium. When calculating the premium, the actuary refers to the following carefully selected calculation principles:

- Interest: the discount rate is set so low that it can be produced as expected in each year.
- Mortality: the probabilities of dying are deliberately and carefully calculated for each type of insurance.
- Costs: these are calculated in such a way that the costs incurred by the policy can be permanently covered by the premium.

Carefully selecting the calculation principles gives rise to well-planned profits, an appropriate amount of which is credited to the policyholders as part of profit participation.

The calculation of the premium is also based on the acceptance of a large, homogenous inventory of independent risks, so that the randomness inherent in an individual insurance policy is balanced out by the law of large numbers.

The following risks exist for a life insurance company:
• The calculation bases prove to be insufficient despite careful selection.
• Random fluctuations prove disadvantageous for the insurer.
• Policyholders exercise certain implicit options to their advantage.

The risks of the insurer can be roughly divided into actuarial and financial risks.

Long-term life insurance contracts with guaranteed interest and profit participation In € thousand	31/12/2016	31/12/2015
Austria (AT)	10,802,566	11,337,854
Western Europe (WE)	– 541	3,203,305
Central Europe (CE)	340,922	330,588
Eastern Europe (EE)	31,117	26,802
Southeastern Europe (SEE)	501,436	492,995
Russia (RU)	167,031	111,734
Total	**11,842,533**	**15,503,278**

Long-term unit-linked and index-linked life insurance contracts In € thousand	31/12/2016	31/12/2015
Austria (AT)	4,377,911	4,310,278
Western Europe (WE)	0	0
Central Europe (CE)	464,667	425,652
Eastern Europe (EE)	0	0
Southeastern Europe (SEE)	4,012	2,806
Russia (RU)	0	0
Total	**4,846,591**	**4,738,736**

UNIQA's portfolio consists primarily of long-term insurance contracts. Short-term assurances payable at death play a minor role.

The table below shows the distribution of the premium portfolio by type and region.

Premium portfolio in %	Endowment assurance		Life insurance		Pension insurance	
	2016	2015	2016	2015	2016	2015
Austria (AT)	43.7	46.5	9.4	9.0	19.6	15.1
Central Europe (CE)	16.8	17.6	2.5	2.6	0.2	0.2
Eastern Europe (EE)	46.8	54.3	4.7	5.5	0.0	0.0
Southeastern Europe (SEE)	80.2	82.2	7.0	5.2	0.4	0.5
Russia (RU)	96.8	96.5	0.0	0.0	0.0	0.0
Total	**44.6**	**46.4**	**7.9**	**7.7**	**15.1**	**12.0**

Premium portfolio in %	Unit-linked and index-linked		Residual debt insurance		Other	
	2016	2015	2016	2015	2016	2015
Austria (AT)	26.2	28.3	0.0	0.0	1.1	1.0
Central Europe (CE)	57.6	57.6	9.1	8.6	13.7	13.4
Eastern Europe (EE)	0.0	0.0	44.3	39.5	4.2	0.6
Southeastern Europe (SEE)	2.2	2.0	0.6	0.7	9.6	9.4
Russia (RU)	0.0	0.0	3.2	3.5	0.0	0.0
Total	**27.6**	**29.4**	**1.7**	**1.5**	**3.1**	**2.9**

Definition of regions:
AT – Austria
CE – Poland, Hungary, Czech Republic, Slovakia
EE – Romania, Ukraine
SEE – Bulgaria, Serbia, Bosnia and Herzegovina, Croatia, Albania, Montenegro, Kosovo, Macedonia
RU – Russia

Mortality

With respect to assurance involving death risk, premiums are calculated based on an accounting table, implicitly allowing for the safety loading of risk premiums.

Using risk selection (health examinations) means that the mortality probabilities of the portfolio are consistently smaller than those of the overall population. In addition, the gradual improvement of mortality rates means that the real mortality probabilities are consistently smaller than the values shown in the accounting table. Analyses of mortality data carried out at Group level show that, historically, the level of premiums has been sufficient to cover the death benefits.

Due to the large number of lives insured by UNIQA in the Austrian market, the mortality trends are of particular importance here. According to the 2010/2012 mortality table published by Statistics Austria, life expectancy has increased and is over 80 years for new-borns for the first time.

Life expectancy at birth		
Mortality table	Men	Women
1970–72	66.6	73.7
1980–82	69.2	76.4
1990–92	72.5	79.0
2000–02	75.5	81.5
2010–12	78.0	83.3

The reduction in the probability of dying at any given age is causing a huge amount of uncertainty in the annuity business. Improvements in mortality rates as a result of medical progress and changed lifestyles are virtually impossible to extrapolate.

Attempts to predict this effect were made when producing the generation tables. However, such tables only exist for the Austrian population and this data cannot be applied to other countries. In the UNIQA Group, longevity risk relates mainly to the Austrian life insurance companies because very few pension products are sold in the regions covered by the international business.

Homogeneity and independence of insurance risks
An insurance company takes great pains to compose a portfolio of the most homogenous, independent risks possible, in accordance with the classic, deterministic approach to calculating premiums. Because this is virtually impossible in practice, a considerable risk arises for the insurer due to random fluctuations, in particular from the outbreak of epidemic illnesses, as not only could the calculated mortality probabilities prove to be too low, the independence of the risks can also no longer be assumed.

Antiselection
UNIQA's portfolios contain large quantities of risk insurance policies with a premium adjustment clause, particularly in Austria. This allows the insurer to raise the premiums in case of an (unlikely) worsening of the mortality behaviour. However, this presents the danger of possible antiselection behaviour, meaning that policies for good risks tend to be terminated while worse ones remain in the portfolio.

The right to choose pensions for deferred retirement annuities also results in antiselection. Only those policyholders who feel very healthy choose the annuity payment; all others choose partial or full capital payment. In this way, the pension portfolio tends to consist of mostly healthier people, i.e. from the insurer's point of view worse risks than the population average.

This phenomenon is countered by corresponding modifications to the retirement mortality tables. A further possibility exists in the requirement that the intention to exercise the right to choose annuity payments must be announced no later than one year in advance of the expiration.

Costs
Besides the risks discussed above, the cost risk must also be mentioned: the insurer guarantees that it will deduct only the calculated costs for the entire term of the policy. The business risk here is that the cost premiums are insufficient (e.g. due to cost increases resulting from inflation).

Health
The health insurance business is operated primarily in Austria (92.4 per cent is domestic and 7.6 per cent is international). As a result, the focus lies on risk management in Austria.

Health insurance is a loss insurance which is calculated under consideration of biometric risks and is operated in Austria according to the "similar to life technique".

Terminations by the insurer are not possible except in the case of obligation violations by the insured. Premiums must therefore be calculated in such a way that the premiums are sufficient to cover the insurance benefits that generally increase with age, assuming probabilities that remain constant. The probabilities and cost structures can change frequently over time. For this reason, the health insurer has the possibility to adjust the premiums as necessary to reflect the changed calculation bases.

When taking on risks, the existing risk of the individual is also evaluated. If it is established that an illness already exists for which the cost risk is expected to be higher than for the calculated portfolio, then either this illness is excluded from the policy, an adequate risk surcharge is demanded or the risk is not underwritten.

In health insurance, assurance coverage ("aging provision") is built up through calculation according to "similar to life techniques" and reduced again in later years because this is used to finance an ever larger part of the benefits that increase with age.

The discount rate for this actuarial reserve is 3.0, 2.5 or 1.75 per cent. If the discount rate is not achieved by the investment, there are safety margins in the premiums that can be used to cover insufficient investment results. A circular was published by the Financial Market Authority Austria (FMA) in October 2013 regarding the discount rate in health insurance, meaning that between 1 January 2014 and 30 April 2016, new business was calculated with a discount rate of 2.5 per cent. A further circular was sent by the FMA in October 2015 which determined that the tariffs for new sales from 1 May 2016 at the latest should include a discount rate of 1.75 per cent. This results in a further improvement of the risk in cases where the investment results are insufficient. The average discount rate as at 31 December 2016 was approximately 2.93 per cent.

The legal risks arise primarily from the effects that changes to legislation have on the existing private health insurance business model. This includes, in particular, changes to the legal framework that make it harder or impossible to adapt to changed circumstances or that sharply reduce the income opportunities. Developments in this area will be observed by the insurance association, and an attempt will be made where necessary to react to negative developments from the perspective of the private health insurer.

The EU Directive on the equal treatment of men and women in insurance, which is implemented in Austria by the Insurance Amendment Act 2006, was also taken into account in the calculation of premiums at the end of the second quarter of 2007. This stipulated that the costs of birth and pregnancy be distributed across both sexes. No significant risk to profit has been identified here.

In the meantime, a European Court of Justice decision regarding insurance policies results in a new situation as at 21 December 2012: as at that date only completely identical premiums are allowed for men and women, excluding considerations such as age and individual pre-existing conditions. Experience from 2013 to 2016 has shown that this has not resulted in any negative changes to the portfolio structure of new business.

The risk of the health insurance business outside Austria (approx. €47.7 million) is currently dominated primarily by Switzerland (approx. €11.3 million), where there is sufficient risk capital.

The remaining premiums are divided among multiple companies and are of only minor importance there. Life-long health insurance policies without termination options by the insurer rarely exist outside of Austria, meaning that the risk can be considered low for this reason as well.

Other risks

Operational risks

Operational risk includes losses that are caused by insufficient or failed internal processes, as well as losses caused by systems, human resources or external events.

Operational risk includes legal risk, but not reputation or strategic risk. Legal risk is the risk of uncertainty due to lawsuits or uncertainty in the applicability or interpretation of contracts, laws or other legal requirements.

At UNIQA, legal risks are monitored on an on-going basis and reports made the Management Board. UNIQA's risk management process also defined the risk process for operational risks in terms of methodology, workflow and responsibilities. The risk manager is responsible for compliance in all subsidiaries.

A distinctive feature of operational risk is that it can surface in all processes and departments. This is why operational risk is identified and evaluated in every operational company at a very broad level within UNIQA. Risks are identified with the help of a standardised risk catalogue that is regularly checked for completeness. Scenarios are defined for evaluating these risks; these scenarios are meant to convey the likelihood of occurrence and the possible amount of the claim. The results are then presented by the risk manager in the form of a summarised risk report.

This process is usually conducted twice a year.

Business Continuity Management

According to international standards, the UNIQA Group – as a financial service provider – forms part of the critical infrastructure of key importance to the national community. If this infrastructure were to fail or become impaired, it would cause considerable disruption to public safety and security or lead to other drastic consequences.

As a rule, emergencies, crises and disasters are unexpected events for which it is impossible to plan, although systems and processes can be put in place to deal with such events. The systems and processes must then be treated as a special responsibility of management and must be dealt with professionally, efficiently and as quickly as possible.

UNIQA has implemented a Business Continuity Management system (BCM) covering the issues of crisis prevention, crisis management and business recovery (including business continuity plans). The main objectives are as follows:

- to prevent personal injury to, or death of, employees or third parties
- to minimise the impact from failure of key business processes
- to be appropriately prepared with continuously updated emergency and recovery plans

The UNIQA BCM model is based on international rules and standards and was further implemented in 2016. The implementation of a BCM system forms part of UNIQA's response to the requirements imposed by relevant authorities (solvency, critical infrastructure) and the market (calls for tender). This holistic approach to a risk management system not only reduces potential losses following an event but also enhances the quality of day-to-day operations.

Reputational and strategic risks

Reputational risk describes the risk of loss that arises due to possible damage to the Company's reputation, a deterioration in prestige, or a negative overall impression due to negative perception by customers, business partners, shareholders or supervisory agencies.

Reputational risks that occur in the course of core processes such as claims processing or advising and service quality are identified, evaluated and managed as operational risks in our subsidiaries.

The most important reputational risks are presented, like the operational risks, in an aggregated form in the risk report.

Group risk management then analyses whether the risk observed in the Group or in another unit may occur, and whether the danger of "contagion" within the Group is possible.

Strategic risk describes the risk that results from management decisions or insufficient implementation of management decisions that may influence current/future income or solvency. This includes the risk that arises from management decisions that are inadequate because they ignore a changed business environment.

Like operational and reputational risks, strategic risks are evaluated twice a year. Furthermore, important decisions in various committees, such as the Risk Committee, are discussed with the Management Board. As outlined in the explanation of the risk management process, the management receives a monthly update regarding the most significant risks in the form of a heat map.

6.6 Reinsurance

The Management Board of the holding company determines, directly and indirectly, the strategic contents of reinsurance policy with its decisions regarding risk and capital policy. The following principles can be derived to structure the purchasing of external reinsurance.

Reinsurance structures support the continuous optimisation of the required risk capital and the management of the use of this risk capital. Great importance is attached to the maximum use of diversification effects. Decisions regarding all reinsurance business ceded are taken with special consideration of their effects on the required risk capital. Continuous analysis of reinsurance purchasing for efficiency characteristics is an essential component of internal risk management processes.

UNIQA Re AG in Zurich is responsible for the operational implementation of these tasks. It is responsible for and guarantees the implementation of reinsurance policies issued by the Management Board of the holding company. It is responsible for issuing Group-wide guidelines governing all activities, organisation and questions regarding internal and external reinsurance relationships. UNIQA Re AG is available to all Group companies as the risk carrier for their reinsurance needs. Naturally, internal risk transfers are subject to the same requirements and valuation processes in terms of efficiency measurement, risk capital optimisation and diversification as retrocessions to external reinsurance partners.

The assessment of the exposure of the portfolios assumed by the Group companies is of central importance. Periodic risk assessments have been performed for years in the interest of a value-based management of the capital commitment. Extensive data are used to assess risk capital requirements for affected units. Reinsurance programmes are consistently structured systematically in accordance with their influence on the cedent’s risk situation.

For the property and casualty insurer, promises of performance for protection against losses resulting from natural disasters frequently represent the greatest stress on risk capital by far due to the volatile nature of such claims and the conceivable amount of catastrophic damages. UNIQA has set up a specialised unit within UNIQA Re AG in order to deal with this problem. Exposure is constantly monitored and evaluated at the country and Group levels in cooperation with internal and external authorities. UNIQA substantially eases the pressure on its risk capital through the targeted utilisation of all applicable diversification effects and the launching of a highly efficient retrocession programme.

UNIQA Re AG has assumed almost all of the UNIQA Group's required reinsurance business ceded in the reporting period. Only in the life insurance line was a portion of the necessary cessions given directly to external reinsurance partners. The Group's retrocessions in the non-life insurance line were carried out on a non-proportional basis. The Group assumes reasonable deductibles in the affected programmes based on risk and value-based approaches.

SEGMENT REPORTING

Operating segments

In € thousand	UNIQA Austria 1-12/2016	UNIQA Austria 1-12/2015	UNIQA International 1-12/2016	UNIQA International 1-12/2015	Reinsurance 1-12/2016	Reinsurance 1-12/2015
Premiums written (gross), including savings portions from unit-linked and index-linked life insurance	3,631,453	3,883,545	1,399,890	1,302,758	1,130,795	1,112,080
Premiums earned (net), including savings portions from unit-linked and index-linked life insurance	2,941,445	3,194,917	962,994	913,196	1,022,692	1,014,440
Savings portions in unit-linked and index-linked life insurance (gross)	246,038	270,217	159,060	111,795	0	0
Savings portions in unit-linked and index-linked life insurance (net)	225,666	254,102	159,060	111,795	0	0
Premiums written (gross)	3,385,416	3,613,328	1,240,830	1,190,962	1,130,795	1,112,080
Premiums earned (net)	2,715,779	2,940,815	803,935	801,401	1,022,692	1,014,440
Premiums earned (net) – intragroup	– 635,317	– 642,386	– 332,689	– 304,080	1,067,442	1,051,994
Premiums earned (net) – external	3,351,096	3,583,201	1,136,624	1,105,481	– 44,750	– 37,554
Technical interest income	306,825	403,097	26,510	28,435	0	0
Other insurance income	2,908	2,897	16,106	21,064	442	631
Insurance benefits	– 2,292,130	– 2,542,081	– 484,946	– 485,761	– 694,723	– 720,148
Operating expenses	– 589,244	– 537,469	– 336,156	– 333,823	– 330,527	– 315,686
Other technical expenses	– 26,285	– 34,855	– 33,256	– 35,366	– 9,124	– 9,060
Technical result	**117,853**	**232,404**	**– 7,807**	**– 4,051**	**– 11,240**	**– 29,823**
Net investment income and income from investment property	460,087	597,908	63,542	97,255	29,923	27,652
Other income	7,914	7,506	21,091	12,305	1,844	2,240
Reclassification of technical interest income	– 306,825	– 403,097	– 26,510	– 28,435	0	0
Other expenses	– 22,543	– 12,285	– 14,185	– 28,948	– 2,356	– 2,204
Non-technical result	**138,633**	**190,032**	**43,939**	**52,177**	**29,410**	**27,687**
Operating profit/(loss)	**256,487**	**422,436**	**36,132**	**48,126**	**18,170**	**– 2,136**
Amortisation of goodwill and impairment losses	– 3,470	– 1,542	– 22,362	– 16,638	0	0
Finance costs	– 20,787	– 21,151	– 719	– 168	– 79	0
Profit/(loss) for the year from continuing operations	**232,230**	**399,742**	**13,051**	**31,319**	**18,091**	**– 2,136**
Combined ratio (property and casualty insurance, after reinsurance)	93.7%	92.9%	99.2%	99.2%	100.0%	101.7%
Cost ratio (after reinsurance)	20.0%	16.8%	34.9%	36.6%	32.3%	31.1%

Impairment by segment

In € thousand	UNIQA Austria 1-12/2016	UNIQA Austria 1-12/2015	UNIQA International 1-12/2016	UNIQA International 1-12/2015	Reinsurance 1-12/2016	Reinsurance 1-12/2015
Goodwill						
Impairments	0	0	– 16,590	– 13,081	0	0
Investments						
Impairments	– 66,068	– 38,546	– 148	– 510	0	0
Reversal of impairment losses	7,689	16,348	1	0	0	0

Group function		Consolidation		Group	
1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
0	0	– 1,113,928	– 1,087,337	5,048,210	5,211,046
0	0	– 99,436	– 105,529	4,827,696	5,017,025
0	0	0	0	405,097	382,012
0	0	0	0	384,725	365,897
0	0	– 1,113,928	– 1,087,337	4,643,113	4,829,034
0	0	– 99,436	– 105,529	4,442,970	4,651,128
0	0	– 99,436	– 105,529	0	0
0	0	0	0	4,442,970	4,651,128
0	0	0	209	333,334	431,740
6,157	7,968	– 1,776	– 2,132	23,837	30,429
7,708	10,566	78,525	66,117	– 3,385,566	– 3,671,307
– 49,634	– 27,899	19,166	24,442	– 1,286,394	– 1,190,435
– 313	– 905	14,656	14,504	– 54,321	– 65,682
– 36,081	**– 10,269**	**11,135**	**– 2,389**	**73,861**	**185,872**
152,773	207,095	– 117,433	– 197,926	588,892	731,983
10,896	13,798	823	– 31	42,569	35,818
0	0	0	– 209	– 333,334	– 431,740
– 8,989	– 8,624	– 5,072	– 3,629	– 53,145	– 55,691
154,680	**212,269**	**– 121,681**	**– 201,795**	**244,982**	**280,370**
118,599	**202,001**	**– 110,546**	**– 204,184**	**318,842**	**466,242**
0	0	0	0	– 25,832	– 18,181
– 67,456	– 50,262	21,563	21,339	– 67,477	– 50,243
51,143	**151,739**	**– 88,983**	**– 182,846**	**225,533**	**397,818**
n/a	n/a	n/a	n/a	98.1%	97.9%
n/a	n/a	n/a	n/a	26.6%	23.7%

Group function		Consolidation		Group	
1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
0	0	0	0	– 16,590	– 13,081
0	0	– 14,271	– 14,578	– 80,486	– 53,635
249	268	0	0	7,940	16,616

