

Notes to the Consolidated Financial Statements

Investments

1. 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 in accordance with the cost model. The investment property held as financial investments is subject to straight line depreciation over the useful life of 10 to 77 years and is recognised under the item “Net investment income”.

The fair value is determined using reports prepared by independent experts. These experts’ reports are prepared based on earned value and asset value methods or by weighted earned value and net asset value. It requires making assumptions about the future, 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. The construction and property value, location, useable area and usage category for the property are also taken into account. For this reason, all measurements of the fair value for the land and buildings come under Level 3 of the hierarchy in accordance with IFRS 13. The valuation techniques respond 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 at each key date based on the best estimate by management with due respect to the current prevailing market conditions.

Acquisition costs

In € thousand

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
At 1 January 2017	2,014,772
Currency translation	-2,579
Change in basis of consolidation	-2
Additions	14,925
Disposals	-105,061
Reclassifications	-127,440
At 31 December 2017	1,794,615

Accumulated amortisation and impairment losses

In € thousand

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
At 1 January 2017	-664,776
Currency translation	1,474
Additions from amortisation	-45,665
Additions from impairment	-13,029
Disposals	85,354
Reclassifications	74,637
Reversal of impairment	1,287
At 31 December 2017	-560,719

Carrying amounts

In € thousand

At 1 January 2016	1,392,590
At 31 December 2016	1,349,996
At 31 December 2017	1,233,896

Fair values

In € thousand

	Property and casualty insurance	Health insurance	Life insurance	Total
At 31 December 2016	471,847	533,945	1,242,487	2,248,279
At 31 December 2017	447,622	527,343	1,242,662	2,217,627

2. Financial assets accounted for using the equity method

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 period and in changes in other comprehensive income until the date the applicable 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 period. An impairment loss is reversed in the event of an advantageous change in the estimates used to determine the recoverable amount.

Reconciliation of summarised financial information

In € thousand	STRABAG SE		Associated companies not material on a stand-alone basis	
	2017 ^{1) 2)}	2016 ²⁾	2017	2016
Net assets at 1 January	3,113,049	3,029,356	118,463	164,459
Change in basis of consolidation	0	0	0	-64,664
Dividends	-97,470	-66,690	-866	-500
Profit/(loss) after taxes	277,652	202,686	17,761	10,474
Other comprehensive income	40,148	-52,303	-354	1,965
Net assets at 31 December	3,333,379	3,113,049	135,004	111,734
Shares in associated companies	14.26%	14.26%	Various investment amounts	
Carrying amount	509,509	475,831	51,440	45,474

¹⁾ Estimate for 31 Dec. 2017 based on the interim report as at 30 Sept. 2017 on STRABAG SE available as at the reporting date

²⁾ The carrying amounts are calculated based on the shares in circulation. 2017: 15.29%, 2016: 15.29%

At 31 December 2017, UNIQA held 14.3 per cent of STRABAG SE's share capital (31 December 2016: 14.3 per cent). UNIQA treats STRABAG SE as an associate due to contractual arrangements. As part of the accounting using the equity method, an assessment of the stake in STRABAG SE was made, based on the interim financial statements at 30 September 2017, for the period up until 31 December 2017. At 31 December 2017 the fair value amounts to €533,674 thousand (2016: €527,715 thousand).

Summarised statement of comprehensive income

In € thousand	STRABAG SE ¹⁾	
	1 – 9/2017	1 – 9/2016
Revenue	9,357,275	8,938,457
Depreciation	-277,866	-274,493
Interest income	30,000	44,427
Interest expenses	-73,185	-57,735
Income taxes	-49,130	-57,697
Profit/(loss) for the period	78,243	104,898
Other comprehensive income	25,594	-32,468
Total comprehensive income	103,837	72,430

Summarised statement of financial position

STRABAG SE¹⁾

In € thousand	30/9/2017	31/12/2016
Cash and cash equivalents	1,479,418	2,003,261
Other current assets	4,934,793	4,245,219
Current assets	6,414,211	6,248,480
Non-current assets	4,191,963	4,129,926
Total assets	10,606,174	10,378,406
Current financial liabilities	414,522	202,549
Other current liabilities	4,843,969	4,490,874
Current liabilities	5,258,491	4,693,423
Non-current liabilities	913,391	1,223,527
Other non-current liabilities	1,166,859	1,196,867
Non-current liabilities	2,080,250	2,420,394
Total liabilities	7,338,741	7,113,817
Net assets	3,267,433	3,264,589

¹⁾ STRABAG SE Interim Report January-September 2017 as published on 30/11/2017.

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 2017.

Summary of information on associated companies that are not material when considered on a stand-alone basis

In € thousand	1–12/2017	1–12/2016
Group's share of profit from continuing operations	6,413	6,729
Group's share of other comprehensive income	-142	788
Group's share of total comprehensive income	6,270	7,517

Unrecognised losses from associated companies

In € thousand	1–12/2017	1–12/2016
Unrecognised losses in the reporting period	0	1,682
Cumulative unrecognised losses	0	10,698

3. Other investments

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.

Measurement

With the exception of loans, investments are listed at their fair value.

Financial assets recognised at fair value through profit or loss

Financial assets are recognised 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). These include ABS bonds, structured bonds, hedge funds and investment certificates whose original classification fell within this category.

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. Unrealised gains and losses are recognised in profit/(loss) for the period.

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 period. Financial assets from derivative financial instruments are recognised under other 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 de-

recognised, the accumulated other comprehensive income is reclassified to profit/(loss) for the period.

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.

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

At 31 December 2017

	Variable-income securities	Fixed-income securities	Loans and other investments	Derivative financial instruments	Investments under investment contracts	Total
In € thousand						
Financial assets recognised at fair value through profit or loss	29,415	314,881	0	165,037	60,419	569,753
Available-for-sale financial assets	856,090	15,973,566	0	0	0	16,829,656
Loans and receivables	0	212,446	470,966	0	0	683,412
Total	885,505	16,500,894	470,966	165,037	60,419	18,082,821
of which fair value option	29,415	314,881	0	0	0	344,297

At 31 December 2016

	Variable-income securities	Fixed-income securities	Loans and other investments	Derivative financial instruments	Investments under investment contracts	Total
In € thousand						
Financial assets recognised at fair value through profit or loss	44,264	231,009	0	135,122	59,924	470,318
Available-for-sale financial assets	671,692	15,818,859	0	0	0	16,490,551
Loans and receivables	0	462,527	730,076	0	0	1,192,603
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

Impairments

Non-derivative financial assets

Financial assets not designated at fair value through profit or loss 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 period. 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 profit/(loss) for the period. 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 period by reclassifying the losses accumulated in equity. The accumulated loss that is reclassified from equity to profit/(loss) for the period 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 in profit/(loss) for the period.

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.

A regular review is carried out of the major unobservable inputs 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 evidence obtained from third parties is examined in order to see whether 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. On the basis of the inputs used in the valuation techniques, the fair values are assigned to different levels in the fair value hierarchy:

- Level 1: quoted prices (unadjusted) in 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, for example, 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 primarily involve application of the

discounted cash flow method, comparative 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 are assigned to Level 3.

If the inputs 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 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, techniques best suited for the establishment of corresponding value are applied. The following standard valuation techniques are applied for financial instruments which come under Levels 2 and 3:

- Market approach
The valuation method in the market value-oriented approach is based on prices or other applicable information from market transactions which involve identical or comparable assets and liabilities.
- Income approach
The income approach corresponds with the method whereby the future (expected) payment flows or earnings are inferred on a current amount.
- Cost approach
The cost-oriented approach generally corresponds to 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 is determined within the scope of the impairment test.

The loans are accounted for at amortised cost. 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 inputs.

Valuation techniques and inputs in the determination of fair values

Assets	Price method	Input factors	Price model
Fixed-income securities			
Listed bonds	Listed price	-	-
Unlisted 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
	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 floating rate note	Theoretical price	CDS spread, yield curves, volatilities (FX, cap/floor, swaption, constant maturity swap, shares)	Contract specific model
CMS spread certificate	Theoretical price	Deduction of fund prices	Contract specific model
Fund basket certificate	Theoretical price	CDS spread, yield curves, volatilities (FX, cap/floor, swaption, constant maturity swap, shares)	Black-Scholes-Garman-Kohlhagen Monte Carlo N-DIM
FX (Binary) option	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
Option (Inflation, OTC, OTC FX options)	Theoretical price	CDS spread, yield curves, volatilities (FX, cap/floor, swaption, constant maturity swap, shares)	Black-Scholes-Garman-Kohlhagen Monte Carlo N-DIM, LMM
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, Black-76-model, LIBOR market model, contract specific model
Swap, cross currency swap	Theoretical price	CDS spread, yield curves, volatilities (FX, cap/floor, swaption, constant maturity swap, shares)	Black - basis point volatility, contract specific model
Swaption, total return swaption	Theoretical price	CDS spread, yield curves, volatilities (FX, cap/floor, swaption, constant maturity swap, shares)	Contract specific model, Heston - Monte Carlo optimal strategy
Variance, volatility, correlation swap			
Investments from investment contracts			
Listed shares/investment funds	Listed price	-	-
Unlisted investment funds	Theoretical price	CDS spread, yield curves	Present value method

Valuation hierarchy

Assets and liabilities measured at fair value

	Level 1		Level 2		Level 3		Total	
In € thousand	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Available-for-sale financial assets								
Variable-income securities	727,791	394,259	125	6,761	128,173	270,673	856,090	671,692
Fixed-income securities	13,145,667	11,501,701	2,520,819	3,890,571	307,081	426,587	15,973,566	15,818,859
Total	13,873,458	11,895,959	2,520,944	3,897,332	435,254	697,260	16,829,656	16,490,551
Financial assets recognised at fair value through profit or loss								
Variable-income securities	0	0	17,684	25,058	11,732	19,206	29,415	44,264
Fixed-income securities	174,829	92,683	79,138	77,540	60,915	60,786	314,881	231,009
Derivative financial instruments	20	0	84,249	73,728	80,767	61,393	165,037	135,122
Investments from investment contracts	56,630	58,318	971	1,606	2,818	0	60,419	59,924
Total	231,479	151,001	182,042	177,932	156,232	141,385	569,753	470,318
Assets in disposal groups held for sale	0	3,763,960	0	357,583	0	32,212	0	4,153,754

	Level 1		Level 2		Level 3		Total	
In € thousand	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Financial liabilities								
Derivative financial instruments	0	0	22,502	30,555	2,307	0	24,809	30,555
Total	0	0	22,502	30,555	2,307	0	24,809	30,555

Fair values of assets and liabilities measured at amortised cost

	Level 1		Level 2		Level 3		Total	
In € thousand	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Investment property	0	0	0	0	2,217,627	2,248,279	2,217,627	2,248,279
Loans and receivables								
Loans and other investments	0	0	327,579	576,340	143,387	153,736	470,966	730,076
Fixed-income securities	50,356	51,499	152,994	340,994	32,360	94,785	235,711	487,279
Total	50,356	51,499	480,574	917,335	175,747	248,521	706,677	1,217,355
Assets in disposal groups held for sale	0	0	0	0	0	5,852	0	5,852

	Level 1		Level 2		Level 3		Total	
In € thousand	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Financial liabilities								
Liabilities from loans	0	0	0	0	13,837	14,968	13,837	14,968
Total	0	0	0	0	13,837	14,968	13,837	14,968
Subordinated liabilities	1,065,171	927,240	0	0	0	0	1,065,171	927,240

Transfers between Levels 1 and 2

In the reporting period transfers from Level 1 to Level 2 were made in the amount of €198,974 thousand (2016: €1,346,667 thousand) and from Level 2 to Level 1 in the amount of €1,506,647 thousand (2016: €1,074,490 thousand). These are attributable primarily to changes in trading frequency and trading activity.

In € thousand

	RZB shares	Fixed-income securities	Other	Total
At 1 January 2016	135,848	0	65,359	201,207
Transfers to Level 3	0	347,585	221,544	569,129
Gains and losses recognised in profit or loss	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
At 1 January 2017	126,071	426,587	285,987	838,645
Transfers from Level 3 to Level 1	-126,071	0.0	0.0	-126,071
Transfers to Level 3	0	107,276	1,741	109,017
Gains and losses recognised in profit or loss	0	-24,697	9,579	-15,119
Gains and losses recognised in other comprehensive income	0	-1,573	2,178	605
Purchases	0	99,756	11,284	111,040
Sales/redemptions	0	-300,268	-24,462	-324,730
Changes from currency translation	0	0	-7	-7
Change in basis of consolidation	0	0	-4,202	-4,202
At 31 December 2017	0	307,081	282,098	589,178

The transfers between levels 2 and 3 were made as a result of changes in the observability of the relevant inputs. Due to the merger of Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB), Vienna, with Raiffeisen Bank International AG (RBI), Vienna, UNIQA now only holds shares in RBI. Following the market listing of RBI these now have Level 1 input parameters, resulting in a transfer of the former RZB shares to Level 1.

Sensitivities

For the most important financial instruments in Level 3, an increase in the discount rate by 100 basis points results in a reduction in the value of 3.7 per cent (2016: 2.0 per cent). A reduction in the discount rate by 100 basis points results in a 3.7 per cent increase in value (2016: 2.8 per cent).

Level 3 financial instruments

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

Loans and other investments

Carrying amounts

In € thousand	31/12/2017	31/12/2016
Loans		
Loans to affiliated unconsolidated companies	0	1,800
Mortgage loans	17,150	22,189
Loans and advance payments on policies	8,409	8,359
Other loans	7,576	7,685
Total	33,135	40,033
Other investments		
Bank deposits	327,579	576,340
Deposits retained on assumed reinsurance	110,252	113,703
Total	437,831	690,043
Total sum	470,966	730,076

The carrying amounts of the loans and other investments correspond to their fair values. The measurement is based on collateral and the creditworthiness of the debtor; for deposits with banks it is based on quoted prices.

Impairment of loans

In € thousand	31/12/2017	31/12/2016
At 1 January	-25,832	-33,843
Allocation	-1,025	-697
Use	19,056	7,919
Reversal	1,502	815
Currency translation	-39	-26
At 31 December	-6,339	-25,832

Contractual maturities of loans

Fair values

In € thousand	31/12/2017	31/12/2016
Up to 1 year	2,625	5,369
More than 1 year and up to 5 years	8,575	9,892
More than 5 years up to 10 years	12,377	13,317
More than 10 years	9,558	11,456
Total	33,135	40,033

4. Net investment income

Classified by business line

In € thousand	Property and casualty insurance		Health insurance		Life insurance		Total	
	1-12/2017	1-12/2016	1-12/2017	1-12/2016	1-12/2017	1-12/2016	1-12/2017	1-12/2016
Investment property	-2,910	414	15,647	3,881	40,932	41,685	53,670	45,980
Financial assets accounted for using the equity method	8,396	5,551	16,133	11,741	25,662	21,322	50,190	38,614
Variable-income securities	21,878	41,134	17,788	4,675	13,062	-1,881	52,728	43,928
Available for sale	21,878	40,460	16,597	1,479	23,048	-1,551	61,523	40,388
At fair value through profit or loss	0	674	1,191	3,196	-9,986	-330	-8,795	3,540
Fixed-income securities	82,332	85,258	54,203	96,678	229,231	272,743	365,767	454,679
Available for sale	82,634	85,920	55,252	95,805	223,959	264,650	361,845	446,375
At fair value through profit or loss	-302	-662	-1,049	873	5,272	8,093	3,921	8,304
Loans and other investments	3,442	6,995	1,421	5,396	35,820	43,725	40,683	56,116
Loans	2,210	1,691	2,695	3,569	7,735	10,481	12,640	15,742
Other investments	1,232	5,303	-1,274	1,827	28,085	33,244	28,043	40,374
Derivative financial instruments	14,576	6,909	20,647	512	4,147	-21,976	39,370	-14,555
Investment administration expenses, interest paid and other investment expenses	-19,164	-13,635	-9,472	-7,976	-12,834	-14,259	-41,470	-35,869
Total	108,550	132,626	116,368	114,907	336,019	341,360	560,937	588,892

Classified by type of income

	Current income/expenses		Gains/losses from disposals and changes in value		Total		of which impairment	
	1–12/2017	1–12/2016	1–12/2017	1–12/2016	1–12/2017	1–12/2016	1–12/2017	1–12/2016
In € thousand								
Financial assets recognised at fair value through profit or loss	6,517	–4,074	27,979	1,363	34,496	–2,711	0	0
Variable-income securities (within the framework of fair value option)	1,945	3,601	–10,740	–61	–8,795	3,540	0	0
Fixed-income securities (within the framework of fair value option)	4,002	2,758	–81	5,546	3,921	8,304	0	0
Derivative financial instruments	570	–10,432	38,800	–4,123	39,370	–14,555	0	0
Investments under investment contracts ¹⁾	0	0	0	0	0	0	0	0
Available-for-sale financial assets	383,100	409,656	40,269	77,107	423,369	486,763	–38,964	–78,140
Variable-income securities	25,414	34,292	36,109	6,096	61,523	40,388	–1,843	–42,494
Fixed-income securities	357,686	375,364	4,160	71,011	361,845	446,375	–37,121	–35,646
Loans and receivables	42,006	54,562	–1,323	1,554	40,683	56,116	0	–2,202
Fixed-income securities	8,362	13,965	800	306	9,162	14,271	0	0
Loans and other investments	33,645	40,597	–2,123	1,248	31,521	41,845	0	–2,202
Investment property	70,241	73,282	–16,571	–27,302	53,670	45,980	–13,029	–144
Financial assets accounted for using the equity method	50,190	39,557	0	–944	50,190	38,614	0	0
Investment administration expenses, interest paid and other investment expenses	–41,470	–35,869	0	0	–41,470	–35,869	0	0
Total	510,584	537,115	50,353	51,778	560,937	588,892	–51,993	–80,486

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 €24,697 thousand (2016: losses of € 0 thousand) and income from fixed-income and variable-income securities at fair value through profit or loss includes losses of €2,657 thousand (2016: gains of €577 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 €12,286 thousand (2016: €22,860 thousand).

Net investment income includes realised and unrealised profits and losses of €50,353 thousand (2016: €51,778 thousand); these include currency losses of €62,262 thousand (2016: currency gains of €10,778 thousand). These currency losses are essentially the result of investments in US dollars. The currency losses in the underlying US dollar securities amounted to around €68,199 thousand (2016: currency gains of €22,149 thousand), as compared to income from derivative financial instruments as part of hedging transactions in the amount of €28,943 thousand (2016: expenses in the amount of €1,451 thousand). In addition, negative currency effects in the amount of €22,936 thousand (2016: positive currency effects in the

amount of €5,356 thousand) were recognised directly in equity.

Income from investment property includes rent revenue in the amount of €109,449 thousand (2016: €105,679 thousand) and direct operational expenses in the amount of €39,208 thousand (2016: €32,397 thousand).

Net profit/(loss) by measurement category

In € thousand

1–12/2017 1–12/2016

Financial assets recognised at fair value through profit or loss		
Recognised in profit/(loss) for the period	34,496	-2,711
Available-for-sale financial assets		
Recognised in profit/(loss) for the period	423,369	486,763
of which reclassified from equity to consolidated income statement	-130,195	-82,551
of which recognised in other comprehensive income ¹⁾	-148,323	243,315
Net income	275,045	730,078
Loans and receivables		
Recognised in profit/(loss) for the period	40,683	56,116
Financial liabilities measured at amortised cost		
Recognised in profit/(loss) for the period	-53,017	-67,477

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.

Technical items

Insurance and reinsurance contracts along with investment contracts with a discretionary participation feature fall within the scope of IFRS 4 – Insurance Contracts. 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 on assessment and measurement. For balancing the accounts and evaluation of the insurance-specific entries of life insurance with profit participation, 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.

Insurance and investment contracts

Insurance contracts are contracts through which a significant insurance risk is assumed. Investment contracts, i.e. contracts that do not transfer a significant insurance risk and that do not include a discretionary profit participation feature. They fall under the scope of IAS 39 (Financial Instruments).

Reinsurance contracts

Ceded reinsurance is stated in a separate item under assets. 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. Reinsurance acquired (indirect business) is recognised as an insurance contract.

5. Technical provisions

Unearned premiums

For short-term insurance contracts, such as most property and casualty insurance policies, 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 redemption 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 insurance provision.

Insurance provisions

Insurance provisions are essentially 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. Insurance provisions are also established in the property and casualty lines that cover life-long obligations (accident pensions and as well as pensions in motor liability insurance). 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 insurance provision. Insurance provision is arrived at by combining the invested amounts, the change in value of the underlying investments and the withdrawals under the policy.

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).

Provisions for unsettled claims

Provisions for unsettled claims in the property and casualty insurance lines contain the actual and the expected amounts of future financial obligations, including 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.

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

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

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

Provisions for premium refunds and profit participation

The provision for premium refunds includes the amounts for profit-related and non-profit related profit participation 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 in accordance with IFRSs are presented with deferred profit participation taken into account, whereby this is also reported in profit/(loss) for the period 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 contains provision for contingent losses for acquired reinsurance portfolios as well as 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 best estimate reserve is compared with the IFRS reserve less the deferred acquisition costs plus unearned revenue liability (URL). 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 already uses the best estimate approach for calculating loss reserves in non-life, only 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 insurance and other.

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 2017	541,701	12,273	2,287,500	26,815	1,399	15,096	2,884,784
Foreign exchange differences	7,773	9	16,375	-2	46	366	24,566
Portfolio changes	12,508	-17	116,717				129,208
Additions		376		1,617	327	1,169	3,488
Disposals		-91		-188		-2,323	-2,603
Premiums written	2,639,699						2,639,699
Premiums earned	-2,638,167						-2,638,167
Claims reporting year			1,651,428				1,651,428
Claims payments reporting year			-840,646				-840,646
Change in claims previous years			-76,821				-76,821
Claims payments previous years			-662,186				-662,186
At 31 December 2017	563,515	12,550	2,492,366	28,242	1,771	14,308	3,112,751
Health insurance							
At 1 January 2017	7,780	2,660,066	158,203	10,684	44,621	561	2,881,916
Foreign exchange differences	-52	170	-489	-1	0	8	-363
Portfolio changes	16	3,582	1,265				4,863
Additions		135,247		9,797	26,404	102	171,549
Disposals		-26		-8,900	-19,480	-14	-28,420
Premiums written	1,041,964						1,041,964
Premiums earned	-1,038,981						-1,038,981
Claims reporting year			648,054				648,054
Claims payments reporting year			-551,643				-551,643
Change in claims previous years			52,083				52,083
Claims payments previous years			-141,980				-141,980
At 31 December 2017	10,727	2,799,040	165,494	11,580	51,545	657	3,039,042
Life insurance							
At 1 January 2017		10,774,952	139,844	3,923	919,019	4,795	11,842,533
Foreign exchange differences		-1,798	298	-1	368	0	-1,132
Portfolio changes		22,454	-103		-7,109		15,242
Additions		160,605		907	3,638	1,002	166,152
Disposals		-748,603			-107,968	-1,142	-857,713
Claims reporting year			1,608,701				1,608,701
Claims payments reporting year			-1,455,481				-1,455,481
Change in claims previous years			32,473				32,473
Claims payments previous years			-156,255				-156,255
At 31 December 2017		10,207,610	169,477	4,829	807,948	4,655	11,194,519
Total							
At 1 January 2017	549,482	13,447,291	2,585,547	41,422	965,038	20,452	17,609,233
Foreign exchange differences	7,721	-1,619	16,184	-3	415	374	23,071
Portfolio changes	12,524	26,019	117,879		-7,109		149,314
Additions		296,228		12,320	30,369	2,273	341,190
Disposals		-748,720		-9,089	-127,448	-3,479	-888,736
Premiums written	3,681,663						3,681,663
Premiums earned	-3,677,148						-3,677,148
Claims reporting year			3,908,183				3,908,183
Claims payments reporting year			-2,847,770				-2,847,770
Change in claims previous years			7,735				7,735
Claims payments previous years			-960,422				-960,422
At 31 December 2017	574,242	13,019,200	2,827,337	44,650	861,264	19,620	17,346,312

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 2017	23,021	13	151,227			2,158	176,419
Foreign exchange differences	588	0	505			-2	1,092
Portfolio changes	657		1,034				1,691
Disposals		-1				-366	-366
Premiums written	143,175						143,175
Premiums earned	-141,538						-141,538
Claims reporting year			30,932				30,932
Claims payments reporting year			-14,339				-14,339
Change in claims previous years			2,169				2,169
Claims payments previous years			-26,215				-26,215
At 31 December 2017	25,903	12	145,312			1,791	173,019
Health insurance							
At 1 January 2017	281	995	582				1,857
Foreign exchange differences	9	-21	0				-12
Portfolio changes	9						9
Additions		262					262
Disposals		-76					-76
Premiums written	1,116						1,116
Premiums earned	-1,214						-1,214
Claims reporting year			920				920
Claims payments reporting year			-893				-893
Change in claims previous years			1,019				1,019
Claims payments previous years			-1,598				-1,598
At 31 December 2017	200	1,159	31				1,391
Life insurance							
At 1 January 2017		141,556	4,789			-178	146,166
Foreign exchange differences		-38	22			0	-16
Portfolio changes		-2,313					-2,313
Additions		252				195	447
Disposals		-3,234					-3,234
Claims reporting year			23,226				23,226
Claims payments reporting year			-20,930				-20,930
Change in claims previous years			2,457				2,457
Claims payments previous years			-4,088				-4,088
At 31 December 2017		136,223	5,477			17	141,716
Total							
At 1 January 2017	23,302	142,563	156,598			1,980	324,443
Foreign exchange differences	597	-59	528			-2	1,064
Portfolio changes	666	-2,313	1,034				-614
Additions		514				195	709
Disposals		-3,311				-366	-3,676
Premiums written	144,291						144,291
Premiums earned	-142,752						-142,752
Claims reporting year			55,078				55,078
Claims payments reporting year			-36,162				-36,162
Change in claims previous years			5,644				5,644
Claims payments previous years			-31,901				-31,901
At 31 December 2017	26,103	137,394	150,820			1,808	316,126