Operating segments – classified by business line

Property and casualty insurance	UNIQA Austria		UNIQA International		Reinsurance	
In € thousand	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
Premiums written (gross)	1,568,649	1,540,752	942,343	883,626	1,081,063	1,060,821
Premiums earned (net)	940,937	910,145	517,339	502,988	999,749	992,086
Technical interest income	0	0	0	0	0	0
Other insurance income	2,095	1,349	10,919	16,334	200	197
Insurance benefits	– 648,003	– 633,414	– 308,845	– 296,443	– 673,153	– 697,115
Operating expenses	– 233,945	– 212,152	– 204,377	– 202,644	– 326,255	– 311,848
Other technical expenses	– 6,253	– 10,202	– 29,983	– 33,049	– 5,467	– 5,213
Technical result	**54,831**	**55,727**	**– 14,947**	**– 12,814**	**– 4,926**	**– 21,892**
Net investment income and income from investment property	27,602	49,172	32,943	44,381	20,020	17,421
Other income	5,464	6,521	7,064	7,891	1,784	2,183
Reclassification of technical interest income	0	0	0	0	0	0
Other expenses	– 17,252	– 11,467	– 10,753	– 12,264	– 2,322	– 2,122
Non-technical result	**15,814**	**44,226**	**29,254**	**40,008**	**19,482**	**17,482**
Operating profit/(loss)	**70,645**	**99,953**	**14,307**	**27,194**	**14,556**	**– 4,410**
Amortisation of goodwill and impairment losses	0	0	– 19,516	– 15,960	0	0
Finance costs	0	0	– 719	– 168	– 79	0
Profit/(loss) for the year from continuing operations	**70,645**	**99,953**	**– 5,928**	**11,065**	**14,477**	**– 4,410**

Health insurance	UNIQA Austria		UNIQA International		Reinsurance	
In € thousand	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
Premiums written (gross)	956,280	921,619	47,692	43,416	1,988	646
Premiums earned (net)	955,332	921,923	44,011	42,548	1,424	227
Technical interest income	77,670	73,783	0	0	0	0
Other insurance income	317	230	1,602	1,322	0	0
Insurance benefits	– 821,795	– 762,872	– 29,288	– 29,551	– 154	– 338
Operating expenses	– 143,119	– 121,753	– 19,794	– 20,010	– 672	– 24
Other technical expenses	– 431	– 2,056	– 204	– 364	0	0
Technical result	**67,975**	**109,255**	**– 3,673**	**– 6,056**	**598**	**– 134**
Net investment income and income from investment property	116,085	151,840	481	245	0	0
Other income	965	486	1,707	1,742	0	2
Reclassification of technical interest income	– 77,670	– 73,783	0	0	0	0
Other expenses	– 2,802	– 301	– 1,655	– 1,422	0	0
Non-technical result	**36,577**	**78,241**	**533**	**565**	**0**	**2**
Operating profit/(loss)	**104,552**	**187,496**	**– 3,141**	**– 5,491**	**598**	**– 132**
Amortisation of goodwill and impairment losses	0	0	0	0	0	0
Finance costs	0	0	0	0	0	0
Profit/(loss) for the year from continuing operations	**104,552**	**187,496**	**– 3,141**	**– 5,491**	**598**	**– 132**

	Group function		Consolidation		Group	
	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
	0	0	– 1,073,624	– 1,046,014	2,518,432	2,439,186
	0	0	– 98,973	– 103,949	2,359,053	2,301,270
	0	0	0	0	0	0
	6,157	7,968	– 1,520	– 1,770	17,852	24,078
	175	56	79,232	73,232	– 1,550,593	– 1,553,683
	– 17,182	– 10,295	18,580	37,318	– 763,180	– 699,621
	– 161	– 375	8,694	8,375	– 33,171	– 40,464
	– 11,010	**– 2,647**	**6,013**	**13,207**	**29,961**	**31,580**
	174,190	185,769	– 122,131	– 179,499	132,626	117,245
	8,052	9,988	837	– 29	23,199	26,554
	0	0	0	0	0	0
	– 6,583	– 7,569	– 4,084	– 4,531	– 40,994	– 37,952
	175,659	**188,189**	**– 125,378**	**– 184,059**	**114,831**	**105,846**
	164,648	**185,542**	**– 119,365**	**– 170,852**	**144,791**	**137,426**
	0	0	0	0	– 19,516	– 15,960
	– 67,348	– 50,108	776	187	– 67,370	– 50,089
	97,300	**135,434**	**– 118,589**	**– 170,665**	**57,905**	**71,376**

	Group function		Consolidation		Group	
	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
	0	0	– 2,304	– 1,288	1,003,656	964,393
	0	0	– 411	– 800	1,000,356	963,899
	0	0	0	0	77,670	73,783
	0	0	0	0	1,918	1,552
	7,532	10,510	133	530	– 843,571	– 781,721
	– 11,976	– 5,519	75	– 6,386	– 175,486	– 153,693
	– 118	– 227	0	0	– 752	– 2,647
	– 4,562	**4,764**	**– 203**	**– 6,656**	**60,136**	**101,173**
	– 4,544	– 6,151	2,885	– 5,863	114,907	140,071
	2,341	3,421	0	0	5,013	5,650
	0	0	0	0	– 77,670	– 73,783
	– 1,703	0	– 66	21	– 6,226	– 1,702
	– 3,906	**– 2,729**	**2,820**	**– 5,842**	**36,023**	**70,236**
	– 8,468	**2,035**	**2,617**	**– 12,498**	**96,159**	**171,410**
	0	0	0	0	0	0
	– 107	– 154	0	0	– 107	– 154
	– 8,575	**1,881**	**2,617**	**– 12,498**	**96,051**	**171,256**

Life insurance	UNIQA Austria		UNIQA International		Reinsurance	
In € thousand	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
Premiums written (gross), including savings portions from unit-linked and index-linked life insurance	1,106,524	1,421,174	409,855	375,715	47,744	50,612
Premiums earned (net), including savings portions from unit-linked and index-linked life insurance	1,045,175	1,362,849	401,644	367,660	21,519	22,127
Savings portions in unit-linked and index-linked life insurance (gross)	246,038	270,217	159,060	111,795	0	0
Savings portions in unit-linked and index-linked life insurance (net)	225,666	254,102	159,060	111,795	0	0
	0	0	0	0	0	0
Premiums written (gross)	860,487	1,150,956	250,795	263,920	47,744	50,612
Premiums earned (net)	819,510	1,108,747	242,585	255,865	21,519	22,127
Technical interest income	229,154	329,314	26,510	28,435	0	0
Other insurance income	496	1,319	3,586	3,408	241	433
Insurance benefits	– 822,332	– 1,145,795	– 146,814	– 159,767	– 21,415	– 22,696
Operating expenses	– 212,180	– 203,564	– 111,985	– 111,169	– 3,600	– 3,815
Other technical expenses	– 19,601	– 22,598	– 3,068	– 1,953	– 3,657	– 3,847
Technical result	**– 4,953**	**67,422**	**10,814**	**14,820**	**– 6,912**	**– 7,797**
Net investment income and income from investment property	316,400	396,896	30,117	52,629	9,902	10,231
Other income	1,486	499	12,321	2,672	60	55
Reclassification of technical interest income	– 229,154	– 329,314	– 26,510	– 28,435	0	0
Other expenses	– 2,489	– 517	– 1,776	– 15,263	– 34	– 82
Non-technical result	**86,243**	**67,564**	**14,152**	**11,603**	**9,928**	**10,203**
Operating profit/(loss)	**81,290**	**134,987**	**24,966**	**26,423**	**3,016**	**2,406**
Amortisation of goodwill and impairment losses	– 3,470	– 1,542	– 2,846	– 678	0	0
Finance costs	– 20,787	– 21,151	0	0	0	0
Profit/(loss) for the year from continuing operations	**57,033**	**112,293**	**22,120**	**25,745**	**3,016**	**2,406**

Group function		Consolidation		Group	
1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
0	0	– 38,000	– 40,034	1,526,123	1,807,467
0	0	– 52	– 780	1,468,287	1,751,856
0	0	0	0	405,097	382,012
0	0	0	0	384,725	365,897
0	0	0	0	0	0
0	**0**	**– 38,000**	**– 40,034**	**1,121,025**	**1,425,454**
0	0	– 52	– 780	1,083,561	1,385,959
0	0	0	209	255,664	357,957
0	1	– 256	– 362	4,067	4,799
0	0	– 840	– 7,645	– 991,401	– 1,335,903
– 20,475	– 12,084	511	– 6,489	– 347,728	– 337,121
– 35	– 303	5,963	6,129	– 20,398	– 22,571
– 20,509	**– 12,386**	**5,325**	**– 8,939**	**– 16,236**	**53,119**
– 16,873	27,477	1,812	– 12,565	341,360	474,668
504	389	– 13	– 1	14,357	3,613
0	0	0	– 209	– 255,664	– 357,957
– 703	– 1,055	– 922	881	– 5,925	– 16,037
– 17,073	**26,810**	**877**	**– 11,894**	**94,128**	**104,287**
– 37,582	**14,424**	**6,202**	**– 20,833**	**77,892**	**157,407**
0	0	0	0	– 6,316	– 2,220
0	0	20,787	21,151	0	0
– 37,582	**14,424**	**26,989**	**318**	**71,576**	**155,186**

UNIQA International – classified by region

	Premiums earned (net)		Net investment income	
In € thousand	1-12/2016	1-12/2015	1-12/2016	1-12/2015
Switzerland	11,218	10,240	191	224
Italy	0	0	0	0
Liechtenstein	1,270	2,540	214	1,254
Western Europe (WE)	**12,488**	**12,779**	**405**	**1,478**
Czech Republic	124,598	126,945	7,256	6,507
Hungary	58,557	57,282	3,864	4,205
Poland	153,457	160,166	14,329	21,069
Slovakia	76,962	73,364	3,913	3,819
Central Europe (CE)	**413,574**	**417,756**	**29,362**	**35,599**
Romania	62,496	51,352	2,740	3,427
Ukraine	38,553	40,708	8,849	14,739
Eastern Europe (EE)	**101,049**	**92,060**	**11,589**	**18,166**
Albania	27,570	25,321	739	225
Bosnia-Herzegovina	25,806	23,623	2,447	2,543
Bulgaria	43,072	40,358	1,446	1,142
Croatia	52,389	65,410	15,053	17,044
Montenegro	9,996	10,116	653	643
Macedonia	10,962	10,105	406	421
Serbia	40,225	42,003	4,774	4,328
Kosovo	10,828	13,400	151	0
Southeastern Europe (SEE)	**220,849**	**230,336**	**25,669**	**26,346**
Russia	55,975	48,470	– 3,203	15,275
Russia (RU)	**55,975**	**48,470**	**– 3,203**	**15,275**
Austria	0	0	– 280	391
Administration	**0**	**0**	**– 280**	**391**
UNIQA International	**803,935**	**801,401**	**63,542**	**97,255**
of which				
Earnings before taxes insurance companies				
Impairment				
Impairment (Ukraine)				

Insurance benefits		Operating expenses		Earnings before taxes	
1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
– 7,545	– 7,470	– 3,955	– 3,473	1,468	1,050
0	0	0	0	0	0
– 1,864	– 1,139	104	757	– 544	3,332
– 9,409	**– 8,609**	**– 3,851**	**– 2,716**	**924**	**4,382**
– 67,192	– 75,482	– 51,434	– 42,951	12,468	14,093
– 19,026	– 24,375	– 34,755	– 28,994	160	– 674
– 103,819	– 106,976	– 56,586	– 57,707	6,045	15,752
– 43,922	– 42,597	– 30,950	– 29,055	6,143	5,613
– 233,959	**– 249,430**	**– 173,725**	**– 158,707**	**24,815**	**34,784**
– 39,411	– 27,063	– 21,267	– 22,931	– 5,668	– 2,429
– 14,679	– 14,389	– 24,607	– 28,655	7,809	– 2,408
– 54,090	**– 41,452**	**– 45,874**	**– 51,586**	**2,140**	**– 4,836**
– 7,791	– 9,507	– 11,884	– 11,846	4,786	2,599
– 18,542	– 17,043	– 8,494	– 8,077	1,069	1,057
– 30,120	– 24,001	– 13,553	– 17,086	833	549
– 38,992	– 54,415	– 21,769	– 21,530	– 10,763	5,532
– 5,370	– 6,395	– 4,712	– 4,824	6	– 601
– 5,602	– 5,314	– 5,331	– 4,796	691	664
– 25,091	– 25,838	– 15,615	– 17,438	1,543	– 62
– 7,361	– 7,492	– 4,754	– 5,274	– 1,813	445
– 138,868	**– 150,006**	**– 86,111**	**– 90,871**	**– 3,647**	**10,182**
– 48,619	– 36,265	– 9,990	– 9,430	5,847	6,658
– 48,619	**– 36,265**	**– 9,990**	**– 9,430**	**5,847**	**6,658**
0	0	– 16,605	– 20,511	– 17,028	– 19,852
0	**0**	**– 16,605**	**– 20,511**	**– 17,028**	**– 19,852**
– 484,946	**– 485,761**	**– 336,156**	**– 333,823**	**13,051**	**31,319**
				30,080	51,170
				– 16,590	
					– 13,081

Consolidated statement of financial position – classified by business line

In € thousand	Property and casualty insurance		Health insurance	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Assets				
Property, plant and equipment	151,118	165,176	30,551	28,946
Investment property	285,872	216,905	275,331	280,708
Intangible assets	451,312	480,918	242,280	232,798
Financial assets accounted for using the equity method	52,128	45,122	180,787	175,924
Investments	4,510,004	4,629,614	2,825,901	2,558,942
Unit-linked and index-linked life insurance investments	0	0	0	0
Reinsurers' share of technical provisions	188,062	179,622	1,857	895
Reinsurers' share of technical provisions for unit-linked and index-linked life insurance	0	0	0	0
Receivables, including insurance receivables	651,476	986,588	44,665	149,193
Income tax receivables	64,434	69,533	139	21
Deferred tax assets	1,149	7,446	418	17
Cash and cash equivalents	288,625	304,398	78,874	159,177
Assets in disposal groups held for sale	219,334	0	33,686	0
Total assets by business line	**6,863,514**	**7,085,322**	**3,714,490**	**3,586,622**
Liabilities				
Subordinated liabilities	851,183	1,100,089	0	0
Technical provisions	2,908,289	3,059,858	2,882,134	2,780,075
Technical provisions for unit-linked and index-linked life insurance	0	0	0	0
Financial liabilities	15,998	10,568	29,214	24,016
Other provisions	749,632	739,460	22,295	21,715
Liabilities and other items classified as liabilities	644,917	707,787	15,392	89,394
Income tax liabilities	75,767	88,146	2,873	2,547
Deferred tax liabilities	37,443	62,887	147,506	144,872
Liabilities in disposal groups held for sale	332,279	0	55,012	0
Total equity and liabilities by business line	**5,615,508**	**5,768,793**	**3,154,426**	**3,062,619**

Life insurance		Consolidation		Group	
31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
83,550	98,866	0	0	265,219	292,989
788,793	894,977	0	0	1,349,996	1,392,590
810,017	999,692	– 11,249	– 10,350	1,492,360	1,703,058
288,389	293,119	0	0	521,305	514,165
11,467,353	14,681,475	– 649,786	– 477,555	18,153,472	21,392,476
4,879,928	5,226,748	0	0	4,879,928	5,226,748
146,536	373,173	– 12,013	– 4,724	324,443	548,966
318,636	315,646	0	0	318,636	315,646
235,249	534,523	– 292,694	– 758,826	638,695	911,477
1,281	17,716	0	0	65,854	87,270
4,022	5,653	0	0	5,589	13,115
182,435	426,508	0	0	549,934	890,083
4,820,709	9,289	0	0	5,073,729	9,289
24,026,898	**23,877,385**	**– 965,742**	**– 1,251,455**	**33,639,160**	**33,297,873**
410,742	410,000	– 415,882	– 414,344	846,043	1,095,745
11,842,676	15,503,296	– 23,866	– 15,168	17,609,233	21,328,061
4,846,591	5,175,437	0	0	4,846,591	5,175,437
198,129	73,664	– 197,818	– 74,667	45,524	33,580
37,422	48,246	– 10,613	– 12,979	798,737	796,442
695,000	1,205,967	– 313,065	– 731,576	1,042,244	1,271,572
480	5,277	0	0	79,120	95,970
111,727	126,937	0	0	296,676	334,696
4,474,936	0	0	0	4,862,227	0
22,617,703	**22,548,824**	**– 961,244**	**– 1,248,733**	**30,426,394**	**30,131,504**
			Consolidated equity and non-controlling interests	**3,212,766**	**3,166,369**
			Total equity and liabilities	**33,639,160**	**33,297,873**

The amounts indicated for each business line have been adjusted to eliminate amounts resulting from segment-internal transactions. Therefore, the balance of segment assets and segment equity and liabilities does not allow conclusions to be drawn with regard to the equity allocated to the respective segment.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

7. Property, plant and equipment

Acquisition costs In € thousand	Land and buildings for own use	Other property, plant and equipment	Total
At 1 January 2015	**288,860**	**234,327**	**523,186**
Currency translation	396	– 365	31
Change in basis of consolidation	46,742	– 1,185	45,557
Additions	243	21,747	21,990
Disposals	– 940	– 23,604	– 24,544
Reclassifications	– 2,911	– 1,745	– 4,656
At 31 December 2015	**332,390**	**229,174**	**561,564**
At 1 January 2016	**332,390**	**229,174**	**561,564**
Currency translation	272	376	648
Change in basis of consolidation	– 2,496	– 7,439	– 9,935
Additions	699	24,323	25,022
Disposals	– 26,609	– 8,432	– 35,041
Reclassifications	– 1,139	– 1,200	– 2,339
Reclassifications held for sale	– 24,663	– 13,957	– 38,620
At 31 December 2016	**278,454**	**222,845**	**501,299**

Accumulated amortisation and impairment losses In € thousand	Land and buildings for own use	Other property, plant and equipment	Total
At 1 January 2015	**– 101,114**	**– 158,447**	**– 259,561**
Currency translation	– 149	138	– 11
Change in basis of consolidation	0	923	923
Additions from amortisation	– 3,745	– 14,366	– 18,110
Additions from impairment	– 6,203	0	– 6,203
Disposals	73	13,204	13,277
Reclassifications	1,108	0	1,108
Reversal of impairment	0	2	2
At 31 December 2015	**– 110,029**	**– 158,547**	**– 268,575**
At 1 January 2016	**– 110,029**	**– 158,547**	**– 268,575**
Currency translation	– 132	– 328	– 460
Change in basis of consolidation	1,674	64	1,738
Additions from amortisation	– 10,400	– 13,805	– 24,206
Additions from impairment	– 305	0	– 305
Disposals	26,321	7,024	33,345
Reclassifications	5,483	– 9	5,474
Reversal of impairment	0	33	33
Reclassifications held for sale	6,931	9,947	16,877
At 31 December 2016	**– 80,458**	**– 155,621**	**– 236,080**

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

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

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

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

8. Investment property

Acquisition costs In € thousand	Total
At 1 January 2015	**2,109,251**
Currency translation	– 10,513
Change in basis of consolidation	6,984
Additions	21,030
Disposals	– 111,671
Reclassifications	5,197
At 31 December 2015	**2,020,279**
At 1 January 2016	**2,020,279**
Currency translation	– 1,926
Change in basis of consolidation	– 166
Additions	15,702
Disposals	– 15,262
Reclassifications	– 1,422
Reclassifications held for sale	– 2,432
At 31 December 2016	**2,014,772**

Accumulated amortisation and impairment losses In € thousand	Total
At 1 January 2015	**– 604,769**
Currency translation	4,036
Additions from amortisation	– 57,590
Additions from impairment	– 9,038
Disposals	40,911
Reclassifications	– 1,108
Reversal of impairment	– 132
At 31 December 2015	**– 627,689**
At 1 January 2016	**– 627,689**
Currency translation	842
Change in basis of consolidation	128
Additions from amortisation	– 43,687
Additions from impairment	– 144
Disposals	6,379
Reclassifications	– 1,683
Reclassifications held for sale	1,078
At 31 December 2016	**– 664,776**

Carrying amounts In € thousand	Total
At 1 January 2015	**1,504,483**
At 31 December 2015	**1,392,590**
At 31 December 2016	**1,349,996**

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

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

The increase in the fair values of investment properties primarily affected properties in Austria. Reference is made to the statements in the section “Use of discretionary decisions and estimates” for a description of the measurement procedures applied.