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 2017	518,681	12,260	2,136,273	26,815	1,399	12,937	2,708,366
Foreign exchange differences	7,184	9	15,869	-2	46	368	23,475
Portfolio changes	11,851	-17	115,683				127,517
Additions		376		1,617	327	1,169	3,488
Disposals		-91		-188		-1,958	-2,237
Premiums written	2,496,524						2,496,524
Premiums earned	-2,496,629						-2,496,629
Claims reporting year			1,620,496				1,620,496
Claims payments reporting year			-826,307				-826,307
Change in claims previous years			-78,990				-78,990
Claims payments previous years			-635,971				-635,971
At 31 December 2017	537,612	12,538	2,347,053	28,242	1,771	12,516	2,939,733
Health insurance							
At 1 January 2017	7,499	2,659,072	157,622	10,684	44,621	561	2,880,058
Foreign exchange differences	-61	191	-489	-1	0	8	-351
Additions		134,985		9,797	26,404	102	171,288
Disposals		50		-8,900	-19,480	-14	-28,344
Premiums written	1,040,848						1,040,848
Premiums earned	-1,037,767						-1,037,767
Claims reporting year			647,134				647,134
Claims payments reporting year			-550,750				-550,750
Change in claims previous years			51,064				51,064
Claims payments previous years			-140,382				-140,382
At 31 December 2017	10,526	2,797,881	165,463	11,580	51,545	657	3,037,651
Life insurance							
At 1 January 2017		10,633,396	135,055	3,923	919,019	4,974	11,696,366
Foreign exchange differences		-1,760	276	-1	368	0	-1,117
Portfolio changes		24,767	-103		-7,109		17,555
Additions		160,353		907	3,638	807	165,705
Disposals		-745,369			-107,968	-1,142	-854,479
Claims reporting year			1,585,474				1,585,474
Claims payments reporting year			-1,434,551				-1,434,551
Change in claims previous years			30,016				30,016
Claims payments previous years			-152,168				-152,168
At 31 December 2017		10,071,387	164,000	4,829	807,948	4,638	11,052,803
Total							
At 1 January 2017	526,180	13,304,728	2,428,950	41,422	965,038	18,472	17,284,790
Foreign exchange differences	7,124	-1,560	15,656	-3	415	375	22,007
Portfolio changes	11,858	28,333	116,845		-7,109		149,927
Additions		295,714		12,320	30,369	2,078	340,481
Disposals		-745,409		-9,089	-127,448	-3,113	-885,059
Premiums written	3,537,372						3,537,372
Premiums earned	-3,534,396						-3,534,396
Claims reporting year			3,853,104				3,853,104
Claims payments reporting year			-2,811,608				-2,811,608
Change in claims previous years			2,090				2,090
Claims payments previous years			-928,521				-928,521
At 31 December 2017	548,138	12,881,806	2,676,517	44,650	861,264	17,812	17,030,187

The interest rates used as an accounting basis for the insurance provision were as follows:

For	Health insurance	Life insurance
In per cent		
2017		
For insurance provision	1.50 - 5.50	0.00 - 4.00
For deferred acquisition costs	1.50 - 5.50	2.49 - 2.54
2016		
For insurance provision	1.50 - 5.50	0.00 - 4.00
For deferred acquisition costs	1.50 - 5.50	2.50 - 3.12

Development of the provision for deferred profit participation

	31/12/2017	31/12/2016
At 1 January	837,520	905,019
Fluctuation in value, available-for-sale securities	-330,639	152,924
Revaluations of defined benefit obligations	515	-1,127
Revaluations through profit or loss	228,772	-15,330
Reclassifications held for sale	0	-203,967
At 31 December	736,168	837,520

Claims payments

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Financial year	596,020	680,427	751,599	773,996	714,267	778,329	798,573	729,222	734,691	746,846	814,664	
1 year later	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	1,118,644		
2 years later	988,825	1,108,613	1,228,232	1,229,475	1,177,160	1,255,972	1,285,030	1,204,327	1,202,760			
3 years later	1,029,929	1,152,195	1,286,633	1,276,504	1,225,202	1,308,792	1,334,305	1,251,179				
4 years later	1,061,900	1,178,204	1,311,375	1,300,643	1,251,970	1,339,606	1,362,980					
5 years later	1,078,782	1,197,413	1,327,499	1,318,705	1,266,660	1,358,361						
6 years later	1,090,094	1,208,719	1,341,509	1,329,655	1,278,874							
7 years later	1,098,971	1,219,432	1,350,716	1,338,526								
8 years later	1,107,299	1,228,579	1,358,874									
9 years later	1,109,434	1,233,379										
10 years later	1,114,559											

Cumulated payments and provision for unsettled claims

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Financial year	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	1,615,166	
1 year later	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	1,495,915		
2 years later	1,147,451	1,272,176	1,410,426	1,404,598	1,350,674	1,449,431	1,495,723	1,437,879	1,429,766			
3 years later	1,146,234	1,271,441	1,407,144	1,392,071	1,353,309	1,454,301	1,489,480	1,413,637				
4 years later	1,151,828	1,269,188	1,401,274	1,394,923	1,353,437	1,447,394	1,474,842					
5 years later	1,160,358	1,266,219	1,402,704	1,401,018	1,351,386	1,447,991						
6 years later	1,160,625	1,272,535	1,405,034	1,399,677	1,349,836							
7 years later	1,162,715	1,276,077	1,411,355	1,397,935								
8 years later	1,159,032	1,282,654	1,412,051									
9 years later	1,155,644	1,282,802										
10 years later	1,158,678											
Settlement gains/losses	-3,034	-149	-696	1,741	1,549	-598	14,637	24,242	19,738	20,013		77,444
Settlement gains/losses before 2007												-649
Total settlement gains/losses												76,795
Provision for unsettled claims for accident years before 2007												260,811
Provision for unsettled claims	44,119	49,423	53,177	59,409	70,962	89,631	111,863	162,459	227,006	377,270	800,503	2,045,822
Plus other reserve components (internal claims regulation costs, etc.)												185,732
Provisions for unsettled claims (gross) at 31 December 2017												2,492,366

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

This item relates to insurance provisions and 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. The investments in question are collected in asset pools, recognised at their fair value and kept separately from the other investments. As a general rule, the valuation for the provisions corresponds with the item “Unit-linked and index-linked life insurance investments”. The policyholders are entitled to all income from these investments. 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. The reinsurers’ share corresponds to a liability for deposits in the same amount.

An unearned revenue liability 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.

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

In € thousand

	31/12/2017	31/12/2016
Gross	5,019,325	4,846,591
Reinsurers’ share	-291,958	-318,636
Total	4,727,367	4,527,955

7. Premiums

The item “Premiums written (gross)” includes those amounts that have been called due either once or on an ongoing basis in the financial year for the purposes of providing the insurance coverage. In the event of payment in instalments premiums written are increased by the charges added during the year 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”.

Premiums

In € thousand

1–12/2017 1–12/2016

Premiums written - gross	4,811,666	4,643,113
Premiums written - reinsurer’s share	-179,825	-171,950
Premiums written - net	4,631,841	4,471,163
Change in premiums earned - gross	-5,555	-31,425
Change in premiums earned - reinsurers’ share	1,647	3,233
Premiums earned	4,627,933	4,442,970

Direct insurance

In € thousand

1–12/2017 1–12/2016

Property and casualty insurance	2,581,219	2,482,065
Health insurance	1,041,936	1,003,654
Life insurance	1,118,276	1,108,319
Total	4,741,430	4,594,038

Of which written in:

Austria	3,415,559	3,379,538
remaining EU member states and other states which are party to the Agreement on the European Economic Area	1,022,936	955,980
other countries	302,935	258,519
Total	4,741,430	4,594,038

Indirect insurance

In € thousand

1–12/2017 1–12/2016

Property and casualty insurance	58,480	36,367
Health insurance	28	2
Life insurance	11,728	12,706
Total	70,236	49,075

Property and casualty insurance premiums written

In € thousand

	1–12/2017	1–12/2016
Direct insurance		
Fire and business interruption insurance	245,056	227,994
Liability insurance	242,206	235,949
Household insurance	187,059	178,439
Motor TPL insurance	582,418	579,705
Legal expense insurance	88,402	84,991
Marine, aviation and transport insurance	55,488	59,763
Other motor insurance	511,503	475,044
Other property insurance	243,505	229,123
Other forms of insurance	69,375	63,988
Casualty insurance	356,207	347,068
Total	2,581,219	2,482,065

Indirect insurance

Fire and business interruption insurance	29,949	21,983
Motor TPL insurance	14,858	5,745
Other forms of insurance	13,673	8,639
Total	58,480	36,367

Total direct and indirect insurance

(amount consolidated)	2,639,699	2,518,432
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Reinsurance premiums ceded

in € thousand

	1–12/2017	1–12/2016
Property and casualty insurance	143,175	133,022
Health insurance	1,116	1,265
Life insurance	35,534	37,663
Total	179,825	171,950

Premiums earned

In € thousand

	1–12/2017	1–12/2016
Property and casualty insurance	2,495,084	2,359,053
Gross	2,636,698	2,488,862
Reinsurers' share	-141,614	-129,809
Health insurance	1,038,875	1,000,356
Gross	1,039,900	1,001,599
Reinsurers' share	-1,025	-1,243
Life insurance	1,093,974	1,083,561
Gross	1,129,513	1,121,226
Reinsurers' share	-35,539	-37,665
Total	4,627,933	4,442,970

Premiums earned – indirect insurance

in € thousand

	1–12/2017	1–12/2016
Recognised simultaneously	19,521	13,592
Recognised with a delay of up to 1 year	-7,481	19,679
Posted after more than 1 year	-184	106
Property and casualty insurance	11,856	33,377
Recognised with a delay of up to 1 year	-48	2
Health insurance	-48	2
Recognised simultaneously	2,790	0
Recognised with a delay of up to 1 year	8,618	12,222
Life insurance	11,407	12,222
Total	23,215	45,601

Earnings – indirect insurance

In € thousand

	1–12/2017	1–12/2016
Property and casualty insurance	73,576	27,621
Health insurance	-1,019	970
Life insurance	7,223	7,792
Total	79,781	36,383

8. Insurance benefits

	Gross		Reinsurers' share		Net	
In € thousand	1–12/2017	1–12/2016	1–12/2017	1–12/2016	1–12/2017	1–12/2016
Property and casualty insurance						
Claims expenses						
Claims paid	1,567,200	1,449,961	–40,848	–54,383	1,526,352	1,395,578
Change in provision for unsettled claims	71,257	127,253	7,715	–3,756	78,972	123,496
Total	1,638,456	1,577,214	–33,133	–58,140	1,605,323	1,519,074
Change in insurance provision	318	–379	1	1	318	–377
Change in other technical provisions	–396	–464	0	0	–396	–464
Non-profit related and profit-related premium refund expenses	39,592	32,361	0	0	39,592	32,361
Total benefits	1,677,970	1,608,732	–33,132	–58,138	1,644,837	1,550,593
Health insurance						
Claims expenses						
Claims paid	700,202	664,665	–2,490	–275	697,711	664,390
Change in provision for unsettled claims	6,597	10,207	550	–559	7,148	9,648
Total	706,799	674,872	–1,940	–834	704,859	674,038
Change in insurance provision	136,173	125,983	–199	84	135,974	126,067
Change in other technical provisions	4	–564	0	0	4	–564
Non-profit related and profit-related premium refund expenses	36,774	44,030	0	0	36,774	44,030
Total benefits	879,750	844,321	–2,139	–750	877,611	843,571
Life insurance						
Claims expenses						
Claims paid	1,617,125	1,724,173	–25,075	–26,453	1,592,050	1,697,720
Change in provision for unsettled claims	29,858	–22,440	–671	230	29,187	–22,210
Total	1,646,983	1,701,732	–25,746	–26,222	1,621,237	1,675,510
Change in insurance provision	–633,129	–698,099	–3,110	–7,571	–636,238	–705,669
Change in other technical provisions	0	–4	–200	0	–200	–4
Non-profit related and profit-related premium refund expenses and/or (deferred) benefit participation expenses	51,403	21,564	0	0	51,403	21,564
Total benefits	1,065,257	1,025,194	–29,056	–33,793	1,036,201	991,401
Total	3,622,976	3,478,247	–64,327	–92,681	3,558,650	3,385,566

9. Operating expenses

In € thousand

1–12/2017 1–12/2016

	1–12/2017	1–12/2016
Property and casualty insurance		
Acquisition costs		
Payments	565,827	549,185
Change in deferred acquisition costs	8,706	–9,590
Other operating expenses	225,164	233,529
Reinsurance commission and share of profit from reinsurance ceded	–11,222	–9,944
	788,475	763,180
Health insurance		
Acquisition costs		
Payments	101,929	106,621
Change in deferred acquisition costs	–12,165	–7,472
Other operating expenses	78,690	76,800
Reinsurance commission and share of profit from reinsurance ceded	–457	–463
	167,998	175,486
Life insurance		
Acquisition costs		
Payments	195,140	224,249
Change in deferred acquisition costs	19,204	27,681
Other operating expenses	116,444	106,702
Reinsurance commission and share of profit from reinsurance ceded	–11,286	–10,904
	319,501	347,728
Total	1,275,974	1,286,394

Other non-current assets

10. Property, plant and equipment

Property, plant and equipment are accounted for using the cost model.

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 at the date of the change.

Property, plant and equipment are depreciated on a straight line basis over a useful life for buildings of 10 to 77 years and for technical systems and operating and office equipment of 2 to 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 period on the basis of allocated operating expenses under the items “Insurance benefits”, “Operating expenses” and “Net investment income” so that the expenses and earnings are distributed on the basis of their causation.

Acquisition costs

In € thousand

	Land and buildings for own use	Other property, plant and equipment	Total
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
At 1 January 2017	278,454	222,845	501,299
Currency translation	1,611	16	1,627
Change in basis of consolidation	2	0	2
Additions	3,095	19,789	22,884
Disposals	-1,754	-13,043	-14,797
Reclassifications	70,545	-2,621	67,924
At 31 December 2017	351,953	226,986	578,938

Accumulated amortisation and impairment losses

In € thousand

	Land and buildings for own use	Other property, plant and equipment	Total
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
At 1 January 2017	-80,458	-155,621	-236,080
Currency translation	-591	112	-478
Additions from amortisation	-12,175	-15,223	-27,398
Additions from impairment	-256	0	-256
Disposals	84	10,977	11,061
Reclassifications	-15,157	-19	-15,176
At 31 December 2017	-108,553	-159,775	-268,327

Carrying amounts

In € thousand

	Land and buildings for own use	Other property, plant and equipment	Total
At 1 January 2016	222,361	70,628	292,989
At 31 December 2016	197,995	67,224	265,219
At 31 December 2017	243,400	67,211	310,611

The fair values of the land and buildings for own use 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 2016	179,153	14,843	126,858	320,854
At 31 December 2017	202,266	30,208	168,277	400,751

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

11. Intangible assets

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. 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. 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. 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. The changes in deferred acquisition costs are recognised as part of profit/(loss) for the period under operating expenses.

Portfolio value

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 insurance contracts follows the progression of the estimated gross margins. The amortisation of the value of insurance contracts is recognised in the profit/(loss) for the period under “Amortisation of goodwill and impairment losses”.

Goodwill

Goodwill is valued at cost less accumulated impairment losses. The impairment of goodwill is recognised in profit/(loss) for the period under the item “Amortisation of goodwill and impairment losses”.

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). 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 2017. 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 subgroup 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)

Goodwill by CGU

In € thousand

31/12/2017 31/12/2016

	31/12/2017	31/12/2016
Albania/Kosovo/Macedonia as subgroup of the “SIGAL Group”	21,307	20,995
Bulgaria	55,812	55,812
Poland	28,461	26,955
Romania	101,092	103,753
Serbia	19,918	19,072
Czech Republic	8,305	7,849
Hungary	17,232	17,260
UNIQA Austria	37,737	37,737
Other	5,720	5,937
Total	295,584	295,369

Determining the capitalisation rate

The assumptions with regard to risk-free interest rate, market risk premium and segment betas made for determining 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 insurance is therefore used in relation to the health and life 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.

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, in combination with the reporting and documentation process integrated into this dialogue. The plans are formally approved by the Group Management

Board and also include material assumptions regarding the combined ratio, capital earnings, 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 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.

Capitalisation rate 2017

In per cent	Discount factor		Discount factor perpetuity		Growth rate (perpetuity)
	Property/ casualty	Life & health	Property/ casualty	Life & health	Property/ casualty Life & health
Bosnia and Herzegovina	14.1	14.7	15.6	16.2	6.4
Bulgaria	8.4	8.9	10.2	10.7	5.8
Croatia	9.9	10.4	11.4	11.9	5.4
Liechtenstein	7.0	7.5	6.8	7.3	1.0
Montenegro	12.5	13.0	13.2	13.7	6.0
Austria	8.2	8.8	8.2	8.8	1.0
Poland	7.8	8.3	9.3	9.8	5.0
Romania	8.5	9.1	10.9	11.5	5.8
Russia	17.5	18.0	12.8	13.3	6.8
Switzerland	7.0	7.5	6.8	7.3	1.0
Serbia	12.8	13.4	14.1	14.7	6.3
Albania/Kosovo/Macedonia as subgroup of the "SIGAL Group"	11.5 - 14.1	12.1 - 14.6	12.1 - 14.2	12.7 - 14.7	6.3 - 6.9
Slovakia	8.8	9.3	8.8	9.3	4.6
Czech Republic	8.9	9.5	8.6	9.2	4.4
Ukraine	34.3	34.9	22.8	23.4	7.6
Hungary	10.4	11.0	11.4	12.0	5.3

The discount rate ranges listed for the SIGAL Group and the regions relate to the spread over the respective countries grouped under these headings.

Capitalisation rate 2016

In per cent	Discount factor		Discount factor perpetuity		Growth rate (perpetuity)
	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 - 12.0	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

The discount rate ranges listed for the SIGAL Group and the regions relate to the spread over the respective countries grouped under these headings.

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 finan-

cial crisis in individual markets, are the largest uncertainties in connection with measurement 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 for Bosnia and Herzegovina, 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. In the event of a higher rise in interest rates of 100 basis points or a change to the underlying cash flows by -5.0 or -10 per cent, there will also only be a risk of a convergence or a value in use that is lower than the carrying amount in Bosnia and Herzegovina.

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	110,436	35,172	0
Poland	307,889	185,662	0
Romania	195,268	36,063	0
UNIQA Austria	2,938,457	973,670	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 profits 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.

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.

Costs that are incurred at the research stage for internally generated software are recognised through profit or loss for the period in which they were incurred. Costs that are incurred in the development phase 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 of the other intangible assets is recognised in profit/(loss) for the period on the basis of allocated operating expenses under the items “Insurance benefits”, “Operating expenses” and “Net investment income”.

Measurement of 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 under construction are tested for impairment annually.

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.

Acquisition costs

In € thousand

	Deferred acquisition costs	Insurance contract portfolio	Goodwill	Other intangible assets	Total
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
Amortisation	-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
At 1 January 2017	1,134,853	113,496	377,599	191,493	1,817,441
Currency translation	1,885	-593	422	803	2,517
Additions	0	0	0	53,973	53,973
Disposals	0	0	-207	-1,455	-1,662
Reclassifications	0	0	0	56	56
Interest capitalised	-4,425	0	0	0	-4,425
Capitalisation	117,421	0	0	0	117,421
Amortisation	-116,578	0	0	0	-116,578
At 31 December 2017	1,133,156	112,903	377,814	244,870	1,868,743

Accumulated amortisation and impairment losses

In € thousand

	Deferred acquisition costs	Insurance contract portfolio	Goodwill	Other intangible assets	Total
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	-11,580	-19,438
Additions from impairment		-1,873	-16,590	0	-18,463
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
At 1 January 2017		-95,179	-82,230	-147,672	-325,081
Currency translation		627	0	-337	290
Additions from amortisation		-5,039	0	-9,991	-15,030
Disposals		0	0	626	626
At 31 December 2017		-99,591	-82,230	-157,374	-339,195

Carrying amounts

In € thousand

	Deferred acquisition costs	Insurance contract portfolio	Goodwill	Other intangible assets	Total
At 1 January 2016	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
At 31 December 2017	1,133,156	13,313	295,584	87,496	1,529,548

The other intangible assets essentially consist of software.

Other current assets

12. Receivables, including insurance receivables

In € thousand	31/12/2017	31/12/2016
Reinsurance receivables		
Receivables from reinsurance business	35,605	38,024
	35,605	38,024
Insurance receivables		
from policyholders	219,665	210,396
from insurance intermediaries	20,171	23,066
from insurance companies	11,112	9,747
	250,948	243,209
Other receivables		
Interest and rent	181,509	191,850
Receivables from services	50,655	42,778
Receivables from transaction with investments	45,427	39,191
Other tax refund claims	17,155	14,861
Remaining receivables	57,251	32,711
	351,996	321,391
Subtotal	638,549	602,624
of which receivables with a remaining maturity of		
up to 1 year	634,928	596,312
more than 1 year	3,621	6,313
	638,549	602,624
of which receivables with values not yet impaired		
up to 3 months overdue	13,481	12,716
more than 3 months overdue	10,209	9,727
Other assets	37,365	36,071
Total receivables including insurance receivables	675,914	638,695

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

The fair values are essentially equal to the carrying amounts. The fair values are essentially equal to the carrying amounts.

Impairments

In € thousand	Reinsurance receivables		Insurance receivables ¹⁾		Additional receivables	
	2017	2016	2017	2016	2017	2016
At 1 January	-243	-116	-20,532	-31,086	-16,273	-14,672
Allocation	-500	-137	-5,169	-6,882	-761	-2,355
Use	220	0	3,862	3,295	95	324
Reversal	0	11	3,149	8,109	8,462	183
Currency translation	-1	-1	-168	57	468	247
Reclassifications held for sale	0	0	0	5,975	0	0
At 31 December	-525	-243	-18,858	-20,532	-8,010	-16,273

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

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

13. Cash and cash equivalents

They are measured at the exchange rate in effect on the reporting date. 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.

14. Assets and liabilities in disposal groups held for sale, as well as discontinued operations

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.

Due to the contract of assignment dated 3 January 2017, the 29 per cent holding in Medial Beteiligungs-Gesellschaft m.b.H. (Medial), Vienna, is stated under this item.

On 16 May 2017, the sale of the 99.7 per cent holding in the Group company UNIQA Assicurazioni SpA (Italian Group) was closed. Assets and liabilities that were recorded under the item "Assets and liabilities in disposal groups held for sale" up until the closing were derecognised accordingly.

Assets and liabilities in disposal groups held for sale are as follows:

In € thousand	31/12/2017	31/12/2016
Assets		
Property, plant and equipment	0	21,743
Intangible assets	0	112,003
Investments		
Investment property	0	1,354
Financial assets accounted for using the equity method	9,289	9,289
Other investments	0	4,156,674
Unit-linked and index-linked life insurance investments	0	354,215
Reinsurers' share of technical provisions	0	206,860
Receivables, including insurance receivables	0	163,135
Income tax receivables	0	16,719
Deferred tax assets	0	19,039
Cash and cash equivalents	0	12,697
Assets in disposal groups held for sale	9,289	5,073,729

In € thousand	31/12/2017	31/12/2016
Liabilities		
Technical provisions	0	4,213,530
Technical provisions for unit-linked and index-linked life insurance	0	354,215
Other provisions	0	10,999
Liabilities and other items classified as liabilities	0	231,068
Income tax liabilities	0	7,641
Deferred tax liabilities	0	44,775
Liabilities in disposal groups held for sale	0	4,862,227

In the course of the sale of the Italian Group, UNIQA provided a contractual guarantee to Società Reale Mutua di Assicurazioni in the amount of maximum €40 million from the sales partnership with Veneto Banca S.p.A. (Montebelluna, Italy), which remains in place until 2019. The reinsurance obligations towards the Italian Group that were entered into prior to the sale will be cleared by 31 December 2019.

As a result of insolvency proceedings regarding Veneto Banca S.p.A. that began in June 2017, Banca Intesa Sanpaolo (Turin, Italy) has taken over part of Veneto Banca's business. However, the sales partnership with the UNIQA Italian Group has not been taken over as yet. As a result, UNIQA is likely to be liable for payment of the full amount based on the contractu-

al guarantee. A corresponding provision of €40 million has been formed for this purpose.