9. Intangible assets

Acquisition costs In € thousand	Deferred acquisition costs	Insurance contract portfolio	Goodwill	Other intangible assets	Total
At 1 January 2015	**1,232,068**	**169,340**	**572,951**	**181,295**	**2,155,654**
Currency translation	– 4,679	– 236	– 3,397	65	– 8,247
Change in basis of consolidation	– 42	0	0	– 406	– 448
Additions	0	– 79	0	22,320	22,240
Disposals	0	2	– 7,103	– 6,013	– 13,115
Reclassifications	0	0	0	– 541	– 541
Interest capitalised	– 2,425	0	0	0	– 2,425
Capitalisation	120,984	0	0	0	120,984
Depreciation (direct)	– 135,117	0	0	0	– 135,117
At 31 December 2015	**1,210,789**	**169,026**	**562,451**	**196,720**	**2,138,985**
At 1 January 2016	**1,210,789**	**169,026**	**562,451**	**196,720**	**2,138,985**
Currency translation	263	– 15	– 932	176	– 509
Change in basis of consolidation	– 1,592	– 2	– 13,534	4,079	– 11,048
Additions	0	0	0	21,905	21,905
Disposals	0	0	– 16,121	– 5,337	– 21,458
Reclassifications	0	0	– 38,774	– 38	– 38,812
Interest capitalised	150	0	0	0	150
Capitalisation	138,103	0	0	0	138,103
Depreciation (direct)	– 147,308	0	0	0	– 147,308
Reclassifications held for sale	– 65,553	– 55,513	– 115,490	– 26,011	– 262,567
At 31 December 2016	**1,134,853**	**113,496**	**377,599**	**191,493**	**1,817,441**

Accumulated amortisation and impairment losses In € thousand	Deferred acquisition costs	Insurance contract portfolio	Goodwill	Other intangible assets	Total
At 1 January 2015		**– 131,246**	**– 120,985**	**– 153,249**	**– 405,480**
Currency translation		163	1	– 1,850	– 1,686
Change in basis of consolidation		0	0	382	382
Additions from amortisation		– 7,858	0	– 10,701	– 18,559
Additions from impairment		0	– 13,081	0	– 13,081
Disposals		– 2	874	1,625	2,497
At 31 December 2015		**– 138,943**	**– 133,191**	**– 163,794**	**– 435,927**
At 1 January 2016		**– 138,943**	**– 133,191**	**– 163,794**	**– 435,927**
Currency translation		52	– 19	– 319	– 286
Change in basis of consolidation		2	12,673	4	12,679
Additions from amortisation		– 7,858	0	0	– 7,858
Additions from impairment		– 1,873	– 16,590	– 11,580	– 30,044
Disposals		0	16,121	3,529	19,650
Reclassifications		0	38,774	10	38,784
Reclassifications held for sale		53,440	2	24,479	77,921
At 31 December 2016		**– 95,179**	**– 82,230**	**– 147,672**	**– 325,081**

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

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

Goodwill by CGU In € thousand	31/12/2016	31/12/2015
UNIQA Austria	37,737	37,737
Albania/Kosovo/Macedonia as subgroup of the “SIGAL Group”	20,995	20,697
Bosnia and Herzegovina	1,887	1,887
Bulgaria	55,812	55,812
Czech Republic	7,849	7,848
Croatia	0	16,621
Hungary	17,260	16,924
Italy	0	115,488
Montenegro	81	81
Poland	26,955	27,881
Romania	103,753	104,097
Serbia	19,072	19,366
Russia	56	44
Slovakia	120	120
Other service companies	3,792	4,655
Total	**295,369**	**429,260**

The other intangible assets comprise:

In € thousand	31/12/2016	31/12/2015
Computer software	26,035	20,495
Copyrights	0	0
Licences	97	180
Other intangible assets	17,688	12,251
Total	**43,820**	**32,926**

10. Financial assets accounted for using the equity method

The financial assets accounted for using the equity method include the shares in STRABAG SE. These represent the only essential shares that are accounted for using the equity method. The following table shows the fair value of the shares as at the reporting date.

Financial assets accounted for using the equity method In € thousand	31/12/2016	31/12/2015
Current market value of associated companies listed on a public stock exchange (STRABAG SE)	527,715	369,714
Financial assets accounted for using the equity method	39,557	23,205

As part of the accounting using the equity method, an assessment was made up until 31 December of the stake in STRABAG SE based on the interim financial statements at 30 September.

The following tables illustrate summary financial information concerning STRABAG SE.

Summarised statement of comprehensive income		STRABAG SE[1]
In € thousand	1-9/2016	00.01.1900
Revenue	8,938,457	9,480,722
Depreciation	– 274,493	– 287,985
Interest income	44,427	60,152
Interest expenses	– 57,735	– 74,116
Income taxes	– 57,697	– 38,298
Profit/(loss) for the year	104,898	63,540
Other comprehensive income	– 32,468	21,020
Total comprehensive income	**72,430**	**84,560**
Dividends received from associated companies	**10,194**	**7,841**

Summarised statement of financial position		STRABAG SE[1]
In € thousand	30/09/2016	31/12/2015
Cash and cash equivalents	1,501,884	2,732,330
Other current assets	4,401,980	3,712,466
Current assets	**5,903,864**	**6,444,796**
Non-current assets	**4,344,896**	**4,284,072**
Total assets	**10,248,760**	**10,728,868**
Current financial liabilities	189,194	285,994
Other current liabilities	4,432,035	4,602,993
Current liabilities	**4,621,229**	**4,888,987**
Non-current liabilities	1,249,517	1,293,753
Other non-current liabilities	1,307,947	1,225,493
Non-current liabilities	**2,557,464**	**2,519,246**
Total liabilities	**7,178,693**	**7,408,233**
Net assets	**3,070,067**	**3,320,635**

[1] STRABAG SE Interim Report January - September 2016 as published on 11/30/2016.

All other financial assets accounted for using the equity method are negligible from the perspective of the Group when considered individually and are stated in aggregate form. The financial statements of the associates most recently published have been used for the purposes of the accounting using the equity method, and have been adjusted based on any essential transactions between the relevant reporting date and 31 December 2015.

Summary of information on associated companies that are not material when considered on a stand-alone basis		
In € thousand	1-12/2016	1-12/2015
Group's share of profit from continuing operations	6,729	3,259
Group's share of loss from continuing operations	0	– 12,386
Group's share of other comprehensive income	788	– 1,954
Group's share of total comprehensive income	7,517	– 11,081

Reconciliation of summarised financial information	STRABAG SE		Associated companies not material on stand-alone basis [2]	
In € thousand	2016[1) 3)]	2015[3)]	2016	2015
Net assets at 1 January	**3,029,356**	**2,884,712**	**164,459**	**258,750**
Change in basis of consolidation	0	0	– 64,664	– 32,215
Dividends	– 66,690	– 51,300	– 500	– 710
Profit/(loss) after taxes	202,686	174,000	10,474	– 52,950
Other comprehensive income	– 52,303	21,944	1,965	– 8,416
Net assets at 31 December	**3,113,049**	**3,029,356**	**111,734**	**164,459**
Shares in associated companies	14.26%	13.76%	Various investment amounts	
Carrying amount	**475,831**	**463,039**	**45,474**	**51,127**

1) Estimate for 31 Dec. 2016 based on the interim report as at 30 Sept. 2016 on STRABAG SE available as at the reporting date
2) Values in accordance with the last financial statements and/or interim reports available as at the reporting date
3) The carrying amounts are calculated based on the shares in circulation. 2016: 15.29%, 2015: 15.29%

Unrecognised losses from associated companies

In € thousand	1-12/2016	1-12/2015
Unrecognised losses in the reporting period	1,682	2,291
Cumulative unrecognised losses	10,698	9,016

11. Assets and liabilities in disposal groups held for sale

In this situation, sales related to the measures taken were concluded in conjunction with the UNIQA 2.0 strategy programme.

Based on the contract of assignment dated 28 July 2015, the approximately 29 per cent stake in Medial Beteiligungs-Gesellschaft mbH (Vienna) (Medial) is recognised below.

The Group Management Board decided on 2 December 2016 to sell the 99.7 per cent holding in the Group company UNIQA Assicurazioni S.p.A. (Italian Group). Assets and liabilities are recorded under assets and liabilities in disposal groups that are classified as held for sale.

Reference is made here to the statements under note 2.4.

The following table shows the assets and liabilities in disposal groups held for sale:

In € thousand	Medial	Italian Group	31/12/2016	31/12/2015
Assets				
Property, plant and equipment	0	21,743	21,743	0
Investment property	0	1,354	1,354	0
Intangible assets	0	112,003	112,003	0
Financial assets accounted for using the equity method	9,289	0	9,289	9,289
Investments	0	4,156,674	4,156,674	0
Unit-linked and index-linked life insurance investments	0	354,215	354,215	0
Reinsurers' share of technical provisions	0	206,860	206,860	0
Receivables, including insurance receivables	0	163,135	163,135	0
Income tax receivables	0	16,719	16,719	0
Deferred tax assets	0	19,039	19,039	0
Cash and cash equivalents	0	12,697	12,697	0
Assets in disposal groups held for sale	**9,289**	**5,064,439**	**5,073,729**	**9,289**

In € thousand	Medial	Italian Group	31/12/2016	31/12/2015
Liabilities				
Technical provisions	0	4,213,530	4,213,530	0
Technical provisions for unit-linked and index-linked life insurance	0	354,215	354,215	0
Other provisions	0	10,999	10,999	0
Liabilities and other items classified as liabilities	0	231,068	231,068	0
Income tax liabilities	0	7,641	7,641	0
Deferred tax liabilities	0	44,775	44,775	0
Liabilities in disposal groups held for sale	**0**	**4,862,227**	**4,862,227**	**0**

12. Financial instruments plus valuation hierarchies for fair value measurements

Investments are broken down into the following classes and categories of financial instruments:

At 31 December 2016 In € thousand	Variable-income securities	Fixed-income securities	Loans and other investments	Derivative financial instruments	Investments under investment contracts	Total
Financial assets recognised at fair value through profit or loss	44,264	231,009	0	135,122	59,924	470,318
Available-for-sale financial assets	671,692	15,818,859	0	0	0	16,490,551
Loans and receivables	0	462,527	730,076	0	0	1,192,603
Total	**715,957**	**16,512,394**	**730,076**	**135,122**	**59,924**	**18,153,472**
of which fair value option	44,264	231,009	0	0	0	275,273

At 31 December 2015 In € thousand	Variable-income securities	Fixed-income securities	Loans and other investments	Derivative financial instruments	Investments under investment contracts	Total
Financial assets recognised at fair value through profit or loss	76,892	354,607	0	126,545	58,452	616,497
Available-for-sale financial assets	659,499	18,495,071	0	0	0	19,154,570
Loans and receivables	0	510,092	1,111,317	0	0	1,621,409
Total	**736,391**	**19,359,770**	**1,111,317**	**126,545**	**58,452**	**21,392,476**
of which fair value option	76,892	354,607	0	0	0	431,500

Valuation hierarchy

Assets and liabilities measured at fair value

At 31 December 2016 In € thousand	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Variable-income securities	394,259	6,761	270,673	671,692
Fixed-income securities	11,501,701	3,890,571	426,587	15,818,859
Total	**11,895,959**	**3,897,332**	**697,260**	**16,490,551**
Financial assets recognised at fair value through profit or loss				
Variable-income securities	0	25,058	19,206	44,264
Fixed-income securities	92,683	77,540	60,786	231,009
Derivative financial instruments	0	73,728	61,393	135,122
Investments from investment contracts	58,318	1,606	0	59,924
Total	**151,001**	**177,932**	**141,385**	**470,318**
Assets in disposal groups held for sale	3,763,960	357,583	32,212	4,153,754

At 31 December 2016 In € thousand	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial instruments	0	30,555	0	30,555
Total	**0**	**30,555**	**0**	**30,555**

Fair values of assets and liabilities measured at amortised cost

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

At 31 December 2016 In € thousand	Level 1	Level 2	Level 3	Total
Financial liabilities				
Liabilities from loans	0	0	14,968	14,968
Total	**0**	**0**	**14,968**	**14,968**
Subordinated liabilities	**927,240**	**0**	**0**	**927,240**

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

At 31 December 2015 In € thousand	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Variable-income securities	282,976	175,315	201,207	659,499
Fixed-income securities	14,608,314	3,886,758	0	18,495,071
Total	**14,891,290**	**4,062,073**	**201,207**	**19,154,570**
Financial assets recognised at fair value through profit or loss				
Variable-income securities	6,107	70,786	0	76,892
Fixed-income securities	152,355	202,252	0	354,607
Derivative financial instruments	0	126,545	0	126,545
Investments from investment contracts	42,116	16,336	0	58,452
Total	**200,578**	**415,919**	**0**	**616,497**

At 31 December 2015 In € thousand	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial instruments	0	17,922	0	17,922
Total	**0**	**17,922**	**0**	**17,922**

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

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

At 31 December 2015 In € thousand	Level 1	Level 2	Level 3	Total
Financial liabilities				
Liabilities from loans	0	0	15,658	15,658
Total	**0**	**0**	**15,658**	**15,658**
Subordinated liabilities	**903,826**	**255,894**	**0**	**1,159,720**

Transfers between levels 1 and 2

During the reporting period, transfers from Level 1 to Level 2 were made in the amount of €1,346,667 thousand and from Level 2 to Level 1 in the amount of €1,074,490 thousand. These are attributable primarily to changes in trading frequency and trading activity.

Level 3 financial instruments

In accordance with the hierarchy set forth in IFRS 13, Level 3 primarily includes fixed-income securities and other equity investments that come under the category "Available for sale". The other equity investments include the shares in Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB shares) as their most crucial individual item.

The following table shows the changes to the fair values of financial instruments whose valuation procedures are not based on observable input factors.

In € thousand	RZB shares	Fixed-income securities	Other	Total
At 1 January 2016	**135,848**	**0**	**65,359**	**201,207**
Transfers into Level 3	0	347,585	221,544	569,129
Gains and losses recognised in the income statement	0	0	– 928	– 928
Gains and losses recognised in other comprehensive income	– 9,777	– 1,242	– 2,208	– 13,227
Purchases	0	80,244	9,703	89,947
Sales/redemptions	0	0	– 3,478	– 3,478
Reclassification as assets in disposal groups held for sale	0	0	– 4,005	– 4,005
At 31 December 2016	**126,071**	**426,587**	**285,987**	**838,645**

The transfers between Levels 2 and 3 were completed as a result of changes in the observability of the relevant input factors.

Sensitivities

The sensitivity analysis for the RZB shares was determined in the course of a valuation report. It relates to a change in the discount interest rate and the increase or decrease in the growth rate. An increase in the discount rate by 100 basis points results in a 15 per cent reduction in the value of the RZB shares. A reduction in the discount rate by 100 basis points results in a 12 per cent reduction in the value. An adjustment to the growth rate by 100 basis points results in virtually no adjustment in value.

The sensitivity analyses for the RZB shares are shown below.

Sensitivity analysis for RZB	1-12/2016		1-12/2015	
In € thousand	Upside	Downside	Upside	Downside
Through equity	18,693	– 14,444	19,886	– 15,813
Effect of changes in the discount rate (+/– 1 percentage point)	**18,693**	**– 14,444**	**19,886**	**– 15,813**
Through equity	0	0	455	– 557
Effect of changes in the growth rate (+/– 1 percentage point)	**0**	**0**	**455**	**– 557**

For the most important fixed-income securities, an increase in the discount rate of 100 basis points results in a 2.0 per cent reduction in the value. A reduction in the discount rate by 100 basis points results in a 2.8 per cent increase in value.

Fixed-income securities

On 1 July 2008 securities previously available for sale were reclassified according to IAS 39/50E as other loans. Overall fixed-income securities with a carrying amount of €2,129,552 thousand were reclassified. The corresponding amount from the measurement of the financial instruments available-for-sale at 30 June 2008 was €–98,208 thousand.

Reclassified bonds In € thousand	2016	2015	2014	2013	2012	2011	2010	2009	2008
Carrying amount at 31 December	462,527	510,092	715,656	788,061	906,435	1,089,093	1,379,806	1,796,941	2,102,704
Fair value at 31 December	487,279	534,468	759,872	812,455	928,162	981,394	1,345,580	1,732,644	1,889,108
Change in fair value	376	– 19,839	19,822	129,426	129,426	– 73,987	30,586	149,299	– 213,596
Redemption income/expense	– 1,047	– 697	2,391	348	348	332	473	5,917	– 61
Impairment	0	0	– 3,539	0	0	– 25	– 8,043	0	0

Loans and other investments

	Carrying amounts	
In € thousand	31/12/2016	31/12/2015
Loans		
Loans to affiliated unconsolidated companies	1,800	1,600
Loans to companies that are accounted for using the equity method	0	8,000
Mortgage loans	22,189	27,962
Loans and advance payments on policies	8,359	12,674
Other loans	7,685	8,901
Total	**40,033**	**59,136**
Other investments		
Bank deposits	576,340	935,590
Deposits retained on assumed reinsurance	113,703	116,591
Total	**690,043**	**1,052,181**
Total	**730,076**	**1,111,317**

Fair values essentially correlate with book values.

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

Contractual maturities

Fair values	Fixed-income securities		Loans	
In € thousand	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Up to 1 year	331,391	276,813	5,369	12,150
More than 1 year and up to 5 years	89,577	162,489	9,892	13,894
More than 5 years up to 10 years	51,223	38,532	13,317	14,806
More than 10 years	15,087	56,634	11,456	18,285
Total	**487,279**	**534,468**	**40,033**	**59,136**

13. Receivables including insurance receivables

In € thousand	31/12/2016	31/12/2015
Reinsurance receivables		
Receivables from reinsurance business	38,024	51,753
	38,024	**51,753**
Other receivables		
Insurance receivables		
from policyholders	210,396	244,639
from insurance intermediaries	23,066	56,785
from insurance companies	9,747	13,836
	243,209	**315,260**
Additional receivables		
Interest and rent	191,850	238,024
Other tax refund claims	3,528	3,653
Receivables from employees	1,049	1,434
Remaining receivables	124,964	269,535
	321,391	**512,646**
Total other receivables	**564,601**	**827,906**
Subtotal	**602,624**	**879,659**
of which receivables with a remaining maturity of		
up to 1 year	596,312	868,879
more than 1 year	6,313	10,780
	602,624	**879,659**
of which receivables with values not yet impaired		
up to 3 months overdue	12,716	14,771
more than 3 months overdue	9,727	4,626
Other assets	**36,071**	**31,818**
Total receivables including insurance receivables	**638,695**	**911,477**

Fair values essentially correlate with book values.

Impairments	Reinsurance receivables		Insurance receivables[1]		Additional receivables	
In € thousand	2016	2015	2016	2015	2016	2015
At 1 January	– 116	– 19	– 31,086	– 31,689	– 14,672	– 14,381
Allocation	– 137	– 97	– 6,882	– 10,281	– 2,355	– 1,546
Use	0	0	3,295	2,368	324	359
Reversal	11	0	8,109	8,453	183	664
Currency translation	– 1	0	57	62	247	232
Reclassifications held for sale	0	0	5,975	0	0	0
At 31 December	**– 243**	**– 116**	**– 20,532**	**– 31,086**	**– 16,273**	**– 14,672**

[1] Impairment losses related to policyholders are shown under the cancellation provision.

There are no essential overdue liabilities that have not been impaired.