The Italian Group was deconsolidated effective 30 June 2017. The net assets sold and the net profit from the deconsolidation are composed of the following:

In € thousand

	Italian Group	Intragroup balances	Total
Property, plant and equipment	22,556	0	22,556
Intangible assets	112,111	0	112,111
Investments			
Investment property	1,354	0	1,354
Other investments	4,327,348	0	4,327,348
Unit-linked and index-linked life insurance investments	361,209	0	361,209
Reinsurers' share of technical provisions	201,510	153,294	354,804
Receivables, including insurance receivables	135,846	7,134	142,980
Income tax receivables	16,625	0	16,625
Deferred tax assets	22,108	0	22,108
Cash and cash equivalents	12,129	0	12,129
Assets in disposal groups held for sale	5,212,796	160,428	5,373,224
Technical provisions	4,378,804	0	4,378,804
Technical provisions for unit-linked and index-linked life insurance	361,209	0	361,209
Financial liabilities	0	37,704	37,704
Other provisions	11,456	0	11,456
Liabilities and other items classified as liabilities	234,226	19,982	254,208
Income tax liabilities	8,109	0	8,109
Deferred tax liabilities	40,219	0	40,219
Liabilities in disposal groups held for sale	5,034,023	57,686	5,091,709
Net assets sold			281,515

In € thousand

Consideration received in cash	294,054
Adjustments to the sale price	
Obligation connected with the Veneto Banca sales partnership	-40,000
Other purchase price adjustments	-17,638
Less net assets sold (including non-controlling interests)	-281,515
Less the portion of net assets held by non-controlling interests	10,159
Profit/(loss) from the deconsolidation at 31 December 2017	-34,940

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.

In € thousand

	1–12/2017 ¹⁾	1–12/2016
Premiums earned (net)	349,438	1,237,722
Technical interest income	23,385	87,797
Other insurance income	363	208
Insurance benefits	-337,582	-1,196,318
Operating expenses	-28,678	-107,709
Other technical expenses	-1,988	-9,592
Technical result	4,938	12,107
Net investment income	20,293	98,564
Other income	2,179	6,664
Reclassification of technical interest income	-23,385	-87,797
Other expenses	-687	-3,668
Non-technical result	-1,601	13,764
Operating profit/(loss)	3,338	25,871
Impairment losses	-240	-1,571
Earnings before taxes	3,097	24,300
Income taxes	-356	-6,756
Current profit/(loss) from discontinued operations (after tax)	2,742	17,544
Profit/(loss) from deconsolidation	-34,940	-70,649
Disposal costs	-860	0
Profit/(loss) from discontinued operations (after tax)	-33,059	-53,105
of which attributable to shareholders of UNIQA Insurance Group AG	-32,971	-53,810
of which attributable to non-controlling interests	-88	705

¹⁾ Due to contractual arrangements with the seller, UNIQA only has a right to the profit of the first quarter of 2017.

Taxes

15. 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, and
- taxable temporary differences on the first-time recognition of goodwill.

The calculation of deferred tax is based on the specific tax rates of each country, which were between 5 and 25 per cent in the financial year (2016: between 9 and 25 per cent). Changes in tax rates in effect at 31 December 2017 are taken into account.

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.

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.

At 31 December 2017 UNIQA had deferred tax assets amounting to €169,379 thousand (2016: €190,278 thousand), of which €14,428 thousand (2016: €9,716 thousand) were attributable to tax loss carryforwards. The deferred tax assets result from tax loss carryforwards, 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.

An assessment of the ability to realise deferred tax assets for tax losses not yet used, tax credits not yet used and deductible temporary differences requires an estimate of the amount of future taxable profits. 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.

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	31/12/2017	31/12/2016
Deferred tax assets (gross)		
Technical items	48,526	49,174
Investments	44,409	48,266
Actuarial gains and losses on defined benefit obligations	52,747	76,336
Loss carried forward	14,428	9,716
Other items	9,269	6,786
Total	169,379	190,278
Deferred tax liabilities (gross)		
Technical items	-278,243	-257,393
Investments	-149,712	-167,668
Actuarial gains and losses on defined benefit obligations	-246	0
Other items	-44,747	-56,304
Total	-472,949	-481,365
Net deferred tax	-303,570	-291,087

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 2016	-321,581
Changes recognised in profit/(loss)	27,977
Changes recognised in other comprehensive income	-23,203
Changes due to changes in basis of consolidation	37
Reclassifications held for sale	25,736
Foreign exchange differences	-53
At 31 December 2016	-291,087
At 1 January 2017	-291,087
Changes recognised in profit/(loss)	-26,116
Changes recognised in other comprehensive income	25,105
Changes due to changes in basis of consolidation	-10,788
Foreign exchange differences	-685
At 31 December 2017	-303,570

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

Deferred tax assets from loss carryforwards in the amount of €24,808 thousand (2016: €23,905 thousand) were not recognised, as a realisation of these in the near future cannot be assumed, taking maturities into account.

These tax assets from loss carryforwards are forfeited as follows:

In € thousand	31/12/2017	31/12/2016
Up to 1 year	1,434	662
2 to 5 years	63,757	23,681
More than 5 years	174,365	152,937
Total	239,556	177,280

16. Income taxes

Tax expenses include actual and deferred tax. Actual tax and deferred tax are recognised in profit/(loss) for the period, 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.

Income tax	1-12/2017	1-12/2016
In € thousand		
Actual tax – reporting year	12,233	61,847
Actual tax – previous year	7,886	-11,944
Deferred tax	26,229	-27,093
Total	46,348	22,810

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.

Reconciliation statement

1–12/2017 1–12/2016

In € thousand

Earnings before taxes	242,194	225,533
Expected tax expenses¹⁾	60,549	56,383
Adjusted by tax effects from		
Tax-free investment income	-14,351	-11,513
Amortisation of goodwill and impairment losses	0	4,148
Tax-neutral consolidation effect	-1,022	447
Other non-deductible expenses/other tax-exempt income	11,642	3,931
Changes in tax rates	107	-1,054
Deviations in tax rates	-8,302	-5,751
Taxes for previous years	-7,239	-20,318
Lapse of loss carried forward and other	4,965	-3,463
Income tax expenses	46,348	22,810
Average effective tax burden in per cent	19.1	10.1

1) Earnings before taxes multiplied by the corporate income tax rate

Income tax receivables

31/12/2017 31/12/2016

In € thousand

Receivables with a maturity of		
up to 1 year	43,173	65,710
more than 1 year	122	144
Total	43,294	65,854

Income tax liabilities

31/12/2017 31/12/2016

In € thousand

Liabilities with a maturity of		
up to 1 year	2,857	1,870
more than 1 year up to 5 years	51,589	77,250
Total	54,446	79,120

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 generally 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.

Social capital

17. Defined benefit plans

There are individual contractual pension obligations, individual contractual bridge payments, and pension allowances in accordance with association recommendations.

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 net liabilities 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. Net interest expenses (income) on 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 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 profit/(loss) for the period.

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 period. Gains and losses from the settlement of a defined benefit plan are recognised at the date of the settlement. The defined benefit obligations are stated under the balance sheet item "Other provisions".

Pension entitlements

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, 50 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 pensions that are based on individual policies or on association recommendations are financed through provisions. The final pension contribution which guarantees a fixed cash value for when the beneficiary begins their retirement is

set aside during the contribution phase and transferred to the pension fund at the time of retirement. The financing is specified in the pension fund's business plan, in the works council agreement and in the pension fund contract.

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 resigns, leaves without an important reason or is guilty of an act resulting in dismissal.

Defined benefit obligations

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 2017	501,397	-75,612	425,785	173,856	599,641
Current service costs	16,502	0	16,502	6,758	23,259
Interest expense/income	7,969	0	7,969	1,489	9,458
Past service costs	1,559	0	1,559	4	1,563
Components of defined benefit obligations recognised in the income statement	26,030	0	26,030	8,250	34,280
Return on plan assets recognised in other comprehensive income	0	-5,066	-5,066	0	-5,066
Actuarial gains and losses that arise from changes in demographic assumptions	408	0	408	473	882
Actuarial gains and losses that arise from changes in financial assumptions	6,451	0	6,451	-329	6,122
Actuarial gains and losses that arise from experience adjustments	-4,169	0	-4,169	-1,458	-5,627
Other comprehensive income	2,690	-5,066	-2,376	-1,314	-3,690
Changes from currency translation	26	0	26	6	32
Payments	-20,629	0	-20,629	-12,875	-33,504
Contribution to plan assets	0	-7,124	-7,124	0	-7,124
Transfer in	5	0	5	76	80
Transfer out	-5,705	3,627	-2,078	0	-2,078
At 31 December 2017	503,814	-84,175	419,639	167,998	587,637

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 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
Reclassifications held for sale	0	0	0	-1,652	-1,652
At 31 December 2016	501,397	-75,612	425,785	173,856	599,641

Expenses for defined benefit obligations attributable to members of the Management Board and executives amounted to €4,123 thousand (2016: €4,982 thousand).

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

In per cent	31/12/2017		31/12/2016	
	Listed	Unlisted	Listed	Unlisted
Bonds – euro	16.7	0.1	17.7	0.3
Bonds – euro high yield	5.1	0.0	7.3	0.4
Corporate bonds – euro	13.6	0.1	22.0	1.7
Equities – euro	9.6	0.0	11.7	0.0
Equities – non-euro	8.7	0.0	7.1	0.0
Equities – emerging markets	7.9	0.0	5.5	0.1
Alternative investment instruments	1.0	2.1	2.7	0.0
Land and buildings	0.0	4.5	0.0	0.0
Cash	0.0	27.9	0.1	19.2
HTM bonds/term deposits	0.0	2.8	4.2	0.0
Total	62.6	37.4	78.3	21.7

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

Calculation factors applied	2017	2016
In per cent		
Discount rate		
Termination benefits	0.9	0.9
Pensions	1.5	1.6
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
31/12/2017	13.5	7.7
31/12/2016	14.4	8.3

The essential risks from the benefit plan are limited to the investment risk, the interest rate risk, life expectancy as well as salary risk. The sensitivity of the defined benefit

obligations on changes in the weighted actuarial calculation parameters is:

Sensitivity analysis	Pensions		Termination benefits	
	2017	2016	2017	2016
Remaining life expectancy				
Change in DBO (+1 year)	2.5%	3.4%		
Change in DBO (-1 year)	-2.7%	-3.6%		
Discount rate				
Change in DBO (+1 percentage point)	-11.2%	-11.8%	-7.4%	-7.8%
Change in DBO (-1 percentage point)	13.8%	14.7%	8.4%	8.9%
Future salary increase rate				
Change in DBO (+0.75%)	2.2%	1.4%	6.0%	6.4%
Change in DBO (-0.75%)	-2.1%	-1.4%	-5.6%	-5.9%
Future pension increase rate				
Change in DBO (+0.25%)	3.3%	3.0%		
Change in DBO (-0.25%)	-3.1%	-2.9%		

18. 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.

Pension entitlements

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. This obligation is to be classified as a defined benefit in the contribution phase. 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.

Contributions to company pension funds

Under defined contribution company pension schemes, the employer pays the fixed amounts into company pension funds. The insurance contributions to company pension funds amounted to €2,210 thousand (2016: €2,011 thousand). The employer has satisfied their obligation by making these contributions.

19. Employees

Personnel expenses

In € thousand

	1-12/2017	1-12/2016
Salaries and wages	412,124	418,409
Expenses for termination benefits	8,250	9,001
Pension expenses	26,030	27,485
Expenditure on mandatory social security contributions as well as income-based charges and compulsory contributions	108,035	108,663
Other social expenditures	9,005	7,968
Total	563,443	571,524
of which sales	119,219	132,490
of which administration	422,646	417,661
of which retirees	21,578	21,374

Average number of employees

	31/12/2017	31/12/2016
Total	12,839	12,855
of which sales	4,456	4,630
of which administration	8,383	8,225

Equity

20. Subscribed capital and capital reserves

The share capital is comprised of 309,000,000 no-par bearer shares. 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. The change in the deferred tax included in the equity without affecting income amounts to €25,105 thousand (2016: € -23,203 thousand).

21. Dividends paid

A dividend of €0.49 per share was paid on 12 July 2017. This corresponds with a distribution amounting to €150,413 thousand.

Subject to the approval of the Annual General Meeting, a dividend payment in the amount of €0.51 per share is planned for the financial year, which equates to a distribution in the amount of €156,552 thousand.

22. Treasury shares

Treasury shares	31/12/2017	31/12/2016
UNIQA Insurance Group AG		
Number of shares	819,650	819,650
Cost in € thousand	10,857	10,857
Share of subscribed capital in %	0.27	0.27
UNIQA Österreich Versicherungen AG		
Number of shares	1,215,089	1,215,089
Cost in € thousand	5,774	5,774
Share of subscribed capital in %	0.39	0.39
Total	2,034,739	2,034,739

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 Group 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 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.