14. Income tax receivables

In € thousand	31/12/2016	31/12/2015
Income tax receivables	65,854	87,270
of which receivables with a remaining maturity of		
up to 1 year	65,710	87,103
more than 1 year	144	167

15. Deferred tax

Maturity (gross)	31/12/2016	31/12/2016	31/12/2015	31/12/2015
In € thousand	Up to 1 year	More than 1 year	Up to 1 year	More than 1 year
Deferred tax assets	15,541	174,738	26,899	165,618
Deferred tax liabilities	– 89,089	– 392,276	– 104,526	– 409,572

The differences between the tax carrying amounts and the carrying amounts in the IFRS consolidated statement of financial position have the following effect:

In € thousand	31/12/2016	31/12/2015
Deferred tax assets (gross)		
Technical items	49,174	58,007
Investments	48,266	24,531
Actuarial gains and losses on defined benefit obligations	76,336	70,426
Loss carried forward	9,716	11,664
Other items	6,786	27,890
Total	**190,278**	**192,517**
Deferred tax liabilities (gross)		
Technical items	– 257,393	– 225,671
Investments	– 167,668	– 198,165
Actuarial gains and losses on defined benefit obligations	0	– 18
Other items	– 56,304	– 90,244
Total	**– 481,365**	**– 514,098**
Net deferred tax	**– 291,087**	**– 321,581**

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

In € thousand	Net deferred tax
At 1 January 2015	**–343,824**
Changes recognised in profit/(loss)	–6,674
Changes recognised in other comprehensive income	29,540
Changes due to acquisitions	355
Foreign exchange differences	–977
At 31 December 2015	**–321,581**
At 1 January 2016	**–321,581**
Changes recognised in profit/(loss)	27,977
Changes recognised in other comprehensive income	–23,203
Changes due to acquisitions	37
Reclassifications held for sale	25,736
Foreign exchange differences	–53
At 31 December 2016	**–291,087**

Changes recorded in other comprehensive income essentially relate to measurements of financial instruments available-for-sale and revaluation of defined benefit obligations.

The following deferred tax assets were not recognised as a realisation of these in the near future cannot be assumed, taking maturities into account.

In € thousand	31/12/2016	31/12/2015
Tax assets from loss carryforwards	23,905	24,093

These tax assets are forfeited as follows:

In € thousand	31/12/2016	31/12/2015
Up to 1 year	662	0
2 to 5 years	23,681	38,143
More than 5 years	152,937	172,752
Total	**177,280**	**210,895**

16. Cash and cash equivalents

The cash and cash equivalents in the reporting year amounted to €549,934 thousand (2015: €890,083 thousand) and these correspond with the fund of liquid assets pursuant to IAS 7. The cash and cash equivalents have a maximum commitment period of three months as at the reporting date.

17. Equity

Subscribed capital and capital reserves

The share capital is comprised of 309,000,000 no-par bearer shares as in the previous year. Capital reserves include unallocated capital reserves, which primarily result from share premiums.

Items recognised in other comprehensive income

Unrealised gains and losses from the revaluation of available-for-sale financial instruments impacted the equity in the item “Other comprehensive income”, taking into account deferred profit participation (for life insurance) and deferred tax.

Actuarial gains and losses from pension and termination benefit provisions were posted as “Revaluation from defined benefit obligations” after deducting deferred policyholder profit participation and deferred tax.

Deferred tax

Change in the tax amounts included in the equity without affecting income In € thousand	31/12/2016	31/12/2015
Deferred tax	– 23,203	29,540
Total	**– 23,203**	**29,540**

Capital requirement

Capital requirements are influenced by business performance resulting from organic growth and by acquisitions. In the context of Group management, the appropriate coverage of the solvency requirement in accordance with Solvency II on a consolidated basis is constantly monitored.

Quantitative and qualitative information related to capital management according to Solvency II are included in the Solvency and Financial Condition Report (SFCR). With respect to preparing the reporting requirements in accordance with Solvency II, reference is made here to the statements under note 7.2.3.

Authorisations of the Management Board

In accordance with the resolution of the Annual General Meeting dated 26 May 2014, the Management Board is authorised to increase the Company’s share capital up to and including 30 June 2019 with the approval of the Supervisory Board by a total of up to €81,000,000 by issuing up to 81,000,000 no-par value bearer or registered shares in exchange for payment in cash or in kind, one time or several times.

In accordance with the resolution of the Annual General Meeting dated 26 May 2015, the Management Board was authorised, with the approval of the Supervisory Board, to acquire treasury shares for a period of 30 months from 28 November 2015. The newly acquired shares may reach a maximum of 10 per cent of the share capital together with the treasury shares that already exist. A decision taken at the Annual General Meeting on 30 May 2016 amended this authorisation to the effect that treasury shares may be acquired at a nominal value of at least €1.00 (previously €7.00) and no more than €15.00 (previously €20.00) per no-par value share.

The treasury shares can be broken down as follows:

	31/12/2016	31/12/2015
UNIQA Insurance Group AG		
Cost in € thousand	10,857	10,857
Number of shares	819,650	819,650
Share of subscribed capital in %	0.27	0.27
UNIQA Österreich Versicherungen AG		
Cost in € thousand	5,774	
Number of shares	1,215,089	
Share of subscribed capital in %	0.39	

The treasury shares held via UNIQA Österreich Versicherungen AG stem from the merger of BL Syndikat Beteiligungs Gesellschaft m.b.H., the transferring company, with UNIQA Insurance Group AG, the acquiring company. These shares held are not to be counted towards the 10 per cent limit.

In the figure for "Earnings per share", the consolidated profit/(loss) is set against the average number of ordinary shares in circulation.

Earnings per share	1-12/2016	1-12/2015
Consolidated profit in € thousand	148,063	337,160
Treasury shares at 31 Dec.	2,034,739	819,650
Average number of shares in circulation	308,129,721	308,180,350
Earnings per share in €[1]	0.48	1.09
Dividend per share in €	0.49[2]	0.47
Dividend payment in € thousand	150,413[2]	144,845

1) Calculated based on consolidated profit/(loss) for the year
2) For the financial year, subject to resolution being passed by the Annual General Meeting.

The diluted earnings per share is equal to the basic earnings per share in the financial year and in the previous year.

18. Non-controlling interests

In € thousand	31/12/2016	31/12/2015
In valuation of financial instruments available for sale	3,199	1,994
In actuarial gains and losses on defined benefit plans	– 768	– 705
In retained profit	6,273	5,829
In other equity	17,809	14,734
Total	**26,513**	**21,853**

19. Subordinated liabilities

Carrying amounts In € thousand	31/12/2016	31/12/2015
Supplementary capital	846,043	1,095,745

Fair values In € thousand	31/12/2016	31/12/2015
Supplementary capital	927,240	1,159,720

UNIQA Insurance Group AG has cancelled the bond issued in 2006 with a total nominal amount of €150 million as well as the bond issued in 2007 with a total nominal amount of €100 million effective 30. December 2016, and therefore at the first possible cancellation date in accordance with the bond terms and conditions. The interest rate for the bond issued in 2006 until December 2016 was 5.079 per cent, and the interest rate for the bond issued in 2007 until December 2016 was 5.342 per cent.

In July 2013, UNIQA Insurance Group AG successfully placed a supplementary capital bond to the value of €350 million with institutional investors in Europe. The bond has a maturity period of 30 years and may only be cancelled after 10 years. The coupon amounts to 6.875 per cent per annum during the first 10 years, after which variable interest applies. The supplementary capital bond meets the requirements for equity netting as Tier 2 capital under the Solvency II regime. The issue was also aimed at replacing older supplementary capital bonds from Austrian insurance groups and at bolstering UNIQA's capital resources and capital structure in preparation for Solvency II and optimising these over the long term. The supplementary capital bond has been listed on the Luxembourg Stock Exchange since the end of July 2013. The issue price was set at 100 per cent.

In July 2015, UNIQA Insurance Group AG successfully placed a subordinated capital bond (Tier 2) to the value of €500 million with institutional investors in Europe. The bond is eligible for netting as Tier 2 capital under Solvency II. The bond is scheduled for repayment after a period of 31 years and subject to certain conditions, and can only be cancelled by UNIQA after 11 years have elapsed and under certain conditions. The coupon amounts to 6.00 per cent per annum during the first 11 years, after which variable interest applies. The bond has been listed on the Vienna Stock Exchange since July 2015. The issue price was set at 100 per cent.

20. Reinsurers' share of technical provisions

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

21. Unearned premiums

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

22. Insurance provision

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

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

For In per cent	Health insurance acc. to SFAS 60	Life insurance acc. to SFAS 120
2016		
For insurance provision	1.50 – 5.50	0.00 – 4.00
For deferred acquisition costs	1.50 – 5.50	2.50 – 3.12
2015		
For insurance provision	2.25 – 5.50	0.00 – 4.00
For deferred acquisition costs	2.25 – 5.50	3.33 – 3.56

23. Provisions for unsettled claims

In € thousand	31/12/2016	31/12/2015
Property and casualty insurance		
Gross	2,287,500	2,371,658
Reinsurers' share	– 151,227	– 151,645
	2,136,273	**2,220,013**
Health insurance		
Gross	158,203	157,917
Reinsurers' share	– 582	– 22
	157,622	**157,895**
Life insurance		
Gross	139,844	193,741
Reinsurers' share	– 4,789	– 16,206
	135,055	**177,535**
Total		
Gross	2,585,547	2,723,316
Reinsurers' share	– 156,598	– 167,874
Total	**2,428,950**	**2,555,443**

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

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

Claims payments In € thousand	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Financial year	568,864	596,020	680,427	751,599	773,996	714,267	778,329	798,573	729,222	734,691	746,846	
1 year later	853,412	910,954	1,020,882	1,130,543	1,138,253	1,068,406	1,142,524	1,174,639	1,106,066	1,106,222		
2 years later	929,047	988,825	1,108,613	1,228,232	1,229,475	1,177,160	1,255,972	1,285,030	1,204,327			
3 years later	965,674	1,029,929	1,152,195	1,286,633	1,276,504	1,225,202	1,308,792	1,334,305				
4 years later	987,814	1,061,900	1,178,204	1,311,375	1,300,643	1,251,970	1,339,606					
5 years later	1,000,086	1,078,782	1,197,413	1,327,499	1,318,705	1,266,660						
6 years later	1,010,030	1,090,094	1,208,719	1,341,509	1,329,655							
7 years later	1,019,621	1,098,971	1,219,432	1,350,716								
8 years later	1,025,399	1,107,299	1,228,579									
9 years later	1,033,766	1,109,434										
10 years later	1,038,336											

Cumulated payments and provision for unsettled claims In € thousand	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Financial year	1,075,554	1,157,006	1,259,054	1,392,902	1,401,783	1,337,566	1,444,917	1,489,270	1,475,068	1,476,130	1,515,928	
1 year later	1,093,506	1,142,314	1,259,435	1,405,975	1,395,983	1,348,006	1,436,610	1,472,322	1,457,929	1,449,504		
2 years later	1,076,415	1,147,451	1,272,176	1,410,426	1,404,598	1,350,674	1,449,431	1,495,723	1,437,879			
3 years later	1,077,562	1,146,234	1,271,441	1,407,144	1,392,071	1,353,309	1,454,301	1,489,480				
4 years later	1,074,674	1,151,828	1,269,188	1,401,274	1,394,923	1,353,437	1,447,394					
5 years later	1,073,127	1,160,358	1,266,219	1,402,704	1,401,018	1,351,386						
6 years later	1,068,320	1,160,625	1,272,535	1,405,034	1,399,677							
7 years later	1,069,456	1,162,715	1,276,077	1,411,355								
8 years later	1,071,713	1,159,032	1,282,654									
9 years later	1,072,940	1,155,644										
10 years later	1,075,758											
Settlement gains/losses	– 2,818	3,388	– 6,577	– 6,321	1,341	2,051	6,907	6,243	20,049	26,626	–	50,889
Settlement gains/losses before 2005												– 5,561
Total settlement gains/losses												**45,328**
Provision for unsettled claims	37,422	46,211	54,075	60,639	70,022	84,726	107,788	155,175	233,552	343,282	769,081	1,961,972
Provision for unsettled claims for accident years before 2005												240,203
Plus other reserve components (internal claims regulation costs, etc.)												85,325
Provisions for unsettled claims (gross) at 31. December 2016												**2,287,500**

24. Provision for premium refunds

Provision for non-profit related premium refunds:

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

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

Gross In € thousand	31/12/2016	31/12/2015
Provision for profit-related premium refunds and/or policyholder profit participation		
At 1 January	**112,096**	**188,481**
Additions	48,229	3,421
Disposals	– 19,619	– 61,709
Portfolio changes	– 13,716	– 18,130
Foreign exchange differences	529	32
At 31 December	**127,518**	**112,096**
Deferred profit participation		
At 1 January	**905,019**	**952,801**
Fluctuation in value, available-for-sale securities	152,924	– 86,990
Revaluations of defined benefit obligations	– 1,127	– 7,062
Revaluations through profit or loss	– 15,330	46,271
Reclassifications held for sale	– 203,967	0
At 31 December	**837,520**	**905,019**
Total	**965,038**	**1,017,115**

25. Technical provisions

Gross In € thousand	Unearned premiums	Insurance provision	Provision for unsettled claims	Provision for non-profit related premium refunds	Provision for profit-related premium refunds and/or policyholder profit participation	Other technical provisions	Total
Property and casualty insurance							
At 1 January 2016	**616,780**	**12,344**	**2,371,658**	**27,183**	**1,155**	**15,761**	**3,044,881**
Foreign exchange differences	–4,580	219	–8,232	22	6	–5	–12,569
Portfolio changes	–267		–114				–382
Additions		–172		195	246	1,518	1,787
Disposals		–117		–584	–9	–2,178	–2,889
Premiums written	2,027,046						2,027,046
Premiums earned	–1,998,097						–1,998,097
Claims reporting year			1,749,254				1,749,254
Claims payments reporting year			–844,986				–844,986
Change in claims previous years			–41,929				–41,929
Claims payments previous years			–736,593				–736,593
Reclassifications held for sale	–99,180		–201,558				–300,738
At 31 December 2016	**541,701**	**12,273**	**2,287,500**	**26,815**	**1,399**	**15,096**	**2,884,784**
Health insurance							
At 1 January 2016	**19,077**	**2,561,667**	**157,917**	**12,811**	**27,218**	**1,212**	**2,779,902**
Foreign exchange differences	–56	66	–12	6	0	4	8
Additions		128,463		7,240	37,011	–9	172,705
Disposals		137		–9,374	–19,608	–645	–29,490
Premiums written	968,409						968,409
Premiums earned	–966,594						–966,594
Claims reporting year			699,034				699,034
Claims payments reporting year			–494,457				–494,457
Change in claims previous years			–8,867				–8,867
Claims payments previous years			–185,169				–185,169
Reclassifications held for sale	–13,056	–30,267	–10,243				–53,565
At 31 December 2016	**7,780**	**2,660,066**	**158,203**	**10,684**	**44,621**	**561**	**2,881,916**
Life insurance							
At 1 January 2016		**14,289,078**	**193,741**	**3,489**	**988,743**	**28,228**	**15,503,278**
Foreign exchange differences		31,337	395	5	708	52	32,497
Change in basis of consolidation							
Portfolio changes		27,731			–13,716		14,015
Additions		810,208		324	163,804	61	974,398
Disposals		–797,170		104	–16,553	–1,320	–814,938
Claims reporting year			2,148,364				2,148,364
Claims payments reporting year			–1,937,182				–1,937,182
Change in claims previous years			47,002				47,002
Claims payments previous years			–265,675				–265,675
Reclassifications held for sale		–3,586,232	–46,800		–203,967	–22,227	–3,859,226
At 31 December 2016		**10,774,952**	**139,844**	**3,923**	**919,019**	**4,795**	**11,842,533**
Total							
At 1 January 2016	**635,857**	**16,863,089**	**2,723,316**	**43,483**	**1,017,115**	**45,201**	**21,328,061**
Foreign exchange differences	–4,636	31,622	–7,849	33	714	51	19,936
Change in basis of consolidation						0	0
Portfolio changes	–267	27,731	–114		–13,716		13,633
Additions		938,499		7,759	201,061	1,570	1,148,890
Disposals		–797,150		–9,854	–36,169	–4,143	–847,317
Premiums written	2,995,454						2,995,454
Premiums earned	–2,964,691						–2,964,691
Claims reporting year			4,596,651				4,596,651
Claims payments reporting year			–3,276,624				–3,276,624
Change in claims previous years			–3,794				–3,794
Claims payments previous years			–1,187,437				–1,187,437
Reclassifications held for sale	–112,236	–3,616,499	–258,601		–203,967	–22,227	–4,213,530
At 31 December 2016	**549,482**	**13,447,291**	**2,585,547**	**41,422**	**965,038**	**20,452**	**17,609,233**

Reinsurers' share In € thousand	Unearned premiums	Insurance provision	Provision for unsettled claims	Provision for non-profit related premium refunds	Provision for profit-related premium refunds and/or policyholder profit participation	Other technical provisions	Total
Property and casualty insurance							
At 1 January 2016	**21,883**	**14**	**151,645**			**1,730**	**175,272**
Foreign exchange differences	– 158	0	– 1,468			13	– 1,612
Change in basis of consolidation							
Portfolio changes	– 65		– 506				– 571
Additions						415	415
Disposals		– 1					– 1
Premiums written	43,983						43,983
Premiums earned	– 41,170						– 41,170
Claims reporting year			61,967				61,967
Claims payments reporting year			– 16,563				– 16,563
Change in claims previous years			– 4,291				– 4,291
Claims payments previous years			– 36,515				– 36,515
Reclassifications held for sale	– 1,452		– 3,043				– 4,495
At 31 December 2016	**23,021**	**13**	**151,227**			**2,158**	**176,419**
Health insurance							
At 1 January 2016	**79**	**794**	**22**				**895**
Foreign exchange differences	1		0				1
Portfolio changes							
Additions		285					285
Disposals		– 84					– 84
Premiums written	248						248
Premiums earned	– 45						– 45
Claims reporting year			639				639
Claims payments reporting year			– 104				– 104
Change in claims previous years			187				187
Claims payments previous years			– 163				– 163
Reclassifications held for sale	– 2						– 2
At 31 December 2016	**281**	**995**	**582**				**1,857**
Life insurance							
At 1 January 2016		**356,769**	**16,206**			**– 177**	**372,798**
Foreign exchange differences		37	2			0	39
Change in basis of consolidation							
Portfolio changes		– 1,206	54				– 1,152
Additions		– 728				10	– 718
Disposals		– 24,459				– 12	– 24,471
Claims reporting year			26,706				26,706
Claims payments reporting year			– 17,053				– 17,053
Change in claims previous years			7,028				7,028
Claims payments previous years			– 14,648				– 14,648
Reclassifications held for sale		– 188,857	– 13,506				– 202,363
At 31 December 2016		**141,556**	**4,789**			**– 178**	**146,166**
Total							
At 1 January 2016	**21,962**	**357,577**	**167,874**			**1,553**	**548,965**
Foreign exchange differences	– 157	37	– 1,465			13	– 1,571
Change in basis of consolidation							
Portfolio changes	– 65	– 1,206	– 452				– 1,723
Additions		– 443				425	– 18
Disposals		– 24,544				– 12	– 24,556
Premiums written	44,231						44,231
Premiums earned	– 41,215						– 41,215
Claims reporting year			89,311				89,311
Claims payments reporting year			– 33,720				– 33,720
Change in claims previous years			2,923				2,923
Claims payments previous years			– 51,325				– 51,325
Reclassifications held for sale	– 1,454	– 188,857	– 16,549				– 206,860
At 31 December 2016	**23,302**	**142,563**	**156,598**			**1,980**	**324,443**

Net In € thousand	Unearned premiums	Insurance provision	Provision for unsettled claims	Provision for non-profit related premium refunds	Provision for profit-related premium refunds and/or policyholder profit participation	Other technical provisions	Total
Property and casualty insurance							
At 1 January 2016	**594,897**	**12,330**	**2,220,013**	**27,183**	**1,155**	**14,031**	**2,869,609**
Foreign exchange differences	– 4,422	218	– 6,764	22	6	– 18	– 10,957
Portfolio changes	– 202		391				190
Additions		– 172		195	246	1,103	1,372
Disposals		– 116		– 584	– 9	– 2,178	– 2,888
Premiums written	1,983,063						1,983,063
Premiums earned	– 1,956,927						– 1,956,927
Claims reporting year			1,687,286				1,687,286
Claims payments reporting year			– 828,423				– 828,423
Change in claims previous years			– 37,638				– 37,638
Claims payments previous years			– 700,078				– 700,078
Reclassifications held for sale	– 97,728		– 198,515				– 296,243
At 31 December 2016	**518,681**	**12,260**	**2,136,273**	**26,815**	**1,399**	**12,937**	**2,708,366**
Health insurance							
At 1 January 2016	**18,998**	**2,560,873**	**157,895**	**12,811**	**27,218**	**1,212**	**2,779,007**
Foreign exchange differences	– 57	66	– 13	6	0	4	6
Portfolio changes							
Additions		128,179		7,240	37,011	– 9	172,420
Disposals		221		– 9,374	– 19,608	– 645	– 29,406
Premiums written	968,161						968,161
Premiums earned	– 966,549						– 966,549
Claims reporting year			698,396				698,396
Claims payments reporting year			– 494,352				– 494,352
Change in claims previous years			– 9,054				– 9,054
Claims payments previous years			– 185,007				– 185,007
Reclassifications held for sale	– 13,054	– 30,267	– 10,243				– 53,564
At 31 December 2016	**7,499**	**2,659,072**	**157,622**	**10,684**	**44,621**	**561**	**2,880,058**
Life insurance							
At 1 January 2016		**13,932,309**	**177,535**	**3,489**	**988,743**	**28,405**	**15,130,480**
Foreign exchange differences		31,300	393	5	708	52	32,458
Portfolio changes		28,937	– 54		– 13,716		15,167
Additions		810,935		324	163,804	51	975,115
Disposals		– 772,711		104	– 16,553	– 1,308	– 790,467
Claims reporting year			2,121,658				2,121,658
Claims payments reporting year			– 1,920,129				– 1,920,129
Change in claims previous years			39,974				39,974
Claims payments previous years			– 251,028				– 251,028
Reclassifications held for sale		– 3,397,374	– 33,295		– 203,967	– 22,227	– 3,656,863
At 31 December 2016		**10,633,396**	**135,055**	**3,923**	**919,019**	**4,974**	**11,696,366**
Total							
At 1 January 2016	**613,895**	**16,505,512**	**2,555,443**	**43,483**	**1,017,115**	**43,648**	**20,779,096**
Foreign exchange differences	– 4,479	31,584	– 6,384	33	714	38	21,507
Portfolio changes	– 202	28,937	337		– 13,716		15,356
Additions		938,942		7,759	201,061	1,144	1,148,908
Disposals		– 772,606		– 9,854	– 36,169	– 4,131	– 822,761
Premiums written	2,951,223						2,951,223
Premiums earned	– 2,923,476						– 2,923,476
Claims reporting year			4,507,340				4,507,340
Claims payments reporting year			– 3,242,904				– 3,242,904
Change in claims previous years			– 6,718				– 6,718
Claims payments previous years			– 1,136,112				– 1,136,112
Reclassifications held for sale	– 110,782	– 3,427,641	– 242,053		– 203,967	– 22,227	– 4,006,670
At 31 December 2016	**526,180**	**13,304,728**	**2,428,950**	**41,422**	**965,038**	**18,472**	**17,284,790**

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

In € thousand	31/12/2016	31/12/2015
Gross	4,846,591	5,175,437
Reinsurers' share	– 318,636	– 315,646
Total	**4,527,955**	**4,859,791**

As a general rule, the valuation of the insurance provisions for unit-linked and index-linked life insurance policies corresponds to the unit-linked and index-linked life insurance investments reported at current fair values. The share of reinsurers corresponds to a liability for deposits in the same amount.

27. Financial liabilities

In € thousand	2016 long term	2016 short term	2015 long term	2015 short term
Liabilities from loans	14,959	9	15,613	45
Derivative financial instruments	15,842	14,713	2,711	15,211
Financial liabilities	**30,801**	**14,723**	**18,324**	**15,256**
Subordinated liabilities	**846,043**	**0**	**845,745**	**250,000**
Total	**876,844**	**14,723**	**864,070**	**265,256**

With the exception of the subordinated liabilities, the carrying amounts of the financial liabilities are equal to the fair values.

In € thousand	Liabilities from loans	Derivative financial instruments	Subordinated liabilities
Carrying amount at 1 January 2015	**16,692**	**32,489**	**600,000**
Additions	6	1,401	495,745
Changes from currency translation	– 1	0	0
Profit or loss from changes of exchange rates	0	– 1,059	0
Ordinary amortisation	– 1,039	– 14,909	0
Carrying amount at 1 January 2016	**15,658**	**17,922**	**1,095,745**
Additions	0	12,805	0
Changes from currency translation	2	0	0
Profit or loss from changes of exchange rates	0	– 173	0
Ordinary amortisation	– 691	0	– 249,703
Carrying amount at 31 December 2016	**14,968**	**30,555**	**846,043**

Projected funds flow at 31 December 2016

In € thousand	2017	2018	2019	2020	2021	>2021
Liabilities from loans	978	960	951	942	8,349	2,910
Derivative financial instruments	14,713	231	750	2,939	10,018	1,903
Subordinated liabilities	54,813	54,813	54,813	54,964	54,813	1,050,960
Total	**70,505**	**56,004**	**56,514**	**58,844**	**73,181**	**1,055,773**

Projected funds flow at 31 December 2015

In € thousand	2016	2017	2018	2019	2020	>2020
Liabilities from loans	978	969	960	951	942	11,380
Derivative financial instruments	4,800	2,262	2,192	2,076	1,670	8,174
Subordinated liabilities	318,140	54,813	54,813	54,813	54,964	1,105,773
Total	**323,918**	**58,044**	**57,965**	**57,840**	**57,575**	**1,125,327**

28. Other provisions

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

Defined benefit obligations

In € thousand	Defined benefit obligations for pensions	Plan assets at fair value	Net defined benefit obligations for pensions	Defined benefit obligations for termination benefits	Total defined benefit obligations
At 1 January 2016	**501,883**	**– 77,246**	**424,637**	**175,757**	**600,394**
Current service costs	16,183	0	16,183	6,837	23,020
Interest expense/income	9,720	0	9,720	2,162	11,882
Past service costs	1,582	0	1,582	1	1,584
Components of defined benefit obligations recognised in the income statement	**27,485**	**0**	**27,485**	**9,001**	**36,485**
Return on plan assets recognised in other comprehensive income	0	460	460	8	468
Actuarial gains and losses that arise from changes in demographic assumptions	0	0	0	273	273
Actuarial gains and losses that arise from changes in financial assumptions	– 3,398	0	– 3,398	5,613	2,215
Actuarial gains and losses that arise from experience adjustments	8,661	0	8,661	– 4,011	4,650
Other comprehensive income	**5,263**	**460**	**5,723**	**1,883**	**7,606**
Changes from currency translation	– 16	0	– 16	– 2	– 17
Payments	– 21,006	0	– 21,006	– 12,862	– 33,867
Contribution to plan assets	0	– 11,103	– 11,103	0	– 11,103
Transfer in	1	0	1	1,952	1,953
Transfer out	– 12,213	12,277	64	– 222	– 158
Change in basis of consolidation	0	0	0	0	0
	0	0	0	– 1,652	– 1,652
At 31 December 2016	**501,397**	**– 75,612**	**425,785**	**173,856**	**599,641**

In € thousand	Defined benefit obligations for pensions	Plan assets at fair value	Net defined benefit obligations for pensions	Termination benefits	Total defined benefit obligations
At 1 January 2015	**503,899**	**– 71,492**	**432,407**	**179,263**	**611,670**
Current service costs	18,026	0	18,026	7,164	25,189
Interest expense / income	12,264	– 1,829	10,436	3,697	14,133
Past service costs	– 47,782	0	– 47,782	– 13,398	– 61,180
Components of defined benefit obligations recognised in the income statement	**– 17,492**	**– 1,829**	**– 19,321**	**– 2,537**	**– 21,858**
Return on plan assets recognised in other comprehensive income	0	– 409	– 409	0	– 409
Actuarial gains and losses that arise from changes in demographic assumptions	0	0	0	147	147
Actuarial gains and losses that arise from changes in financial assumptions	33,519	0	33,519	16,434	49,953
Actuarial gains and losses that arise from experience adjustments	11,008	0	11,008	– 2,701	8,307
Other comprehensive income	**44,527**	**– 409**	**44,118**	**13,881**	**57,999**
Changes from currency translation	1	0	1	0	1
Payments	– 21,900	0	– 21,900	– 16,786	– 38,687
Contribution to plan assets	0	– 6,261	– 6,261	0	– 6,261
Transfer in	0	0	0	458	458
Transfer out	– 7,772	2,728	– 5,044	– 461	– 5,505
Change in basis of consolidation	620	17	637	1,940	2,577
At 31 December 2015	**501,883**	**– 77,246**	**424,637**	**175,757**	**600,394**

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

	31/12/2016		31/12/2015	
In per cent	Listed	Not listed	Listed	Not listed
Bonds - euro	17.7	0.3	28.8	0.0
Bonds - euro high yield	7.3	0.4	4.4	2.3
Corporate bonds - euro	22.0	1.7	19.6	2.2
Equities - euro	11.7	0.0	7.4	0.0
Equities - non-euro	7.1	0.0	5.9	0.0
Equities - emerging markets	5.5	0.1	0.3	0.0
Alternative investment instruments	2.7	0.0	1.3	0.0
Land and buildings	0.0	0.0	0.0	1.6
Cash	0.1	19.2	0.0	10.1
HTM bonds / term deposits	4.2	0.0	16.1	0.0
Total	**78.3**	**21.7**	**83.8**	**16.2**

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

Calculation factors applied In per cent	2016	2015
Discount rate		
Termination benefit obligations	0.9	1.3
Pensions	1.6	2.0
Valorisation of remuneration	3.0	3.0
Valorisation of pensions	2.0	2.0
Employee turnover rate	dependent on years of service	dependent on years of service
Calculation principles	AVÖ 2008 P – Pagler & Pagler/ - salaried employees	AVÖ 2008 P – Pagler & Pagler/ - salaried employees

Weighted average duration in years	Pensions	Termination benefits
31/12/2016	14.4	8.3
31/12/2015	13.8	8.4

Investment risk

The cash value of the defined benefit obligations is calculated using a discount rate which is determined based on the returns from high-quality corporate bonds. There will be a deficit if the changes in the plan assets fall below these returns. The plans for the different benefit obligations include a diversified mix of securities. These primarily include annuities, corporate bonds, equities and other equity instruments, etc. By reducing the duration of the plans, the Group intends to reduce the investment risk by continuously adjusting the portfolio of assets to the requirements of the defined benefit plans.

Interest rate change risk

A fall in the return on corporate bonds results in an increase in the cash value of the defined benefit obligations. However, this effect is absorbed in part by the increase in the plan assets or by higher income from the plan assets.

Life expectancy

The cash value of the benefit obligations from pensions is heavily dependent inter alia on the life expectancy of the beneficiaries. An increase in the life expectancy of the beneficiaries results in an increase in the defined benefit obligations.

Salary risk

The cash value of the defined benefit obligations is ascertained based on the future salaries of the beneficiaries. In this respect, any salary increases result in an increase in the defined benefit obligations. The majority of the assets from the plan assets are not indexed to any rates of inflation or salary increase.

The sensitivity of the defined benefit obligations on changes in the weighted actuarial calculation parameters is:

Sensitivity analysis 2016	Pensions	Termination benefits
Remaining life expectancy		
Change in DBO (+1 year)	3.4%	
Change in DBO (-1 year)	– 3.6%	
Discount rate		
Change in DBO (+1%)	– 11.8%	– 7.8%
Change in DBO (-1%)	14.7%	8.9%
Future salary increase rate		
Change in DBO (+0.75%)	1.4%	6.4%
Change in DBO (-0.75%)	– 1.4%	– 5.9%
Future pension increase rate		
Change in DBO (+0.25%)	3.0%	
Change in DBO (-0.25%)	– 2.9%	

Sensitivity analysis 2015	Pensions	Termination benefits
Remaining life expectancy		
Change in DBO (+1 year)	3.2%	
Change in DBO (-1 year)	– 3.4%	
Discount rate		
Change in DBO (+1%)	– 11.9%	– 7.1%
Change in DBO (-1%)	14.8%	9.0%
Future salary increase rate		
Change in DBO (+0.75%)	1.6%	5.9%
Change in DBO (-0.75%)	– 1.5%	– 6.0%
Future pension increase rate		
Change in DBO (+0.25%)	3.0%	
Change in DBO (-0.25%)	– 2.9%	

Under the defined contribution company pension scheme, the employer pays the fixed amounts into company pension funds. The employer has satisfied their obligation by making these contributions.

In € thousand	1-12/2016	1-12/2015
Contributions to company pension funds	2,011	2,048

Other provisions

In € thousand	Provisions for jubilee benefits	Customer services and marketing provision	Provision for legal and consulting expenses	Provision for premium adjustment of reinsurance contracts	Provision for portfolio maintenance commission	Miscellaneous other provisions	Total
At 1 January 2015	**14,884**	**75,763**	**7,948**	**7,911**	**3,174**	**80,487**	**190,167**
Additions	1,414	73,879	2,504	2,768	1,792	61,708	144,066
Reversal of unused provisions	– 917	– 3,137	– 2,099	– 3	0	– 19,860	– 26,017
Addition due to unwinding of the discount	321	0	0	0	0	0	321
Change in basis of consolidation	0	0	– 1	0	0	1,691	1,690
Reclassifications	0	2	0	0	0	– 2	0
Use in current year	– 10	– 71,219	– 2,932	– 4,853	– 1,023	– 34,171	– 114,208
Foreign exchange differences	0	– 10	0	7	57	– 23	30
At 31 December 2015	**15,692**	**75,279**	**5,420**	**5,829**	**4,000**	**89,830**	**196,049**
At 1 January 2016	**15,692**	**75,279**	**5,420**	**5,829**	**4,000**	**89,830**	**196,049**
Additions	1,162	79,268	712	1,610	3,437	78,829	165,017
Reversal of unused provisions	0	– 1,738	– 428	– 78	– 1	– 18,098	– 20,344
Addition due to unwinding of the discount	144	0	0	0	0	0	144
Change in basis of consolidation	342	0	32	0	0	– 4,389	– 4,015
Reclassifications	0	– 3	0	0	0	603	600
Use in current year	– 1,805	– 64,621	– 2,344	– 3,908	– 3,729	– 52,674	– 129,081
Foreign exchange differences	0	81	– 19	0	0	10	72
Reclassifications held for sale	0	– 306	– 1,480	0	0	– 7,561	– 9,347
At 31 December 2016	**15,535**	**87,960**	**1,894**	**3,452**	**3,707**	**86,549**	**199,096**

29. Liabilities and other items classified as equity or liabilities

In € thousand	31/12/2016	31/12/2015
Reinsurance liabilities		
Deposits retained on assumed reinsurance	459,839	665,447
Reinsurance settlement liabilities	28,139	34,980
	487,978	**700,427**
Other liabilities		
Insurance liabilities		
to policyholders	124,367	129,512
to insurance brokers	45,347	51,764
to insurance companies	5,802	9,633
	175,517	**190,909**
Liabilities to credit institutions	**4,001**	**0**
Other liabilities	**351,662**	**358,301**
of which for taxes	75,059	61,059
of which for social security	11,740	14,182
of which from fund consolidation	1,002	2,224
Total other liabilities	**531,179**	**549,210**
Subtotal	**1,019,157**	**1,249,637**
of which liabilities with a maturity of		
up to 1 year	621,256	723,678
more than 1 year up to 5 years	18,595	3,983
more than 5 years	379,306	521,975
	1,019,157	**1,249,637**
Other debt	**23,087**	**21,935**
Total liabilities and other items classified as liabilities	**1,042,244**	**1,271,572**

Other liabilities basically comprise the balance of the deferred income from the settlement of indirect business.

30. Income tax liabilities

In € thousand	31/12/2016	31/12/2015
Income tax liabilities	**79,120**	**95,970**
of which liabilities with a maturity of		
up to 1 year	1,870	13,089
more than 1 year up to 5 years	77,250	82,881
more than 5 years	0	0

NOTES TO THE CONSOLIDATED INCOME STATEMENT

31. Premiums

Premiums In € thousand	1-12/2016	1-12/2015
Premiums written - gross	4,643,113	4,829,034
Premiums written - reinsurer's share	– 171,950	– 173,659
Premiums written - net	4,471,163	4,655,375
Change in premiums earned - gross	– 31,425	– 11,734
Change in premiums earned - reinsurers' share	3,233	7,487
Premiums earned	4,442,970	4,651,128

Direct insurance In € thousand	1-12/2016	1-12/2015
Property and casualty insurance	2,482,065	2,401,737
Health insurance	1,003,654	964,392
Life insurance	1,108,319	1,412,869
Total	**4,594,038**	**4,778,997**
Of which written in:		
Austria	3,379,538	3,607,781
Remaining EU member states and other states which are party to the Agreement on the European Economic Area	955,980	913,992
Other countries	258,519	257,225
Total	**4,594,038**	**4,778,997**

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

In € thousand	1-12/2016	1-12/2015
Total	**4,643,113**	**4,829,034**

Property and casualty insurance premiums written In € thousand	1-12/2016	1-12/2015
Direct insurance		
Fire and business interruption insurance	227,994	227,888
Household insurance	178,439	174,015
Other property insurance	229,123	226,992
Motor TPL insurance	579,705	545,364
Other motor insurance	475,044	439,075
Casualty insurance	347,068	331,277
Liability insurance	235,949	235,223
Legal expense insurance	84,991	81,263
Marine, aviation and transport insurance	59,763	73,636
Other forms of insurance	63,988	67,004
Total	**2,482,065**	**2,401,737**
Indirect insurance		
Marine, aviation and transport insurance	1,820	874
Other forms of insurance	34,546	36,576
Total	**36,367**	**37,449**
Total direct and indirect insurance (amount consolidated)	**2,518,432**	**2,439,186**

Reinsurance premiums ceded in € thousand	1-12/2016	1-12/2015
Property and casualty insurance	133,022	132,391
Health insurance	1,265	1,105
Life insurance	37,663	40,163
Total	**171,950**	**173,659**

Premiums earned In € thousand	1-12/2016	1-12/2015
Property and casualty insurance	**2,359,053**	**2,301,270**
Gross	2,488,862	2,426,182
Reinsurers' share	– 129,809	– 124,912
Health insurance	**1,000,356**	**963,899**
Gross	1,001,599	964,975
Reinsurers' share	– 1,243	– 1,076
Life insurance	**1,083,561**	**1,385,959**
Gross	1,121,226	1,426,142
Reinsurers' share	– 37,665	– 40,183
Total	**4,442,970**	**4,651,128**

Premiums earned – indirect insurance in € thousand	1-12/2016	1-12/2015
Posted immediately	13,592	2,860
Recognised with a delay of up to 1 year	19,679	26,587
Posted after more than 1 year	106	0
Property and casualty insurance	**33,377**	**29,447**
Recognised simultaneously	0	642
Recognised with a delay of up to 1 year	2	1
Health insurance	**2**	**644**
Recognised with a delay of up to 1 year	12,222	10,667
Life insurance	**12,222**	**10,667**
Total	**45,601**	**40,758**