23. 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).

24. Non-controlling interests

Non-controlling interests are measured 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.

Non-controlling interests

In € thousand	31/12/2017	31/12/2016
In valuation of financial instruments available for sale	1,630	3,199
In actuarial gains and losses on defined benefit plans	-728	-768
In retained profit	5,256	6,273
In other equity	9,643	17,809
Total	15,801	26,513

Subordinated liabilities

In July 2013, UNIQA Insurance Group AG successfully placed a supplementary capital bond in the volume 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 equals 6.875 per cent per annum during the first ten years, after which a variable interest rate 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.

Projected funds flow at 31 December 2017

In € thousand	2018	2019	2020	2021	2022	> 2023
Subordinated liabilities	54,109	54,109	54,109	54,109	54,109	994,850

Projected funds flow at 31 December 2016

In € thousand	2017	2018	2019	2020	2021	> 2022
Subordinated liabilities	54,813	54,813	54,813	54,964	54,813	1,050,960

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 eleven years have elapsed and under certain conditions. The coupon amounts to 6.00 per cent per annum during the first eleven years, after which a variable interest rate applies. The bond has been listed on the Vienna Stock Exchange since July 2015. The issue price was set at 100 per cent.

Carrying amounts

In € thousand	Supplementary capital
At 1 January 2016	1,095,745
Amortisation of transaction costs	297
Ordinary amortisation	-250,000
At 31 December 2016	846,043
At 1 January 2017	846,043
Amortisation of transaction costs	316
At 31 December 2017	846,358

Maturity

In € thousand	2017 long term	2017 short term	2016 long term	2016 short term
Subordinated liabilities	846,358	0	846,043	0

Other current and non-current liabilities

25. Financial liabilities

Maturity

In € thousand	2017 long term	2017 short term	2016 long term	2016 short term
Liabilities from loans	13,837	0	14,959	9
Derivative financial instruments	17,897	6,911	15,842	14,713
Total	31,735	6,911	30,801	14,723

The carrying amounts of the financial liabilities are equal to the fair values.

Carrying amounts

In € thousand	Liabilities from loans	Derivative financial instruments
At 1 January 2016	15,658	17,922
Additions	0	12,805
Changes from currency translation	2	0
Profit or loss from changes of exchange rates	0	-173
Ordinary amortisation	-691	0
At 1 January 2017	14,968	30,555
Additions	294	-1,974
Changes from currency translation	-1	22
Profit or loss from changes of exchange rates	0	-3,794
Ordinary amortisation	-1,424	0
At 31 December 2017	13,837	24,809

Projected funds flow at 31 December 2017

In € thousand	2018	2019	2020	2021	2022	> 2022
Liabilities from loans	959	929	929	11,361	29	973
Derivative financial instruments	6,911	1,038	556	3,201	4,342	8,760
Total	7,871	1,966	1,485	14,563	4,371	9,733

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
Total	15,691	1,191	1,701	3,881	18,367	4,813

Changes in financial liabilities

In € thousand	Subordinated liabilities	Financial liabilities	Changes in financial liabilities
At 1 January 2016	1,095,745	33,574	1,129,320
Payments from other financing activities	-249,703	-2,220	-251,922
Currency translation	0	2	2
Other changes	0	14,167	14,167
At 31 December 2016	846,043	45,524	891,566
At 1 January 2017	846,043	45,524	891,566
Payments from other financing activities	0	-1,131	-1,131
Currency translation	0	21	21
Other changes	316	-5,768	-5,452
At 31 December 2017	846,358	38,646	885,004

26. Liabilities and other items classified as liabilities

In € thousand	31/12/2017	31/12/2016
Reinsurance liabilities		
Deposits retained on assumed reinsurance	428,793	459,839
Reinsurance settlement liabilities	52,395	28,139
	481,188	487,978
Insurance liabilities		
to policyholders	129,505	124,367
to insurance brokers	45,701	45,347
to insurance companies	12,541	5,802
	187,746	175,517
Liabilities to credit institutions	3,807	4,001
Other liabilities		
Personnel-related obligations	81,708	82,467
Liabilities from services	35,366	34,237
Liabilities from investment contracts	60,470	59,924
Liabilities from investment transactions	25,738	41,809
Liabilities towards fund owners outside the Group	75,587	1,002
Obligation for interest payment	24,696	25,347
Other tax liabilities (without income tax)	56,527	75,071
Other liabilities	77,850	31,805
	437,942	351,662
Subtotal	1,110,684	1,019,157
of which liabilities with a maturity of		
up to 1 year	741,300	621,256
more than 1 year up to 5 years	18,768	18,595
more than 5 years	350,616	379,306
	1,110,684	1,019,157
Other debt	16,652	23,087
Total liabilities and other items classified as liabilities	1,127,336	1,042,244

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

Other non-technical income and expenses

27. Other income

In € thousand	1–12/2017	1–12/2016
Property and casualty insurance	25,134	23,199
Health insurance	7,514	5,013
Life insurance	4,001	14,357
of which from		
services	13,766	10,542
changes in exchange rates	10,966	20,519
other	11,917	11,507
Total	36,649	42,569

28. Other expenses

In € thousand	1–12/2017	1–12/2016
Property and casualty insurance	37,403	40,994
Health insurance	7,177	6,226
Life insurance	11,871	5,925
of which from		
services	17,742	9,518
exchange rate losses	11,194	9,994
other	27,515	33,633
Total	56,451	53,145

Other disclosures

29. Group holding company

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

30. Remuneration for the Management Board and Supervisory Board

The active salaries of the members of the Management Board at UNIQA Insurance Group AG amounted to €2,790 thousand in the reporting year (2016: €4,621 thousand). Existing pension expenses for the members of the Management Board amounted to €677 thousand (2016: €619 thousand). The amount expended on pensions in the reporting year for former members of the Management Board and their survivors was €717 thousand (2016: €815 thousand).

The compensation to the members of the Supervisory Board for their work in the 2016 financial year was €470 thousand. Provisions in the amount of €482 thousand have been recognised for the remuneration to be paid for this work in the 2017 financial year. The amount paid out in attendance fees and cash expenditures in the reporting year was €61 thousand (2016: €77 thousand).

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

For the 2017 financial year the members of the Management Board at UNIQA Insurance Group AG are expected to receive variable remuneration (STI) in the amount of €1,656 thousand in 2018 (2016: €1,739 thousand).

31. 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 UNIQA shares between 2013 and 2016, which give them the right to a cash payment after the end of the benefit period, provided certain key performance targets are met, with maximum limits also agreed.

The selected key performance targets are aimed at ensuring a relative market-based performance measurement and absolute performance measurement in accordance with the individual corporate objectives of the UNIQA Group. These defined equally-weighted key performance targets include the Total Shareholder Return (TSR) of the UNIQA ordinary share compared with the TSR of the shares in the companies on the DJ EURO STOXX TMI Insurance, the P&C Net Combined Ratio in UNIQA's property and casualty business and the return on risk capital (the return on equity required).

The programme stipulates annual investments in UNIQA shares with a holding period also of four years in each case.

The cash settlement is calculated as follows for each tranche of shares: $\text{payment} = A \times B \times C$

A = number of virtual shares awarded for the performance period.

B = average price of the UNIQA ordinary share in the period of six months before the end of the performance period.

C = degree of target achievement at the end of the performance period. The maximum target achievement is 200 per cent.

The fair value on the date that share-based payment awards are granted is recognised as expense over the period in which the unconditional entitlement to the award is obtained. The fair value is based on expectations with respect to achievement of the defined key performance targets. Changes in valuation assumptions result in an adjustment of the recognised provision amounts affecting income. Obligations from share-based remuneration are stated under "Other provisions".

As at 31 December 2017 a total of 1,071,669 virtual shares (2016: 990,291 shares) were relevant for the valuation. The fair value of share-based remuneration at the reporting date amounts to €5,731 thousand (2016: €2,868 thousand).

32. Related companies and persons

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

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 along with their close family members. This also includes in particular the members of management in key positions at those companies which exercise either a controlling or crucial influence on UNIQA, along with their close family members.

Transactions with related 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 2017					
Premiums written (gross)	3,238	386	859	57,498	61,982
Interest income from loans with companies that are related parties	0	0	0	206	206
Interest expenses from loans with companies that are related parties	0	0	0	-2,789	-2,789
Interest income from loans with banks that are related parties and from investments in companies that are related parties	1,636	1,100	13,805	4,049	20,590
Interest expenses from loans with banks that are related parties and from investments in entities that are related parties	-860	0	0	-25	-885
At 31 December 2017					
Investments at fair value	230,649	5,452	535,754	40,300	812,155
Bank deposits	239,187	0	0	150,468	389,655

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 from loans with companies that are related parties	0	79	0	252	331
Interest expenses from loans with companies 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 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

Transactions with related persons

In € thousand

	1-12/2017	1-12/2016
Premiums written (gross)	386	1,861
Salaries and short term benefits ¹⁾	3,832	5,168
Pension expenses	951	407
Compensation on termination of employment contract	215	2,513
Expenditures for share-based payments	1,444	2,495
Other income	135	203

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

33. Other financial obligations and contingent liabilities

Leasing

In € thousand

	1-12/2017	1-12/2016
Current lease expenses	5,470	3,018
Future leasing rates		
up to 1 year	4,975	2,186
more than 1 year up to 5 years	5,315	4,363
Total	10,290	6,549

Options to purchase granted

There are option agreements in place with the remaining non-controlling shareholders in UNIQA Insurance Company, Private Joint Stock Company (Kiev, Ukraine) to acquire additional company shares in 2020 based on previously agreed purchase price formulas.

There is also the possibility of exercising a mutual option between UNIQA and the minority shareholders in the SIGAL Group for the purchase of additional company shares in the option window between 1 July 2020 and 30 June 2021 based on previously agreed purchase price formulas.

34. Expenses for the auditor of the financial statements

The auditor fees in the financial year were €1,652 thousand (2016: €1,567 thousand); of which €498 thousand (2016: €485 thousand) is attributable to the annual audit, €1,038 thousand (2016: €859 thousand) to other auditing services and €116 thousand (2016: €223 thousand) to other general services.

35. Affiliated companies and associates

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 period. Any retained interest in the former subsidiary is measured at fair value 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.

36. 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 profit from an acquisition at a price below the fair value of the net assets is recognised directly in profit/(loss) for the period. 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 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 period.

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.

Basis of consolidation	31/12/2017	31/12/2016
Consolidated companies		
Austria	35	54
Other countries	59	62
Associates		
Austria	6	6
Other countries	1	1

Shares in subsidiaries that are not consolidated, associates as well as joint ventures that are not accounted for using the equity method are classified as financial assets available for sale and stated under the item "Other investments".

Controlled investment funds are included in the consolidation unless the relevant fund volumes were considered to be immaterial when viewed separately and as a whole.

Restructuring processes

For the purposes of streamlining the structure of the Group a total of 19 companies (17 real estate companies and two domestic group service companies) were merged into the companies UNIQA Real Estate Property Holding GmbH (Vienna) (previously: UNIQA Real Estate Dritte Beteiligungsverwaltung GmbH (Vienna)), UNIQA Retail Property GmbH (Vienna) (previously: Raiffeisen-Fachmarktzentrum VIER GmbH (Vienna)) and R-FMZ Immobilienholding GmbH (Vienna) in 2017 as acquiring companies.

Sales

By means of a transfer agreement dated 3 January 2017, UNIQA sold its 29 per cent holding in Medial Beteiligungs-Gesellschaft mbH (Vienna) (Medial) to CAME

Holding GmbH (Vienna) (CAME). Medial is therefore reported under “Assets in disposal groups held for sale” (Group functions segment). Medial has an equity investment of around 38 per cent in Casinos Austria Aktiengesellschaft (Vienna); correspondingly, UNIQA has a holding of around 11 per cent in Casinos Austria Aktiengesellschaft. The sale to CAME has been agreed subject to a condition precedent. The conditions precedent were mandatory approvals required under merger law and public law approvals. See the chapter on “Events after the reporting date” with regard to the completion of this sale.

The sale of the 99.7 per cent holding in UNIQA Assicurazioni SpA (Milan, Italy) to Società Reale Mutua di Assicurazioni (Turin, Italy), as decided by the Supervisory Board on 2 December 2016, was closed on 16 May 2017. This also included the subsidiaries operating in Italy UNIQA Previdenza SpA (Milan, Italy) and UNIQA Life SpA (Milan, Italy).