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

32. Insurance benefits

	Gross		Reinsurers' share		Net	
In € thousand	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
Property and casualty insurance						
Claims expenses						
Claims paid	1,449,961	1,472,667	– 54,383	– 58,938	1,395,578	1,413,729
Change in provision for unsettled claims	127,253	123,135	– 3,756	– 16,650	123,496	106,485
Total	**1,577,214**	**1,595,802**	**– 58,140**	**– 75,589**	**1,519,074**	**1,520,214**
Change in insurance provision	– 379	– 240	1	100	– 377	– 140
Change in other technical provisions	– 464	– 848	0	0	– 464	– 848
Non-profit related and profit-related premium refund expenses	32,361	34,458	0	0	32,361	34,458
Total benefits	**1,608,732**	**1,629,173**	**– 58,138**	**– 75,489**	**1,550,593**	**1,553,683**
Health insurance						
Claims expenses						
Claims paid	664,665	648,021	– 275	– 324	664,390	647,697
Change in provision for unsettled claims	10,207	1,065	– 559	1	9,648	1,066
Total	**674,872**	**649,086**	**– 834**	**– 323**	**674,038**	**648,763**
Change in insurance provision	125,983	121,945	84	92	126,067	122,037
Change in other technical provisions	– 564	207	0	0	– 564	207
Non-profit related and profit-related premium refund expenses	44,030	10,715	0	0	44,030	10,715
Total benefits	**844,321**	**781,953**	**– 750**	**– 232**	**843,571**	**781,721**
Life insurance						
Claims expenses						
Claims paid	1,724,173	2,131,135	– 26,453	– 24,750	1,697,720	2,106,385
Change in provision for unsettled claims	– 22,440	– 25,413	230	– 925	– 22,210	– 26,338
Total	**1,701,732**	**2,105,722**	**– 26,222**	**– 25,674**	**1,675,510**	**2,080,048**
Change in insurance provision	– 698,099	– 800,636	– 7,571	– 13,650	– 705,669	– 814,286
Change in other technical provisions	– 4	869	0	0	– 4	869
Non-profit related and profit-related premium refund expenses and/or (deferred) benefit participation expenses	21,564	69,272	0	0	21,564	69,272
Total benefits	**1,025,194**	**1,375,227**	**– 33,793**	**– 39,324**	**991,401**	**1,335,903**
Total	**3,478,247**	**3,786,352**	**– 92,681**	**– 115,045**	**3,385,566**	**3,671,307**

33. Operating expenses

In € thousand	1-12/2016	1-12/2015
Property and casualty insurance		
Acquisition costs		
Payments	549,185	529,538
Change in deferred acquisition costs	– 9,590	– 2,444
Other operating expenses	233,529	181,410
Reinsurance commission and share of profit from reinsurance ceded	– 9,944	– 8,884
	763,180	**699,621**
Health insurance		
Acquisition costs		
Payments	106,621	87,110
Change in deferred acquisition costs	– 7,472	– 6,590
Other operating expenses	76,800	73,693
Reinsurance commission and share of profit from reinsurance ceded	– 463	– 521
	175,486	**153,693**
Life insurance		
Acquisition costs		
Payments	224,249	225,468
Change in deferred acquisition costs	27,681	30,208
Other operating expenses	106,702	91,150
Reinsurance commission and share of profit from reinsurance ceded	– 10,904	– 9,705
	347,728	**337,121**
Total	**1,286,394**	**1,190,435**

34. Net investment income

Classified by business line	Property and casualty insurance		Health insurance		Life insurance		Total	
In € thousand	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
Investment property	**414**	**1,897**	**3,881**	**32,213**	**41,685**	**76,941**	**45,980**	**111,051**
Financial assets accounted for using the equity method	**5,551**	**3,171**	**11,741**	**12,439**	**21,322**	**7,596**	**38,614**	**23,205**
Variable-income securities	**41,134**	**13,369**	**4,675**	**6,159**	**– 1,881**	**28,310**	**43,928**	**47,838**
Available for sale	40,460	13,047	1,479	5,741	– 1,551	25,695	40,388	44,483
At fair value through profit or loss	674	322	3,196	418	– 330	2,615	3,540	3,354
Fixed-income securities	**85,258**	**102,394**	**96,678**	**98,638**	**272,743**	**372,294**	**454,679**	**573,327**
Available for sale	85,920	102,492	95,805	98,348	264,650	361,629	446,375	562,469
At fair value through profit or loss	– 662	– 98	873	290	8,093	10,666	8,304	10,858
Loans and other investments	**6,995**	**7,660**	**5,396**	**7,534**	**43,725**	**52,280**	**56,116**	**67,473**
Loans	1,691	433	3,569	5,931	10,481	17,474	15,742	23,838
Other investments	5,303	7,227	1,827	1,603	33,244	34,805	40,374	43,636
Derivative financial instruments	**6,909**	**245**	**512**	**– 9,425**	**– 21,976**	**– 42,883**	**– 14,555**	**– 52,062**
Investment administration expenses, interest paid and other investment expenses	**– 13,635**	**– 11,492**	**– 7,976**	**– 7,486**	**– 14,259**	**– 19,870**	**– 35,869**	**– 38,848**
Total	**132,626**	**117,245**	**114,907**	**140,071**	**341,360**	**474,668**	**588,892**	**731,983**

Classified by type of income	Current income		Gains/losses from disposals and changes in value		Total		of which impairment	
In € thousand	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015	1-12/2016	1-12/2015
Financial assets recognised at fair value through profit or loss								
Variable-income securities (within the framework of fair value option)	3,601	7,531	– 61	– 4,177	3,540	3,354	0	0
Fixed-income securities (within the framework of fair value option)	2,758	14,292	5,546	– 3,434	8,304	10,858	0	0
Derivative financial instruments	– 10,432	1,322	– 4,123	– 53,384	– 14,555	– 52,062	0	0
Investments under investment contracts[1]	0	0	0	0	0	0	0	0
Subtotal	**– 4,074**	**23,145**	**1,363**	**– 60,995**	**– 2,711**	**– 37,850**	**0**	**0**
Available-for-sale financial assets								
Variable-income securities	34,292	31,487	6,096	12,996	40,388	44,483	– 42,494	– 7,531
Fixed-income securities	375,364	409,893	71,011	152,575	446,375	562,469	– 35,646	– 33,770
Subtotal	**409,656**	**441,381**	**77,107**	**165,571**	**486,763**	**606,952**	**– 78,140**	**– 41,302**
Loans and receivables								
Fixed-income securities	13,965	18,343	306	2,969	14,271	21,312	0	0
Loans and other investments	40,597	41,901	1,248	4,260	41,845	46,161	– 2,202	– 3,295
Subtotal	**54,562**	**60,245**	**1,554**	**7,229**	**56,116**	**67,473**	**– 2,202**	**– 3,295**
Investment property	**73,282**	**79,927**	**– 27,302**	**31,124**	**45,980**	**111,051**	**– 144**	**– 9,038**
Financial assets accounted for using the equity method	**39,557**	**23,205**	**– 944**	**0**	**38,614**	**23,205**	**0**	**0**
Investment administration expenses, interest paid and other investment expenses	**– 35,869**	**– 38,848**	**0**	**0**	**– 35,869**	**– 38,848**	**0**	**0**
Total	**537,115**	**589,054**	**51,778**	**142,929**	**588,892**	**731,983**	**– 80,486**	**– 53,635**

[1] Income from investments under investment contracts is not stated due to its transitory character.

Income from available-for-sale fixed-income securities includes losses of €0 thousand (2015: gains of €32,833 thousand) and income from fixed-income and variable-income securities at fair value through profit or loss includes gains of €577 thousand (2015: losses of €1,068 thousand) from Level 3 valuations.

The adjustment of valuation allowances relates to both the reversal of impairment losses as well as the impairment of financial assets, excluding assets held for trading and financial assets at fair value through profit or loss. The interest income from impaired portfolio items amounts to €22,860 thousand (2015: €9,900 thousand). The net investment income of €588,892 thousand (2015: €731,983 thousand) includes realised and unrealised gains and losses amounting to €51,778 thousand (2015: €142,929 thousand), which includes currency gains of €10,778 thousand (2015: €44,715 thousand). These currency gains are essentially the result of investments in US dollars. The currency gains in the underlying US dollar securities amounted to around €22,149 thousand (2015: €106,545 thousand), which were accompanied by expenditures from derivative financial instruments within the scope of hedging transactions in the amount of €1,451 thousand (2015: Expenses in the amount of €66,083 thousand). In addition, currency effects in the amount of €5,356 thousand (2015: €4,216 thousand) were recognised directly in equity. The income from real estate held as financial investments includes rent revenue in the amount of €105,679 thousand (2015: €112,806 thousand) direct operational expenses in the amount of €32,397 thousand (2015: €32,879 thousand).

Net profit by measurement category

In € thousand	2016	2015
Financial assets recognised at fair value through profit or loss		
Recognised in profit/(loss) for the year	– 2,711	– 37,850
Available-for-sale financial assets		
Recognised in profit/(loss) for the year	486,763	606,952
of which reclassified from equity to consolidated income statement	– 82,551	– 73,138
of which recognised in other comprehensive income[1]	243,315	– 154,336
Net income	**730,078**	**452,616**
Loans and receivables		
Recognised in profit/(loss) for the year	56,116	67,473
Financial liabilities measured at amortised cost		
Recognised in profit/(loss) for the year	– 67,477	– 50,243

[1] The presentation does not include the share of other comprehensive income allocated to the discontinued operations. This results in differences between these amounts and the amount shown in the consolidated statement of comprehensive income.

The overall interest expenditure from financial instruments amounts to €68,168 thousand (2015: €51,902 thousand). The income from financial instruments amounts to €537,115 thousand (2015: €589,054 thousand).

35. Other income

In € thousand	1-12/2016	1-12/2015
Other non-technical income	**41,828**	**35,818**
Property and casualty insurance	22,458	26,554
Health insurance	5,013	5,650
Life insurance	14,357	3,613
of which		
Services	6,099	8,733
Changes in exchange rates	19,777	10,949
Other	15,952	16,136
Other income	**741**	**0**
From currency translation	742	0
From other	– 2	0
Total	**42,569**	**35,818**

36. Other expenses

In € thousand	1-12/2016	1-12/2015
Other non-technical expenses	**48,806**	**50,243**
Property and casualty insurance	36,888	32,947
Health insurance	6,137	1,736
Life insurance	5,781	15,560
of which		
Services	236	723
Exchange rate losses	9,994	20,034
Motor vehicle registration	5,876	6,422
Other	32,699	23,063
Other expenses	**4,339**	**5,448**
For currency translation	0	1,833
Other	4,339	3,615
Total	**53,145**	**55,691**

37. Income taxes

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

Reconciliation statement In € thousand	1-12/2016	1-12/2015
Earnings before taxes	**225,533**	**397,818**
Expected tax expenses[1]	**56,383**	**99,455**
Adjusted by tax effects from		
Tax-free investment income	– 11,513	– 8,266
Amortisation of goodwill and impairment losses	4,148	3,270
Tax-neutral consolidation effect	447	321
Other non-deductible expenses/other tax-exempt income	3,931	5,397
Changes in tax rates	– 1,054	0
Deviations in tax rates	– 5,751	– 4,764
Taxes for previous years	– 20,318	– 11,086
Lapse of loss carried forward and other	– 3,463	– 4,044
Income tax expenses	**22,810**	**80,283**
Average effective tax burden In per cent	**10.1**	**20.2**

[1] Earnings before taxes multiplied by the corporate income tax rate

The basic corporate income tax rate applied for all segments was 25 per cent. National tax regulations in conjunction with life insurance profit participation may lead to a higher than calculated tax rate on profits.

The calculation of deferred tax is based on the specific tax rates of each country, which were between 9 and 25 per cent in this financial year (2015: between 9 and 34 per cent). Changes in tax rates in effect at 31 December 2016 are taken into account.

38. Discontinued operations

The sale of the Italian Group represents a discontinued operation as at the reporting date. With respect to the balance sheet, reference is made here to the statements under note 11.

If an operation is classified as a discontinued operation, the consolidated statement of comprehensive income for the comparative year is adjusted so that it were as if the operation had been discontinued from the start of the comparative year. The profit and loss of the discontinued business line presented in the consolidated income statement is composed as follows:

In € thousand	1-12/2016	1-12/2015 adjusted
Premiums earned (net)	1,237,722	982,379
Technical interest income	87,797	86,699
Other insurance income	208	240
Insurance benefits	– 1,196,318	– 931,476
Operating expenses	– 107,709	– 105,666
Other technical expenses	– 9,592	– 10,807
Technical result	**12,107**	**21,369**
Net investment income and income from investment property	98,564	99,162
Other income	6,664	6,708
Reclassification of technical interest income	– 87,797	– 86,699
Other expenses	– 3,668	– 5,302
Non-technical result	**13,764**	**13,868**
Operating profit/(loss)	**25,871**	**35,237**
Impairment losses	– 1,571	– 2,838
Earnings before taxes	**24,300**	**32,400**
Income taxes	– 6,756	– 9,253
Current profit/(loss) from discontinued operations (after tax)	**17,544**	**23,147**
Amortisation and disposal costs	– 70,649	0
Profit/(loss) from discontinued operations (after tax)	**– 53,105**	**23,147**
of which attributable to shareholders of UNIQA Insurance Group AG	– 53,810	22,455
of which attributable to non-controlling interests	705	691

The consolidation of expenses and earnings in addition to the elimination of interim results were still carried out for transactions between discontinued and ongoing business lines.

In addition to reflecting current earnings, income from discontinued business lines include the depreciation of fair value in the amount of €72,642 thousand and costs to sell. Income from the valuation of financial instruments available for sale, the fluctuations in value of which are reflected in the equity, amount to €68,920 thousand and are reported in other comprehensive income.

39. Other disclosures

Employees

Personnel expenses In € thousand	1-12/2016	1-12/2015
Salaries and wages	418,409	393,521
Expenses for termination benefits	25,411	1,784
Pension expenses	52,128	59,257
Expenditure on mandatory social security contributions as well as income-based charges and compulsory contributions	108,663	105,772
Other social expenditures	7,968	6,342
Total	**612,579**	**566,676**
of which sales	142,007	137,534
of which administration	447,663	399,371
of which retirees	22,909	29,772

Average number of employees[1]	31/12/2016	31/12/2015
Total	**12,855**	**13,782**
of which sales	4,630	5,397
of which administration	8,225	8,385

[1] The presentation does not include the average number of salaried employees in the discontinued operation.

In € thousand	1-12/2016	1-12/2015
Expenses for defined benefit obligations amounted to:		
Members of the Management Board and Executives as defined by Section 80(1) of the Austrian Stock Corporation Act	4,982	4,716
Other employees	31,503	52,760

Both figures include the expenditure for pensioners and surviving dependants.

The active salaries of the members of the Management Board at UNIQA Insurance Group AG amounted to €4,621 thousand in the reporting year (2015: €3,498 thousand). Existing pension commitments to the members of the Management Board amounted to €3,308 thousand (2015: €681 thousand). The amount expended on pensions in the reporting year for former members of the Management Board and their survivors was €815 thousand (2015: €2,751 thousand).

The compensation to the members of the Supervisory Board for their work in the 2015 financial year was €425 thousand. Provisions in the amount of €470 thousand have been recognised for the remuneration to be paid for this work in the 2016 financial year. The amount paid out in attendance fees and cash expenditures in the financial year was €77 thousand (2015: €49 thousand).

There are no advance payments or loans to or liabilities for members of the Management Board and the Supervisory Board.

Share-based remuneration agreement with cash settlement

In the 2013 financial year, the UNIQA Group introduced a share-based remuneration programme for members of the Management Board of UNIQA Insurance Group AG (UIG) and for the members of the Management Board of UNIQA Österreich Versicherungen AG and UNIQA International AG. In line with this programme, qualified members of the Management Board were granted virtual UIG shares between 2013 and 2016, which give them the right to a cash payment after the end of the benefit period, provided certain targets are met, and maximum limits have been agreed. The programme stipulates an obligation to make an annual investment in UNIQA shares with a holding period of four years in each case. A total of 990,291 virtual shares had reached maturity at 31 December 2016.

Payment for the virtual shares is predicated on certain performance indicators having been met over a period of time equal to four financial years in each case.

Performance target 1

Total Shareholder Return (TSR = (Final quote – initial quote + dividends) : initial quote): average rank of the TSR of the UNIQA ordinary share among the companies managed in the DJ EuroStoxx TMI Insurance index during the performance period (market-based criterion for option grant).

Performance target 2

Return on Equity (ROE = profit/loss for the year : Equity at 31 December, "after non-controlling interests" when relevant): average rank of the ROE of UNIQA among the companies managed in the DJ EuroStoxx TMI Insurance index during the performance period (non-market-based criterion for option grant).

Performance target 3

Property and casualty insurance net combined ratio (CoR = sum of the net loss ratio and the net expense ratio in the IFRS consolidated financial statement): extent to which goals with respect to the targeted amount were achieved by the end of the performance period (non-market-based criterion for option grant).

Performance target 4

Return on Risk Capital (RoRC = annual profit/loss after taxes in relation to required equity): extent to which goals with respect to the targeted amount were achieved by the end of the performance period (non-market-based criterion for option grant).

Only performance targets 1 and 2 are to be considered for the performance period 2013–2016, each weighted 50 per cent. The degree of target achievement was determined as follows:

Rank	TSR target	RoRC target
⩽ 6	200%	200%
7	180%	180%
8	160%	160%
9	140%	140%
10	120%	120%
11	100%	100%
12	90%	90%
13	80%	80%
14	70%	70%
15	60%	60%
16	50%	50%
⩾ 17	0%	0%

Performance targets 1, 3 and 4 will be considered for performance periods 2014–2017, 2015–2018 and 2016–2019, which are all worth a third of the total and may have a value no greater than 200 per cent and no less than 50 per cent. The calibration of TSR targets does not differ from the target calibration determined for the performance period 2013–2016. The following targets, which must be met by the end of the performance period, were set for performance targets 3 and 4, whereby meeting the target is assigned a target value of 100 per cent:

Relevant financial year	CoR target	RoRC target
2017	97.5%	6.6%
2018	96.3%	8.3%
2019	95.3%	9.7%

The concrete degree of target achievement with respect to performance goal 3 was calculated as follows: Degree of target achievement = CoR's change in ACTUAL compared to the previous year / planned changes to the CoR compared to the previous year = (x – Actual-CoR)/(Plan-CoR – Actual-CoR). The first year of a tranche's performance period is taken to be the previous year. The degree of target achievement for performance goal 4 is calculated as follows: Degree of target achievement = Actual-RoRC : Plan-RoRC.

The payment amount in the first half of the year following the end of the performance period is calculated as the product of the following parameters (payment = A × B × C):

- A = Number of virtual shares awarded for the performance period. The virtual number of shares is calculated by dividing the total awarded volume per year in euros by UIG's average share price in the six months prior to the first month of the financial year relevant to the performance evaluation. (For cases in which the authorised party dies before the performance period ends, the number of virtual shares will be reduced p.r.t. with respect to the performance period up to the date of death compared to the entire performance period.)
- B = Average insurance provisions share price. Valuation of virtual shares at the time of payment will be undertaken in each case with respect to UIG's average share price in the six-month period prior to the end of the last month of the financial year relevant to the performance evaluation (daily close on trading days).
- C = Degree of target achievement. The degree of target achievement corresponds to the weighted degree of target achievement of the respective target value at the end of the performance period.

The fair value of share-based remuneration at the reporting date amounts to €2,868 thousand (2015: €531 thousand).

The obligations from share-based remuneration are stated under "Other provisions" (note 28) and are also included under the statements on "Related party transactions – individuals".

Group holding company

The parent company of UNIQA is UNIQA Insurance Group AG. In addition to its duties as Group holding company, this company also performs the duties of a group reinsurer.

Related companies and persons

Companies in the UNIQA Group maintain various relationships with related companies and persons.

In accordance with IAS 24, related companies are identified as those companies which either exercise a controlling or crucial influence on UNIQA. The group of companies also includes the non-consolidated subsidiaries, associates and joint ventures of UNIQA.

The related individuals include the members of management holding key positions for the purposes of IAS 24 along with their close family members. This also includes in particular the members of management in key positions at those companies which either exercise a controlling or crucial influence on UNIQA, along with their close family members.

Related party transactions – companies

In € thousand	Companies with significant influence on UNIQA Group	Affiliated but not consolidated companies	Associated companies of UNIQA Group	Other related parties	Total
Transactions 2016					
Premiums written (gross)	0	463	1,420	29,724	31,607
Interest income due to loans with companies that are related parties	0	79	0	252	331
Interest income and expenses arising from loans with entities that are related parties	0	0	0	– 2,388	– 2,388
Interest income from loans with banks that are related parties and from investments in companies that are related parties	1,371	0	9,511	4,105	14,987
Interest expenses arising from loans with banks that are related parties and from investments in entities that are related parties	– 309	0	0	– 20	– 328
At 31 December 2016					
Investments at fair value	155,653	10,166	532,129	57,202	755,150
Bank deposits	276,278	0	0	147,016	423,294

In € thousand	Companies with significant influence on UNIQA Group	Affiliated but not consolidated companies	Associated companies of UNIQA Group	Other related parties	Total
Transactions 2015					
Premiums written (gross)	0	2,001	1,091	33,821	36,913
Interest income and expenses arising from loans with entities that are related parties	0	1,271	45	1,530	2,847
Interest income from loans with banks that are related parties and from investments in companies that are related parties	0	490	7,295	3,522	11,306
At 31 December 2015					
Investments at fair value	135,848	11,820	445,464	133,323	726,455
Bank deposits	0	0	0	294,286	294,286

Related party transactions – individuals

In € thousand	1-12/2016	1-12/2015
Premiums written (gross)	1,861	1,066
Salaries and short term benefits [1]	5,168	4,526
Pension expenses	407	819
Compensation on termination of employment contract	2,513	– 324
Expenditures for share-based payments	2,495	1,941
Other income	203	236

[1] This item includes fixed and variable Management Board remuneration paid in the financial year and remuneration of the Supervisory Board.

In 2017, it is expected that the members of the Management Board of the UNIQA Insurance Group AG will be paid a variable remuneration (STI) in the amount of €1,739 thousand for the 2016 financial year.

Other financial obligations and contingent liabilities

In € thousand	31/12/2016	31/12/2015
Other contingent liabilities		
Austria	0	13,262
other countries	0	273
Total	**0**	**13,535**

Ukraine (non-life) – option to purchase granted

The shares held by UNIQA in the UNIQA Insurance Company, Private Joint Stock Company (Kiev, Ukraine) were acquired in 2006 from the Ukraine-based Closed JSC Credo-Classic Insurance Company and have been gradually increased to the current level of 92.23 per cent. The existing option agreements with the two remaining minority shareholders were agreed again in 2015. This gives UNIQA the option of acquiring further shares in the company from the local minority shareholders based on previously agreed purchase price formulas in option windows in 2017 and 2020.

SIGAL Group – option to purchase granted

Shares held by UNIQA in the SIGAL UNIQA Group AUSTRIA sh.a. have likewise been gradually increased to the current level of 86.93 per cent. The existing option agreements with the two remaining minority shareholders were agreed again in 2016. This gives UNIQA the option of acquiring further shares in the company from the local minority shareholders based on previously agreed purchase price formulas in an option window between July 2017 and June 2020.

Lease expenses

In € thousand	1-12/2016	1-12/2015
Current lease expenses	3,018	3,664
Future leasing rates		
up to 1 year	2,186	0
more than 1 year up to 5 years	4,363	0
more than 5 years	0	0
Total	**6,549**	**0**

Expenses for the auditor of the financial statements

The auditor fees in the financial year were €1,567 thousand (2015: €1,965 thousand); of which €485 thousand (2015: €307 thousand) is attributable to the annual audit, €859 thousand (2015: €1,590 thousand) to other auditing services and €223 thousand (2015: €68 thousand) to other general services.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Merger of RZB and RBI

On 24 January 2017 the decision was taken in an extraordinary General Meeting of Raiffeisen Bank International AG (RBI) to proceed with a merger of Raiffeisen Bank International AG and Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB). UNIQA holds 2.5 per cent of RZB. The exchange ratio of RZB shares to RBI shares is 1 : 31.55. To achieve this exchange ratio, RBI share capital was increased excluding subscription rights. Following the merger, UNIQA holds 1.7 per cent of RBI.

Affiliated companies and associates

Company	Type	Location	Equity interest at 31/12/2016 In per cent	Equity interest at 31/12/2015 In per cent
Domestic insurance companies				
UNIQA Insurance Group AG (Group Holding Company)		Vienna		
UNIQA Österreich Versicherungen AG	Fully consolidated	Vienna	100.0	100.0
Salzburger Landes-Versicherung AG (Merger: 3/10/2016)	Fully consolidated	Salzburg	0.0	100.0
Raiffeisen Versicherung AG (Merger: 3/10/2016)	Fully consolidated	Vienna	0.0	100.0
FINANCE LIFE Lebensversicherung AG (Merger: 3/10/2016)	Fully consolidated	Vienna	0.0	100.0
SK Versicherung Aktiengesellschaft	At equity	Vienna	25.0	25.0
Foreign insurance companies				
UNIQA Assurances SA	Fully consolidated	Switzerland, Geneva	100.0	100.0
UNIQA Re AG	Fully consolidated	Switzerland, Zurich	100.0	100.0
UNIQA Assicurazioni S.p.A. (classified as asset held for sale since 2/12/2016)	Fully consolidated	Italy, Milan	99.7	99.7
UNIQA poisťovňa a.s.	Fully consolidated	Slovakia, Bratislava	99.9	99.9
UNIQA pojišťovna, a.s.	Fully consolidated	Czech Republic, Prague	100.0	100.0
UNIQA osiguranje d.d.	Fully consolidated	Croatia, Zagreb	100.0	100.0
UNIQA Towarzystwo Ubezpieczeń S.A.	Fully consolidated	Poland, Lodz	98.6	98.6
UNIQA Towarzystwo Ubezpieczeń na Życie S.A.	Fully consolidated	Poland, Lodz	99.8	99.8
UNIQA Biztosító Zrt.	Fully consolidated	Hungary, Budapest	100.0	100.0
UNIQA Versicherung AG	Fully consolidated	Liechtenstein, Vaduz	100.0	100.0
UNIQA Previdenza S.p.A. (classified as asset held for sale since 2/12/2016)	Fully consolidated	Italy, Milan	99.7	99.7
UNIQA osiguranje d.d.	Fully consolidated	Bosnia and Herzegovina, Sarajevo	99.8	99.8
UNIQA Insurance plc	Fully consolidated	Bulgaria, Sofia	99.9	99.9
UNIQA Life Insurance plc	Fully consolidated	Bulgaria, Sofia	99.6	99.6
UNIQA životno osiguranje a.d.	Fully consolidated	Serbia, Belgrade	100.0	100.0
UNIQA Insurance company, Private Joint Stock Company	Fully consolidated	Ukraine, Kiev	100.0	100.0
UNIQA LIFE Private Joint Stock Company	Fully consolidated	Ukraine, Kiev	100.0	100.0
UNIQA životno osiguranje a.d.	Fully consolidated	Montenegro, Podgorica	100.0	100.0
UNIQA neživotno osiguranje a.d.	Fully consolidated	Serbia, Belgrade	100.0	100.0
UNIQA neživotno osiguranje a.d.	Fully consolidated	Montenegro, Podgorica	100.0	100.0
UNIQA Asigurari S.A.	Fully consolidated	Romania, Bucharest	100.0	100.0
UNIQA Asigurari De Viata S.A.	Fully consolidated	Romania, Bucharest	100.0	100.0
Raiffeisen Life Insurance Company LLC	Fully consolidated	Russia, Moscow	75.0	75.0
UNIQA Life S.p.A. (classified as asset held for sale since 2/12/2016)	Fully consolidated	Italy, Milan	89.7	89.7
SIGAL UNIQA Group AUSTRIA sh.a.	Fully consolidated	Albania, Tirana	86.9	86.9
UNIQA AD Skopje	Fully consolidated	Macedonia, Skopje	86.9	86.9
SIGAL LIFE UNIQA Group AUSTRIA sh.a.	Fully consolidated	Albania, Tirana	86.9	86.9
SIGAL UNIQA Group AUSTRIA sh.a.	Fully consolidated	Kosovo, Pristina	86.9	86.9
UNIQA Life AD Skopje	Fully consolidated	Macedonia, Skopje	86.9	86.9
SIGAL LIFE UNIQA Group AUSTRIA sh.a	Fully consolidated	Kosovo, Pristina	86.9	86.9
SH.A.F.P SIGAL LIFE UNIQA Group AUSTRIA sh.a.	Fully consolidated	Albania, Tirana	44.3	44.3
Group domestic service companies				
UNIQA Real Estate Management GmbH	Fully consolidated	Vienna	100.0	100.0
Versicherungsmarkt-Servicegesellschaft m.b.H.	Fully consolidated	Vienna	100.0	100.0
Agenta Risiko- und Finanzierungsberatung Gesellschaft m.b.H.	Fully consolidated	Vienna	100.0	100.0

Company	Type	Location	Equity interest at 31/12/2016 In per cent	Equity interest at 31/12/2015 In per cent
Raiffeisen Versicherungsmakler Vorarlberg GmbH (Deconsolidation: 12/11/2016)	At equity	Bregenz	0.0	50.0
Dr E. Hackhofer EDV-Softwareberatung Gesellschaft m.b.H. (Merger: 1/7/2016)	Fully consolidated	Vienna	0.0	100.0
UNIQA IT Services GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Capital Markets GmbH	Fully consolidated	Vienna	100.0	100.0
call us Assistance International GmbH	Fully consolidated	Vienna	50.2	50.2
UNIQA International AG	Fully consolidated	Vienna	100.0	100.0
UNIQA internationale Beteiligungs-Verwaltungs GmbH	Fully consolidated	Vienna	100.0	100.0
Assistance Beteiligungs-GesmbH	Fully consolidated	Vienna	64.0	64.0
UNIQA Real Estate Beteiligungsverwaltung GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Real Estate Finanzierungs GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Group Audit GmbH	Fully consolidated	Vienna	100.0	100.0
Valida Holding AG	At equity	Vienna	40.1	40.1
RHG Management GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Finanzbeteiligung GmbH	Fully consolidated	Vienna	100.0	100.0
Group foreign service companies				
UNIQA Raiffeisen Software Service Kft.	Fully consolidated	Hungary, Budapest	60.0	60.0
InsData spol. s r.o.	Fully consolidated	Slovakia, Nitra	98.0	98.0
UNIPARTNER s.r.o.	Fully consolidated	Slovakia, Bratislava	99.9	99.9
UNIQA InsService spol. s r.o.	Fully consolidated	Slovakia, Bratislava	99.9	99.9
UNIQA Ingatlanhasznosító Kft.	Fully consolidated	Hungary, Budapest	100.0	100.0
UNIQA Számitástechnikai Szolgáltató Kft.	Fully consolidated	Hungary, Budapest	100.0	100.0
Vitosha Auto OOD	Fully consolidated	Bulgaria, Sofia	99.8	99.8
UNIQA Raiffeisen Software Service S.R.L.	Fully consolidated	Romania, Cluj-Napoca	60.0	60.0
sTech d.o.o	Fully consolidated	Serbia, Belgrade	100.0	100.0
DEKRA-Expert Műszaki Szakértői Kft.	At equity	Hungary, Budapest	50.0	50.0
Financial and strategic domestic shareholdings				
Medial Beteiligungs-Gesellschaft m.b.H. (classified as asset held for sale since 30/9/2015)	At equity	Vienna	29.6	29.6
UNIQA Leasing GmbH	At equity	Vienna	25.0	25.0
PremiQaMed Holding GmbH	Fully consolidated	Vienna	100.0	100.0
PremiQaMed Privatkliniken GmbH	Fully consolidated	Vienna	100.0	100.0
Ambulatorien Betriebsgesellschaft m.b.H.	Fully consolidated	Vienna	100.0	100.0
STRABAG SE	At equity	Villach	14.3	13.8
PremiQaMed Management GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Beteiligungs-Holding GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Erwerb von Beteiligungen Gesellschaft m.b.H.	Fully consolidated	Vienna	100.0	100.0
Diakonissen & Wehrle Privatklinik GmbH	Fully consolidated	Gallneukirchen	60.0	60.0
PremiQaMed Beteiligungs GmbH	Fully consolidated	Vienna	100.0	100.0
Goldenes Kreuz Privatklinik BetriebsGmbH (Initial consolidation: 7/7/2016)	Fully consolidated	Vienna	75.0	
Real-estate companies				
UNIQA Real Estate CZ, s.r.o.	Fully consolidated	Czech Republic, Prague	100.0	100.0
UNIQA Real s.r.o.	Fully consolidated	Slovakia, Bratislava	100.0	100.0
UNIQA Real II s.r.o. (Deconsolidation: 12/8/2016)	Fully consolidated	Slovakia, Bratislava	0.0	100.0
UNIQA Immobilien-Projekterrichtungs GmbH	Fully consolidated	Vienna	100.0	100.0
Raiffeisen evolution project development GmbH (Deconsolidation: 22/12/2016)	At equity	Vienna	0.0	20.0
DIANA-BAD Errichtungs- und Betriebs GmbH	At equity	Vienna	33.0	33.0
UNIQA Real Estate GmbH	Fully consolidated	Vienna	100.0	100.0

Company	Type	Location	Equity interest at 31/12/2016 In per cent	Equity interest at 31/12/2015 In per cent
PremiQaMed Immobilien GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Real Estate Zweite Beteiligungsverwaltung GmbH	Fully consolidated	Vienna	100.0	100.0
Design Tower GmbH	Fully consolidated	Vienna	100.0	100.0
Aspernbrückengasse Errichtungs- und Betriebs GmbH	Fully consolidated	Vienna	99.0	99.0
UNIQA Real Estate Holding GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Real Estate Dritte Beteiligungsverwaltung GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Real Estate Vierte Beteiligungsverwaltung GmbH	Fully consolidated	Vienna	100.0	100.0
"Hotel am Bahnhof" Errichtungs GmbH & Co KG	Fully consolidated	Vienna	100.0	100.0
GLM ErrichtungsGmbH	Fully consolidated	Vienna	100.0	100.0
EZL Entwicklung Zone Lassallestraße GmbH & Co. KG	Fully consolidated	Vienna	100.0	100.0
Fleischmarkt Inzersdorf Vermietungs GmbH	Fully consolidated	Vienna	100.0	100.0
Praterstraße Eins Hotelbetriebs GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Real Estate Inlandsholding GmbH (Initial consolidation: 14/6/2016)	Fully consolidated	Vienna	100.0	
UNIQA Plaza Irodaház és Ingatlankezelő Kft.	Fully consolidated	Hungary, Budapest	100.0	100.0
Floreasca Tower SRL	Fully consolidated	Romania, Bucharest	100.0	100.0
Pretium Ingatlan Kft.	Fully consolidated	Hungary, Budapest	100.0	100.0
UNIQA Szolgáltató Kft.	Fully consolidated	Hungary, Budapest	100.0	100.0
UNIQA poslovni centar korzo d.o.o.	Fully consolidated	Croatia, Rijeka	100.0	100.0
UNIQA-Invest Kft.	Fully consolidated	Hungary, Budapest	100.0	100.0
Knesebeckstraße 8–9 Grundstücksgesellschaft mbH	Fully consolidated	Germany, Berlin	100.0	100.0
UNIQA Real Estate Bulgaria EOOD	Fully consolidated	Bulgaria, Sofia	100.0	100.0
UNIQA Real Estate BH nekretnine, d.o.o. (Merger: 29/12/2016)	Fully consolidated	Bosnia and Herzegovina, Sarajevo	0.0	100.0
UNIQA Real Estate d.o.o.	Fully consolidated	Serbia, Belgrade	100.0	100.0
Renaissance Plaza d.o.o.	Fully consolidated	Serbia, Belgrade	100.0	100.0
IPM International Property Management Kft.	Fully consolidated	Hungary, Budapest	100.0	100.0
UNIQA Real Estate Polska Sp. z o.o.	Fully consolidated	Poland, Warsaw	100.0	100.0
Black Sea Investment Capital LLC	Fully consolidated	Ukraine, Kiev	100.0	100.0
LEGIWATON INVESTMENTS Limited Company	Fully consolidated	Cyprus, Limassol	100.0	100.0
UNIQA Real III, spol. s r.o.	Fully consolidated	Slovakia, Bratislava	100.0	100.0
UNIQA Real Estate BV	Fully consolidated	Netherlands, Hoofddorp	100.0	100.0
Reytarske LLC	Fully consolidated	Ukraine, Kiev	100.0	100.0
ALBARAMA Limited Company	Fully consolidated	Cyprus, Nikosia	100.0	100.0
AVE-PLAZA LLC	Fully consolidated	Ukraine, Kharkiv	100.0	100.0
Asena LLC	Fully consolidated	Ukraine, Nikolaev	100.0	100.0
BSIC Holding LLC (Deconsolidation: 12/1/2016)	Fully consolidated	Ukraine, Kiev	0.0	100.0
Sedmi element d.o.o. (Merger: 1/1/2016)	Fully consolidated	Croatia, Zagreb	0.0	100.0
Deveti element d.o.o. (Merger: 1/1/2016)	Fully consolidated	Croatia, Zagreb	0.0	100.0
Kremser Landstraße Projektentwicklung GmbH	Fully consolidated	Vienna	100.0	100.0
Schöpferstrasse Projektentwicklung GmbH	Fully consolidated	Vienna	100.0	100.0
"BONADEA" Immobilien GmbH	Fully consolidated	Vienna	100.0	100.0
"Graben 27–28" Besitzgesellschaft m.b.H.	Fully consolidated	Vienna	100.0	100.0
Hotel Burgenland Betriebs GmbH	Fully consolidated	Vienna	100.0	100.0
R-FMZ Immobilienholding GmbH	Fully consolidated	Vienna	100.0	100.0
Neue Marktgasse Einkaufspassage Stockerau GmbH	Fully consolidated	Vienna	100.0	100.0
DEVELOP Baudurchführungs- und Stadtentwicklungs-Gesellschaft m.b.H.	Fully consolidated	Vienna	100.0	100.0
Raiffeisen-Fachmarktzentrum Mercurius GmbH	Fully consolidated	Vienna	100.0	100.0
Raiffeisen-Fachmarktzentrum ZWEI GmbH	Fully consolidated	Vienna	100.0	100.0
Raiffeisen-Fachmarktzentrum Ivesis GmbH	Fully consolidated	Vienna	100.0	100.0
Raiffeisen-Fachmarktzentrum VIER GmbH	Fully consolidated	Vienna	100.0	100.0
Raiffeisen-Fachmarktzentrum SIEBEN GmbH	Fully consolidated	Vienna	100.0	100.0
R-FMZ "MERCATUS" Holding GmbH	Fully consolidated	Vienna	100.0	100.0

Approval for publication

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

Declaration of the legal representatives

Pursuant to Section 82(4) of the Austrian Stock Exchange Act, the Management Board of UNIQA Insurance Group AG hereby confirms, that, to the best of our knowledge, the consolidated financial statements, which were prepared in accordance with the relevant accounting standards, give a true and fair view of the financial position, financial performance and cash flows of the group, and that the Group management report describes the relevant risks and uncertainties which the Group faces.

Vienna, 10 March 2017

Andreas Brandstetter Chairman of the Management Board	Erik Leyers Member of the Management Board	Kurt Svoboda Member of the Management Board

Audit opinion

Report on the consolidated financial statements

Audit opinion

We have audited the enclosed consolidated financial statements of UNIQA Insurance Group AG, Vienna, and its subsidiaries (the Group), consisting of the consolidated statement of financial position at 31 December 2016, the separate consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and consolidated statement of changes in equity for the financial year ending on this reporting date as well as the notes to the consolidated financial statements.

In our opinion, the attached consolidated financial statements comply with the legal requirements and provide a true and fair view of the financial position and of the Groups' earnings position at 31 December 2016 for the financial year ending on this reporting date, in accordance with the International Financial Reporting Standards (IFRSs) as applicable in the EU and the additional requirements of Section 245a of the Austrian Commercial Code and the supplementary provisions of Section 138(8) of the Austrian Insurance Supervision Act.