Company	Type	Location	Equity interest at 31/12/2017 In per cent	Equity interest at 31/12/2016 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
SK Versicherung Aktiengesellschaft	At equity	Vienna	25.0	25.0
Foreign insurance companies				
UNIQA Re AG	Fully consolidated	Switzerland, Zurich	100.0	100.0
UNIQA Assicurazioni S.p.A. (Deconsolidation: 16/5/2017)	Fully consolidated	Italy, Milan	0.0	99.7
UNIQA poisťovňa a.s.	Fully consolidated	Slovakia, Bratislava	99.9	99.9
UNIQA pojišť'ovna, 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. (Deconsolidation: 16/5/2017)	Fully consolidated	Italy, Milan	0.0	99.7
UNIQA osiguranje d.d.	Fully consolidated	Bosnia and Herzegovina, Sarajevo	100.0	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. (Deconsolidation: 16/5/2017)	Fully consolidated	Italy, Milan	0.0	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
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 (Merger: 1/7/2017)	Fully consolidated	Vienna	0.0	100.0
UNIQA Real Estate Finanzierungs GmbH	Fully consolidated	Vienna	100.0	100.0

Company	Type	Location	Equity interest at 31/12/2017 In per cent	Equity interest at 31/12/2016 In per cent
UNIQA Group Audit GmbH	Fully consolidated	Vienna	100.0	100.0
Valida Holding AG	At equity	Vienna	40.1	40.1
RHG Management GmbH (Merger: 9/9/2017)	Fully consolidated	Vienna	0.0	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
UNIQA Group Service Center Slovakia, spol. s r.o. (formerly: InsData spol. s r.o.)	Fully consolidated	Slovakia, Nitra	98.0	98.0
UNIPARTNER s.r.o.	Fully consolidated	Slovakia, Bratislava	99.9	99.9
UNIQA InsService spol. s r.o.	Fully consolidated	Slovakia, Bratislava	99.9	99.9
UNIQA Ingatlanhasznosító Kft.	Fully consolidated	Hungary, Budapest	100.0	100.0
UNIQA Számítástechnikai Szolgáltató Kft.	Fully consolidated	Hungary, Budapest	100.0	100.0
Vitosha Auto OOD	Fully consolidated	Bulgaria, Sofia	99.8	99.8
UNIQA Raiffeisen Software Service S.R.L.	Fully consolidated	Romania, Cluj-Napoca	60.0	60.0
sTech d.o.o	Fully consolidated	Serbia, Belgrade	100.0	100.0
DEKRA-Expert Műszaki Szakértői Kft.	At equity	Hungary, Budapest	50.0	50.0
UNIQA GlobalCare SA (formerly: UNIQA Assurances SA)	Fully consolidated	Switzerland, Geneva	100.0	100.0
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	14.3
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	Fully consolidated	Vienna	75.0	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 Immobilien-Projektterrichtungs GmbH	Fully consolidated	Vienna	100.0	100.0
DIANA-BAD Errichtungs- und Betriebs GmbH	At equity	Vienna	33.0	33.0
UNIQA Real Estate GmbH	Fully consolidated	Vienna	100.0	100.0
PremiQaMed Immobilien GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Real Estate Zweite Beteiligungsverwaltung GmbH (Merger: 1/7/2017)	Fully consolidated	Vienna	0.0	100.0
Design Tower GmbH	Fully consolidated	Vienna	100.0	100.0
Aspernbrückengasse Errichtungs- und Betriebs GmbH (Merger: 1/7/2017)	Fully consolidated	Vienna	0.0	99.0
UNIQA Real Estate Holding GmbH (Merger: 27/5/2017)	Fully consolidated	Vienna	0.0	100.0
UNIQA Real Estate Property Holding GmbH (formerly: UNIQA Real Estate Dritte Beteiligungsverwaltung GmbH)	Fully consolidated	Vienna	100.0	100.0
UNIQA Real Estate Vierte Beteiligungsverwaltung GmbH (Merger: 7/6/2017)	Fully consolidated	Vienna	0.0	100.0
“Hotel am Bahnhof” Errichtungs GmbH & Co KG	Fully consolidated	Vienna	100.0	100.0
GLM ErrichtungsGmbH (Merger: 1/7/2017)	Fully consolidated	Vienna	0.0	100.0

Company	Type	Location	Equity interest at 31/12/2017 In per cent	Equity interest at 31/12/2016 In per cent
EZL Entwicklung Zone Lassallestraße GmbH & Co. KG	Fully consolidated	Vienna	100.0	100.0
Fleischmarkt Inzersdorf Vermietungs GmbH (Merger: 9/9/2017)	Fully consolidated	Vienna	0.0	100.0
Praterstraße Eins Hotelbetriebs GmbH	Fully consolidated	Vienna	100.0	100.0
UNIQA Real Estate Inlandsholding GmbH	Fully consolidated	Vienna	100.0	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 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
Kremser Landstraße Projektentwicklung GmbH (Merger: 9/9/2017)	Fully consolidated	Vienna	0.0	100.0
Schöpferstrasse Projektentwicklung GmbH (Merger: 9/9/2017)	Fully consolidated	Vienna	0.0	100.0
“BONADEA” Immobilien GmbH (Merger: 9/9/2017)	Fully consolidated	Vienna	0.0	100.0
“Graben 27– 28” Besitzzgesellschaft m.b.H. (Merger: 9/9/2017)	Fully consolidated	Vienna	0.0	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 Marktgassee Einkaufspassage Stockerau GmbH (Merger: 10/10/2017)	Fully consolidated	Vienna	0.0	100.0
DEVELOP Baudurchführungs- und Stadtentwicklungs-Gesellschaft m.b.H. (Merger: 10/10/2017)	Fully consolidated	Vienna	0.0	100.0
Raiffeisen-Fachmarktzentrum Mercurius GmbH (Merger: 30/9/2017)	Fully consolidated	Vienna	0.0	100.0
Raiffeisen-Fachmarktzentrum ZWEI GmbH (Merger: 30/9/2017)	Fully consolidated	Vienna	0.0	100.0
Raiffeisen-Fachmarktzentrum Ivesis GmbH (Merger: 1/9/2017)	Fully consolidated	Vienna	0.0	100.0
UNIQA Retail Property GmbH (formerly: Raiffeisen-Fachmarktzentrum VIER GmbH)	Fully consolidated	Vienna	100.0	100.0
Raiffeisen-Fachmarktzentrum SIEBEN GmbH (Merger: 1/9/2017)	Fully consolidated	Vienna	0.0	100.0
R-FMZ “MERCATUS” Holding GmbH (Merger: 1/8/2017)	Fully consolidated	Vienna	0.0	100.0

37. 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 at 1 January 2017. 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 12	Income tax – recognition of assets from deferred taxes for unrealised losses	1 January 2017	Yes
IAS 7	Statement of Cash flows – Disclosure Initiative	1 January 2017	Yes

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 adopt these standards early.

Standard	Content	First time application by UNIQA	Endorsement by the EU at 31 December 2017	Likely to be relevant for UNIQA
New standards				
IFRS 9	Financial Instruments	1 January 2021	Yes	Yes
IFRS 15	Revenue from Contracts with Customers	1 January 2018	Yes	Yes
IFRS 16	Leases	1 January 2019	Yes	Yes
IFRS 17	Insurance Contracts	1 January 2021	No	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	No	Yes
Amended standards				
Miscellaneous	Annual Improvements Project 2014–2016	1 January 2017	No	Yes
IFRS 4	Insurance Contracts – Applying IFRS 9 together with IFRS 4	1 January 2018	Yes	Yes
IFRS 2	Share-based Payment – Classification and Measurement of Transactions with Share-based Payments	1 January 2018	No	Yes
IAS 40	Investment Property – Clarification of Classification	1 January 2018	No	No
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	No	No
IAS 28	Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures	1 January 2019	No	Yes
IFRS 9	Financial Instruments – Prepayment Features with Negative Compensation	1 January 2021	No	Yes

The following standards to be applied in future are expected to have a significant impact on reporting at UNIQA:

IFRS 9 – Financial Instruments

The IASB published the final version of IFRS 9 (Financial instruments) in July 2014. This replaces IAS 39 (Financial Instruments: Recognition and Measurement) in its entirety and comes into force effective 1 January 2018. The different effective dates applicable to IFRS 9 and IFRS 17 which must be applied to reporting periods as of 1 January 2021 would result in increased volatilities in profits and duplicate migration efforts for the transition period. As a result of this, the IASB published adjustments in 2016 to

IFRS 4 (Insurance Contracts) which allow insurance companies to recognise certain profits or losses in other comprehensive income (overlay approach) or to defer the initial application time for IFRS 9 until IFRS 17 comes into force (deferral approach) as part of a transition process. UNIQA intends to adopt the deferral approach. This will be applied for reporting periods as of 1 January 2018. Under the deferral approach there must be a statement regarding how the insurance company stating its accounts qualifies for the temporary exception, and information must also be provided which enables a comparison with companies that are already drawing up their balance sheet in accordance with IFRS 9.

IFRS 9 is introducing new regulations on classification and measurement and on the impairment of financial assets plus regulations on the procedure for hedge accounting. The classification and measurement of financial liabilities remains unchanged compared to IAS 39.

The classification by measurement categories takes place on the one hand based on the business model used to manage the financial instruments, and on the other based on the features of the underlying contractual cash flow. Measurement at amortised cost is only permitted if the contractual cash flows can be characterised as interest payments and repayments (SPPI criterion – Solely Payments of Principal and Interest”) and the asset is assigned to a business model that is aimed at holding financial instruments for the collection of contractual cash flows. The fair value measurement not recognised in profit or loss is only permitted for those financial instruments which meet the SPPI-criterion and are assigned to a business model (hold and sell). All other assets are measured at fair value through profit or loss. There is also the option of recognising equity instruments not held for trading at fair value in other comprehensive income.

The rules on impairment under IFRS 9 are applied to financial instruments which are recognised at fair value or at amortised cost in other comprehensive income. This way a risk provision must be formed for each financial instrument during initial recognition in the same amount as the defaults which are expected to occur within the next twelve months. The risk provision must be increased to a lifetime expected credit loss in the course of the subsequent measurements, if the probabilities of default increase significantly compared to the time of the initial recognition.

It must be assumed that the new classification rules under IFRS 9 will result in an increase in the number of financial instruments which are accounted for at fair value through profit or loss and that the volatility of the profits will likewise increase. Effects on equity can also be expected from the new impairment model for debt instruments.

UNIQA is currently at the project stage of the technical model development for the SPPI-decision tree and of system integration of the SPPI-logic developed for the Group’s entire securities portfolio. According to initial rough estimates, the overwhelming proportion of UNIQA’s securities portfolio will pass the SPPI-test, as this is of a simple interest payment and repayment nature. The second project phase associated with the SPPI-criterion in-

volves the systematic quality assurance and detailed analysis of more complex financial instruments.

The business model to which the financial instruments are assigned is crucial for the purposes of arriving at a comprehensive assessment of the impact of IFRS 9. It must be assumed that the “hold and sell” business model is the appropriate business model for insurance companies. Its objective is to hold financial assets in order to collect contractual cash flows on the one hand and on the other to generate cash flows from selling them. However, it will only become clear in the final interaction with IFRS 17 which options are exercised with respect to the business models applied in order to manage the volatility on profits mentioned above.

IFRS 16 – Leases

The new leasing standard replaces IAS 17 and governs the reporting of leases. UNIQA acts both as a lessee and a lessor. There are no material adjustments to accounting on the lessor side necessary as a result of the introduction of IFRS 16. With contracts for which UNIQA is the lessee, the contracts previously classified as operating leases would now be subject to capitalisation in the form of a right-of-use asset with a corresponding leasing obligation.

The standard will be applied to reporting periods beginning on or after 1 January 2019. UNIQA has selected the modified retrospective assessment for the initial application. There are around 2,000 contracts across the entire Group which fall within the scope of IFRS 16 and for which UNIQA is lessee. Most of the portfolio is made up of standard contracts that are not very complex and on the whole relates to real estate and operating and office equipment. The lease payments recorded each year amount to around €30 million. Most of the contracts feature a term of between three to five years. However, there is an increase in the total assets and liabilities stated in the balance sheet as a result of the capitalisation of the usage right and the statement of the corresponding obligation as a liability, although this is not expected to exceed 0.3 per cent of the total assets according to initial estimates. There will be no material impact on the items in the income statement and no differences in the statements made as a result of the regulations in IFRS 16.

UNIQA will exercise the option not to capitalise the usage rights for short-term leases and contracts for low-value assets.

IFRS 17 – Insurance Contracts

IFRS 17 was published in May 2017 and covers the classification, recognition and measurement of insurance contracts. The previous standard IFRS 4 ceases to be effective as a result of IFRS 17.