Basis for the audit opinion

We have conducted an audit of these financial statements in accordance with the Austrian principles of proper auditing of financial statements. These principles require the application of the international audit standards (International Standards on Auditing). Our responsibilities as in accordance with these regulations and standards are outlined in detail in the section of our auditor opinion entitled "Responsibilities of the auditors in auditing the consolidated financial statements". Our work has been completed independently of the Group and is in line with Austrian company law and professional regulations, and our other professional duties have been discharged in line with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit assessment.

Particularly relevant data related to the audit

Particularly relevant data related to the audit are those data that, in our judgement, had a significant impact on our audit of the consolidated financial statement for the reporting year. These data were treated in our audit of the consolidated financial statement as a whole and were considered as such in the preparation of this audit opinion. We do not deliver a separate audit opinion for this data specifically.

Our discussion of these particularly relevant data is structured as follows:

- **Data and statement of the problem**
- **Method of audit and findings**
- **Reference to additional information**

1. Valuation of technical provisions

– **Data and statement of the problem**
Identifying assumptions related to interest rates, costs, mortality and lapses in valuating insurance provisions and assets in life insurance requires the Management Board to produce subjective estimates of future developments. Minor alterations to these assumptions and the methodologies used could produce a significant change in the valuation.

– **Method of audit and findings**
Across the Group, we have:
- conducted spot-check comparisons between the data used for the evaluation and basic documentation,
- involved actuarial specialists from PwC and compared the models and assumptions used with industry-specific knowledge and our professional experience with recognised actuarial practices,
- assessed the plausibility of the modelled findings,
- evaluated that valuation methods were applied consistently,
- evaluated processes and tested core monitoring and
- conducted actuarial assessments of the appropriateness of the insurance provisions.

– **Reference to additional information**
See Chapter 5 of the Annual Report: “Use of discretionary decisions and estimates”.

2. Appropriateness of the claim reserve

– **Data and statement of the problem**
The calculation of the claim reserve requires the Management Board to take discretionary decisions and provide estimates and assumptions. Minor alterations to these assumptions and the methodologies used could produce a significant change in the valuation.

– **Method of audit and findings**
Across the Group, we have:
- conducted spot-check comparisons between the data used for the evaluation and basic documentation,
- involved actuarial specialists from PwC and compared the models and assumptions used with industry-specific knowledge and our professional experience with recognised actuarial practices,
- assessed the plausibility of the best-estimate reserves against PwC-internal calculations and identified a significant combined ratio on car insurance in the CEE region,
- evaluated that valuation methods were applied consistently,
- evaluated processes and tested core monitoring and
- conducted actuarial assessments of the appropriateness of the insurance provisions.

– **Reference to additional information**
See Chapter 5 of the Annual Report: “Use of discretionary decisions and estimates”.

3. Valuation of investments

- **Data and statement of the problem**
  The ongoing volatility in capital markets and challenging macroeconomic environment constitute an inherent risk in assessing valuations of investments insofar as these valuations are not based on stock exchange prices or other market prices, e.g. the ABS portfolio, structured and illiquid bonds. The Management Board will in this respect need to take discretionary decisions and provide estimates and assumptions. Minor alterations to these assumptions and the methodologies used could produce a significant change in the valuation.

- **Method of audit and findings**
  Across the Group, we have:
  • conducted spot-tests of valuations,
  • validated external appraisals of significant investments and audited the balance sheet items' recoverability,
  • involved actuarial specialists from PwC and compared the models and assumptions used with our industry-specific knowledge and our experience against suitable benchmarks,
  • evaluated that valuation methods were applied consistently,
  • evaluated processes and tested core monitoring and

- **Reference to additional information**
  See Chapter 5 of the Annual Report: "Use of discretionary decisions and estimates".

4. Impairment of goodwill

- **Data and statement of the problem**
  The assessment of goodwill resulting from the acquisition of companies requires the Management Board to take discretionary decisions and provide estimates and assumptions.

- **Method of audit and findings**
  We scrutinised the Management Board's discretionary decisions and appointed evaluation specialists from PwC:
  • to compare the models and assumptions with our industry-specific knowledge and our experience against suitable benchmarks and
  • to audit and check the calculations of potential required depreciation in line with the IFRSs. Here, we placed our focus on Romania and Bulgaria.

- **Reference to additional information**
  See Chapter 5 of the Annual Report: "Use of discretionary decisions and estimates".

Responsibility of the Management and the Audit Committee for the consolidated financial statements

The Company's management is responsible for the Group accounting system and for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a of the Austrian Commercial Code and the supplemental regulations under Section 138(8) of the Austrian Insurance Supervision Act that accurately reflects the Group's assets, financial position and profitability. The legal representatives are additionally responsible for the internal controls which they consider to be required in order to enable the preparation of consolidated financial statements that are free from material intentional or unintentional false representations.

The legal representatives are responsible as part of the preparation of consolidated financial statements to assess the Group's ability to continue its business activities, to provide pertinent data related to the continuation of business activities and to apply relevant accounting standards to the continuation of business activities unless the legal representatives intend to liquidate the Group or discontinue business activities or have no other realistic alternative than to do so.

The Audit Committee is responsible for monitoring the Group's accounting processes.

Responsibilities of the auditors in auditing the consolidated financial statements

Our goal is to secure an adequate level of certainty that the consolidated financial statements, as a whole, are basically free of erroneous representations, whether intentional or unintentional, and to provide a report containing our audit opinion. This adequate level of certainty provides a high degree of certainty, though not a full guarantee, that an audit conducted fully in line with Austrian regulations, which stipulate the application of ISA rules, will in every case discover an essentially false representation, provided one exists. False representations may be an instance of fraud or may be a result of errors and will in principal be identified as such in cases in which there is a reasonable expectation that a single instance or group of these could influence decisions taken by readers on the basis of information provided by the consolidated financial statements.

As part of the consolidated financial statements, prepared according to Austrian regulations that require the application of ISA rules, we exercise obligatory discretion and maintain a critical stance throughout.

In addition,

- we identify and evaluate risks in the statements of intended or unintended false presentations, devise substantive procedures in response to these risks, execute them and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. There is a greater risk that a false presentation resulting from fraud will not be uncovered than one resulting from error since fraud could involve deceitful collusion, falsifications, purposeful omissions, deceptive presentations or the suspension of internal control measures.
- In evaluating these risks, the auditor takes into account the internal control system in order to plan audit actions that are reasonable under the given circumstances, but not with the objective of providing an audit assessment on the effectiveness of the Group's internal control system.
- An audit also includes an assessment of the reasonableness of the accounting principles applied and of the validity of the values estimated by the legal representatives in the accounting along with as assessment of related statements.

- We draw conclusions regarding the suitability of the accounting standards applied by the legal representatives to the continuation of business activities and, based on the solicited audit evidence, whether any fundamental uncertainty results from circumstances or events that could create significant doubt about the Group's ability to continue its business activities. If it is concluded that a significant uncertainty does exist, we are required to draw attention in our audit report to the relevant entries in the consolidated financial statements or, if this type of statement is inappropriate, to modify our audit opinion. Conclusions are established based on the audit evidence that was acquired up to the date of the audit opinion. Future events or circumstances could lead the Group to abandon the continuation of business activities as a result.
- We evaluate the consolidated financial statements' overall presentation, its structure and contents, including the provided data and whether the consolidated financial statements present the business activities and circumstances in an honest and complete manner.
- We request sufficient and relevant audit evidence regarding financial information related to the units or business activities within the Group in order to provide an audit opinion on the consolidated financial statements. We are responsible for guiding, monitoring and conducting the audit of the consolidated financial statements. We assume full and sole responsibility for our audit opinion.

We communicated with the Audit Committee regarding, among other things, the intended scope and scheduling of the audit and significant findings of the audit, including any significant shortcomings in the internal system of monitoring that we were able to identify over the course of our audit.

We provided the Audit Committee with a statement to the effect that we maintained the requirements for professional conduct and independence and provided said committee with information regarding all circumstances and facts which could reasonably be seen to have a possible effect on our independence and – when relevant – related precautionary measures.

We certify that the data that we shared with the Audit Committee were the most pertinent data in auditing the reporting year's consolidated financial statements and therefore represented particularly significant audit data. We describe this data in our audit opinion unless there are laws or other legal regulations that preclude sharing this information or we have determined, in a very small number of cases, that any the benefit of sharing certain information in the audit opinion in the interest of serving the public interest is outweighed by the probable negative effects of publication.

Other legal and regulatory requirements

Report on the group management report

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and whether it was prepared in line with applicable legal requirements.

The legal representatives are responsible for preparing the management report in line with Austrian company law and insurance supervisory regulations.

We prepared our audit in line with professional principles related to conducting audits of management reports.

Opinion

In our opinion, the management report for the Group has been prepared in line with applicable legal requirements and is consistent with the consolidated financial statements.

Declaration

Based on the data collected during the audit of the consolidated financial statements and familiarity with the Group and its circumstances, we have identified no erroneous information in the management report.

Other disclosures

The legal representatives are responsible for all other information. Other information includes all information in the annual report, excluding the consolidated financial statements, the management report and the audit opinion. The annual report was only provided after the date of the audit opinion.

Our audit opinion on the consolidated financial statements does not cover this other information, and we can offer no assurances of any kind with respect to it.

In conjunction with our audit of the consolidated financial statements, it is our responsibility to review this other information as soon as it is made available and determine whether it contradicts or compromises the validity of any of the findings of the audit in an essential way.

Public accountant responsible for the project

The public accountant responsible for this project is Liane Hirner.

Vienna, 10 March 2017

PwC Wirtschaftsprüfung GmbH

Liane Hirner
Chartered Accountant

Publication and duplication of the consolidated financial statements together with the audit opinion in a form differing from the version audited by us is not permitted. This audit opinion refers exclusively to the German version of the complete consolidated financial statements and the Group management report. For differing versions, the regulations of Section 281(2) Austrian Commercial Code apply.

Glossary

Acquisition costs
The amount paid to acquire an asset in cash or cash equivalents or the fair value of another form of compensation at the time of acquisition.

Affiliated companies
The parent company and its subsidiaries are affiliated companies. Subsidiaries are entities controlled by UNIQA.

Amortised cost
Amortised costs are costs of acquisition less permanent impairment (e.g. ongoing depreciation and amortisation).

Asset allocation
The structure of the investments, i.e. the proportional composition of the overall investments made up of the different types of investment (e.g. equities, fixed-income securities, equity investments, land and buildings, money market instruments).

Asset liability management
Management concept whereby decisions related to company assets and the equity and liabilities are coordinated with each other. Strategies related to the assets and the equity and liabilities are formulated, implemented, monitored and revised with this in a continuous process in order to attain the financial objectives given the risk tolerances and restrictions specified.

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

Available-for-sale financial assets
The available-for-sale financial assets include financial assets that are neither due to be held to maturity, nor have they been acquired for short-term trading purposes. Available-for-sale financial assets are measured at fair value. Fluctuations in value are recognised in other comprehensive income in the consolidated statement of comprehensive income.

Benchmark method
An accounting and measurement method preferred within the scope of IFRS accounting.

Best estimate
Calculation based on the best estimate. This is the probability-weighted average of future cash flows taking into account the expected present value and using the relevant risk-free yield curve.

Claims rate
Insurance benefits in property and casualty insurance as a ratio of premiums earned.

Combined ratio
Total sum of operating expenses and insurance benefits in relation to the (net) premiums earned in property and casualty insurance.

Corporate governance
Corporate governance refers to the legal and factual framework for managing and monitoring companies. Corporate governance regulations are used in order to ensure transparency and thereby boost confidence in responsible company management and controls based around added value.

Cost ratio
Ratio of total insurance operations expenses (net of reinsurance commissions received and share of profit from reinsurance ceded) to consolidated premiums earned (including savings portions of unit-linked and index-linked life insurance).

Deferred acquisition costs
These include the costs of the insurance company incurred in connection with the acquisition of new or the extension of existing contracts. Costs such as acquisition commissions as well as costs for processing applications and risk assessments are some of the items to be recorded here.

Direct insurance/insurance business acquired with the company itself
This relates to those contracts that a direct insurer enters into with private individuals or companies. The opposite of this is insurance acquired as a reinsurer (indirect business) for business acquired from another primary insurer or a reinsurer.

Duration
Duration refers to the weighted average term of an interest rate-sensitive investment or of a portfolio and is a measure of risk for the sensitivity of investments in the event of changes to interest rates.

ECM
Economic Capital Model. UNIQA assessment based on the EIOPA standard formula for calculating the risk capital requirement with the deviations of risk exposure for EEA (European Economic Area) government bonds, treatment of asset backed securities and using the partial internal model for property and casualty insurance.

ECR
Economic Capital Requirement. Risk capital requirement that results from the economic capital model.

ECR ratio
Economic Capital Requirement ratio. Relation of eligible capital (own funds) to risk capital according to the UNIQA Economic Capital Model. It represents a solvency ratio according to internal calculation methodology.

Equity method
Investment in associates is accounted for using this method. The value assessed corresponds with the Group's proportional equity in these companies. In the case of shares in companies that prepare their own consolidated financial statements, their Group equity is assessed accordingly in each case. Within the scope of ongoing valuations, this value must be updated to incorporate proportional changes in equity; the pro rate profit on ordinary activities is imputed to the Group results with this.

Fair value
The fair value is the price that would be collected in an ordinary business transaction between market participants for the sale of an asset or that would be paid for transferring a liability.

FAS
US Financial Accounting Standards that set out the details on US GAAP (Generally Accepted Accounting Principles).

Gross (premiums written)
The gross (premiums written) includes details on the items in the balance sheet and the income statement, excluding the proportion from reinsurance.

Hedging
Hedging against unwanted changes in exchange rates or prices using an appropriate offsetting item, particularly derivative financial instruments.

IASs
International Accounting Standards.

IFRSs
International Financial Reporting Standards. Since 2002 the term IFRSs has applied to the overall concept of standards adopted by the International Accounting Standards Board. Standards already adopted beforehand continue to be referred to as International Accounting Standards (IASs).

Insurance benefits
Total of insurance benefit payments and changes in the claims provision during the financial year in connection with direct insurance and reinsurance contracts (gross). This involves net insurance benefits when reduced by the amount ceded to reinsurance companies. This does not include claims settlement expenses and changes in the provisions for claims settlement expenses.

Insurance provision
Provision in the amount of the existing obligation to pay insurance benefits and reimbursements, predominantly in life and health insurance. The provision is determined using actuarial methods as a balance of the present value of future obligations less the present value of future premiums.

MCR
Minimum Capital Requirement. The minimum level of security below which the eligible basic own funds should not fall. The MCR is calculated using a formula in relation to the solvency capital requirement.

Non-controlling interests
Shares in the profit/(loss) that are not attributable to the Group but rather to companies outside the Group that hold shares in affiliated companies.

Operating expenses
This item includes acquisition expenses, portfolio management expenses and the expenses for implementing reinsurance. The operating expenses remain for the company's own account following deduction of the commissions and profit participation received from the reinsurance business ceded.

ORSA
Own Risk and Solvency Assessment. The company's own forward-looking risk and solvency assessment process. It forms an integral part of corporate strategy and the planning process – but at the same time also part of the overall risk management strategy.

Overall solvency needs
Overall solvency needs (OSN) refer to the company's individual risk assessment and capital requirements resulting therefrom. Corresponds with the ECR at UNIQA.

(Partial) internal model
Internally generated model developed by the insurance or reinsurance entity concerned and at the instruction of the FMA to calculate the solvency capital requirement or relevant risk modules (on a partial basis).

Premiums
Total premiums written. All premiums from contracts written in the financial year from business acquired by the company directly and as inward reinsurance.

Premiums earned
The actuarial premiums earned that determine the income for the year. In order to determine these, the changes to the unearned premiums, the cancellation provisions and the premium volume not yet written are taken into account, along with the gross premium volume written attributable to the financial year.

Premiums written
All premiums due during the financial year arising from insurance contracts under direct insurance business, regardless of whether these premiums relate (either wholly or partially) to a later financial year. This involves (net) premiums written when reduced by the amount ceded to reinsurance companies.

Profit participation
Policyholders have a reasonable right under statutory and contractual regulations to the company's surplus profits generated in life and health insurance. The level of this profit participation is determined again each year.

Provisions for premium refunds and profit sharing
The part of the surplus set aside for future distribution to the policyholders is placed in the provisions for premium refunds or profit participation. Deferred amounts are also included in the provision.

Provisions for unsettled claims
Also known as a claims reserve; takes into account obligations from claims that have already occurred as at the reporting date but which have not yet been settled in full.

Reinsurance
An insurance company insures part of its risk via another insurance company.

Reinsurance premiums ceded
Proportion of premiums to which the reinsurer is entitled as a result of assuming certain risks within the scope of reinsurance coverage.

Retention
The part of risk which is assumed but that the insurer/reinsurer does not cede as reinsurance.

Retrocession
Retrocession means reinsurance of inward reinsurance and is used as a risk policy instrument by professional reinsurance companies as well as in active reinsurance by other insurance companies.

Return on equity (ROE)
The return on equity is the ratio of the profit/(loss) to the average equity, after deducting non-controlling interests in each case.

Revaluation reserves
Unrealised gains and losses resulting from the difference between the fair value and the amortised cost are recorded directly in the equity in the item "Revaluation reserve" without affecting profit, and following deduction of deferred tax and deferred profit participation (in life insurance).

Risk appetite
Conscious assumption and handling of risk within risk-bearing capacity.

Risk limit
Limits the level of risk and ensures that, based on a specified probability, a certain level of loss or a certain negative variance from budgeted values (estimated performance) is not exceeded.

Risk margin
Under Section 161 of the Austrian Insurance Supervision Act 2016, the risk margin is an add-on to the best estimate to ensure that the value of technical provisions equates to the amount that insurers and reinsurers would need so that they are able to assume and satisfy their insurance and reinsurance obligations.

SCR
Solvency Capital Requirement. The eligible own funds that insurers or reinsurers must hold to enable them to absorb significant losses and give reasonable assurance to policyholders and beneficiaries that payments will be made as they fall due. It is calculated to ensure that all quantifiable risks (such as market risk, credit risk, life underwriting risk) are reliably taken into account. It covers both current operating activities and the new business expected in the subsequent twelve months.

Securities held to maturity
Securities that are held to maturity are debt securities that are intended to be held until they reach maturity. They are accounted for at amortised cost.

Solvency
An insurance company's equity base.

Solvency II
European Union Directive on publication obligations and solvency rules for the equity base of an insurance company.

Standard model (formula)
Standard formula for calculating the solvency capital requirement.

Stress test
Stress tests are a special form of scenario analysis. The objective is to provide a quantitative statement on the loss potential for portfolios in the event of extreme market fluctuations.

Subordinated liabilities
Liabilities that can only be repaid following the rest of the liabilities in the event of liquidation or bankruptcy.

Supplementary capital
Paid-in capital that is provided to the insurance company for a minimum of five years with a waiver of the right to cancel under the relevant agreement, and for which interest may only be paid provided that this is covered by the annual net profit.

Tiers
Classification of the basic own fund components into Tier 1, Tier 2 and Tier 3 capital using the own funds list in accordance with the criteria specified in the EU implementing regulation. If a component of basic own funds is not included in the list, an entity must carry out its own assessment and decide on a classification.

Unearned premiums
The part of the premiums that represents the compensation for the insurance period after the reporting date but which has not yet been earned as at the reporting date. Except in the case of life insurance, unearned premiums must be stated in the balance sheet as a separate item under the technical provisions.

US GAAP
US Generally Accepted Accounting Principles.

Value at Risk
Risk quantification method. This involves the calculation of the expected value of a loss that may arise in the event of unfavourable market developments with a probability specified within a defined period.

Value of business in-force
Calculation of the value of business in-force (VIF). Designates the present value of future profits arising from life insurance contracts, less the present value of the costs arising from the capital to be held in connection with this business.