IFRS 17 describes the regulations for presenting assets and liabilities arising from insurance contracts on the balance sheet. Three key approaches to mapping are included in IFRS 17:

- The general measurement model represents the basic model for mapping insurance contracts. The profit from entering into insurance contracts is assessed in this as the contractual service margin (CSM) which forms a separate liability item in order to avoid stating an immediate profit. The planned dissolution of the CSM over the contractual term results in an insurance undertaking's profit. At the same time the CSM also acts as a buffer in the event of adjustments to actuarial items. The general measurement model applies to all insurance contracts which fall within the scope of IFRS 17, unless any of the following exceptions applies.
- The premium allocation approach is a simplified form of the general measurement model which applies to contracts for which the measurement under the premium allocation approach does not result in any material change as compared with the general management model, or which feature a term of less than one year. In its basic form the premium allocation approach corresponds with existing property and casualty insurance in which a type of unearned premium is formed. However, claim provisions also need to be accounted for on the balance sheet in this simplified approach based on an expected cash value plus a risk margin.
- The variable fee approach is a further variation on the general measurement model for insurance contracts whose payments are contractually linked to the income from certain reference values (direct participating features). The CSM is variable in this approach as a result of the profit participation.
- The approach and the measurement of insurance contracts take place at the group level. The insurance contracts are pooled in portfolios, with portfolios characterised by the fact that contracts contained within these are exposed to similar risks and are managed together. However, these contracts must be divided further into at least three subgroups:
 - group of contracts that already involve a loss when the contract is formed,
 - group for which it is unlikely that the contracts will involve a loss during the term of the contract, or
 - remaining group.

Insurance contracts that have been issued at an interval of more than one year cannot belong to the same group.

UNIQA will apply the standard retrospectively for the first time in the reporting period starting on 1 January 2021.

The actuarial measurements were outlined in more detail in 2017 based on the preliminary studies already carried out. Model calculations were completed for these for the portfolio of UNIQA Österreich Versicherungen AG, which holds a significant part of UNIQA's insurance portfolio. The models created for these will continue to be consistently tracked and developed over the next few years and also gradually rolled out to other Group companies. The pilot projects show that intensive use of resources can still be expected until final implementation of IFRS 17. This relates to both the adaptation of the actuarial model as well as the corresponding IT systems in the finance area.

38. 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 period. Non-monetary items recognised in a foreign currency at historical acquisition cost or at cost of self-construction are stated with the historical exchange rate. This results in no currency translation difference.

Currency translation differences from equity instruments available for sale are recognised in other comprehensive income by way of derogation from the general principle. An exception to this are impairments for which currency translation differences are reclassified from other comprehensive income to profit/(loss) for the period.

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.

Significant events after the reporting date

39. Sale of the stake in Medial Beteiligungs-Gesellschaft m.b.H.

The sale of Medial Beteiligungs-Gesellschaft m.b.H. to CAME Holding GmbH was finally completed on 15 January 2018 following the approvals and authorisations under public law required under merger law for the transfer and following the decision of the general assembly of Casinos Austria AG. As a result of the sale, earnings in the amount of €47.5 million will be reported in the first quarter of 2018.

Major exchange rates

	EUR closing rates		EUR average rates	
	31/12/2017	31/12/2016	1–12/2017	1–12/2016
Hungarian forint (HUF)	310.3300	309.8300	309.3500	312.2223
Croatian kuna (HRK)	7.4400	7.5597	7.4652	7.5441
Polish złoty (PLN)	4.1770	4.4103	4.2556	4.3659
Romanian leu (RON)	4.6585	4.5390	4.5711	4.4957
Ukrainian hryvnia (UAH)	33.6798	28.5130	30.2620	28.2317
Russian rouble (RUB)	69.3920	64.3000	66.0349	73.8756
US dollar (USD)	1.1993	1.0541	1.1307	1.1021

40. Risk report

40.1 Risk strategy

Principles

UNIQA's strategic objectives are directly linked to the company's risk strategy. We are conscious of our responsibility towards customers, employees and shareholders and consider it an obligation to safeguard the strength of our capital resources and our earnings capacity along with our brand reputation, including in a turbulent market environment.

Our business strategy and the risks that this involves form the cornerstones of our risk strategy. Clear definition of our risk preference creates the foundation for all of our business policy decisions.

We actively seek to assume technical risks, assume market risks and operational risks where the business model requires this, and attempt to avoid other accompanying risks. This forms the basis for consistently generating our income from our core business. We also strive to ensure a balanced mix of risk in order to achieve the greatest possible effect from diversification.

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). In our group companies, the Chief Risk Officer (CRO) is also 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, which is why we employ specialists to identify and manage these.

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. We draw on internal and external sources to obtain a complete picture of our risk position. We regularly check 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.

At the centre of our risk decisions is our economic capital model (ECM), by means of which we quantify our risks and determine our own 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 a risk capital cover (capital ratio) of between 155 per cent and 190 per cent. 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 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 and risks 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.

40.2 Risk management system

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

UNIQA's Risk Management Guidelines form the basis for a uniform standard at various company levels. The guidelines are approved by the 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 group companies. The Risk Management Guidelines at company level were approved by the Management Board of the UNIQA group companies and are consistent with UNIQA's Risk Management Guidelines.

They aim to ensure that risks relevant to UNIQA are identified and evaluated in advance.

Organisational structure (governance)

The detailed setup 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

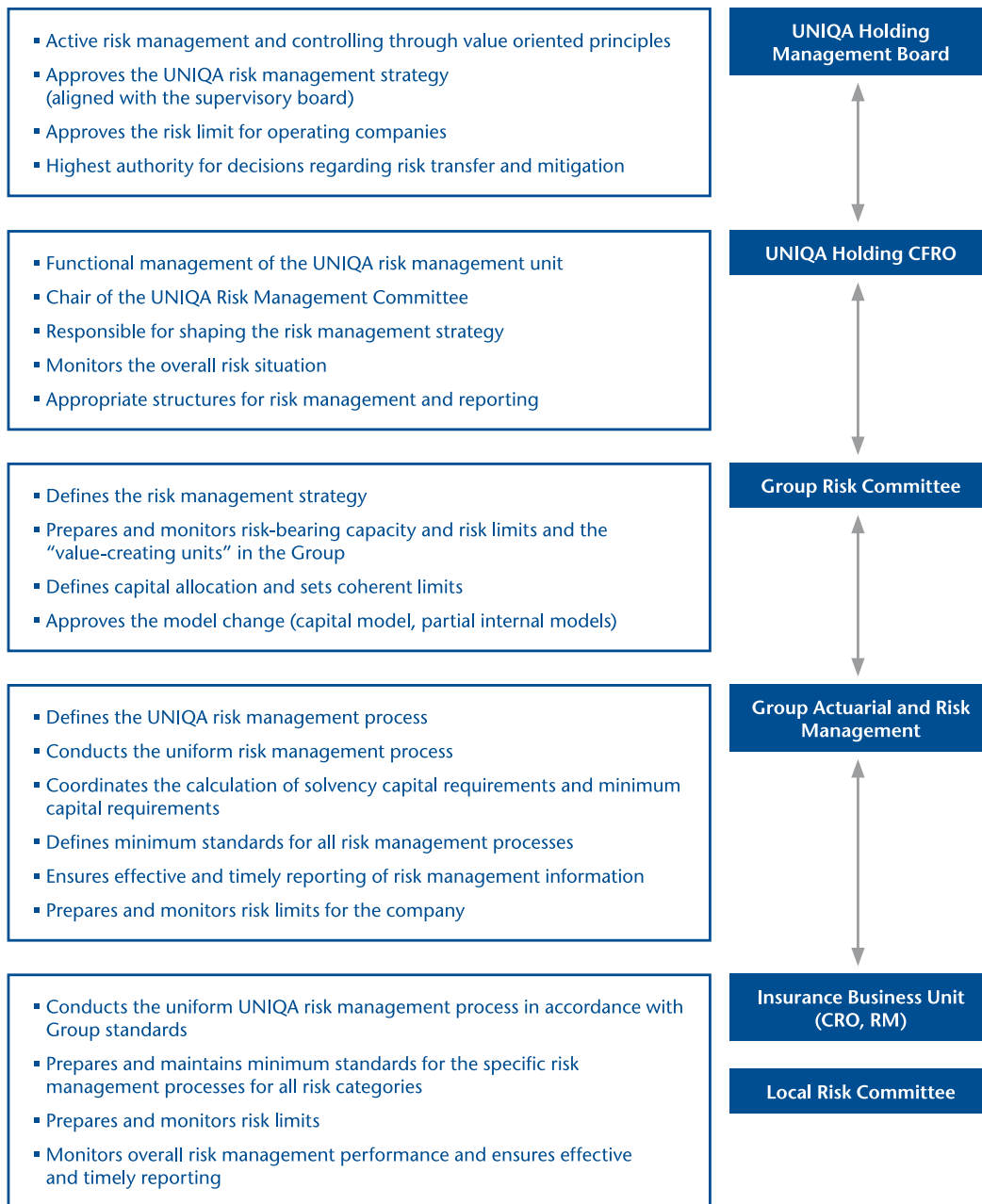
Those responsible for business activities must develop and put into practice an appropriate risk control environment to identify and monitor the risks that arise in connection with the business and processes.

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 function of Chief Financial and Risk Officer (CFRO) is a separate area of responsibility at the Group Management Board level. 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 companies

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

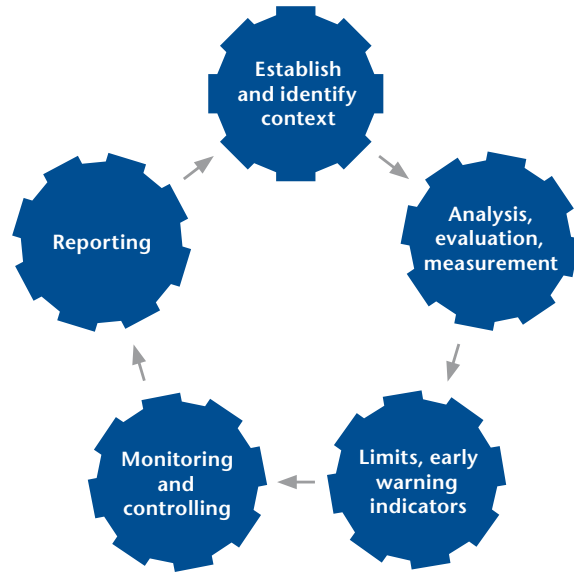
UNIQA’s risk management process delivers periodic information about the risk profile and enables the top management to make the decisions for the long-term achievement of objectives.

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 group companies 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 and default risk are evaluated at UNIQA by means of quantitative methods based on the Solvency II standard approach 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/(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 assessed.

Limits/early warning indicators

The limit and early warning system determines risk-bearing capacity (economic capital) and capital requirements based on 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 report on the largest identified risks is 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 group company 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 group companies for which Solvency II reporting is mandatory.

Activities and objectives in 2017

Based on external and internal developments, activities in 2017 focused on the following:

- first steps towards the UNIQA Insurance Platform (UIP),
- approval of the partial internal model for the property and casualty insurance business, and
- sale of the Italy Group.

In signing the contract with general contractor IBM on 22 December 2016, UNIQA launched its largest ever project for the renewal of the core systems for all lines of business – UNIQA Insurance Platform (UIP) – and the organisational transformation associated therewith. This step was the response to the need to renew the existing IT systems which are at the end of their life-cycle, and to the increasing need to adapt to changes in customer requirements for modern insurance products. The kick-off date for the UIP project was January 2017, with the first im-

portant milestone being the planned go-live for a new product in life insurance from mid-2018. The preparatory work for implementation and migration of the legacy products in life insurance, and the preparatory work on implementation in property insurance are taking place in parallel. Intangible assets in the amount of €43.9 million were reported under "Property, plant and equipment" as at 31 December 2017.

In addition to the standard regulatory approach defined, Solvency II also gives insurance undertakings the option of using their own model, known as an internal model for calculation of the risk capital requirements. Any use of this type of model is subject to approval from the supervisory authority. The UNIQA Group has developed such a model for the technical risk in property/casualty insurance and submitted this to the College of Supervisors for the UNIQA Group under the direction of the Austrian Financial Market Authority (FMA) in 2017 for approval. Approval for use of the model was awarded effective 11 December 2017. Correspondingly, the UNIQA Group and some of the larger group companies are allowed to state the regulatory risk capital requirements at 31 December 2017 using the partial internal model for the first time.

40.3 Challenges and priorities in risk management for 2018

Challenges

Low interest rate environment

The period of low interest rates also continued throughout 2017. 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.

Investment programme

UNIQA Insurance Platform

One of the most important key projects is the business transformation (business processes and IT systems) of all portfolio, benefit, collection/payment, commission, partner, text and printing and fund management systems for UNIQA in Austria. The existing systems have largely reached the end of their useful lives. UNIQA is therefore working on establishing the UNIQA Insurance Platform (UIP). It will gradually replace the systems set out above and consolidate these in a forward-looking and modern platform solution. The actual preparations for this began in 2016 and UNIQA has been working on implementation since early 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. The modernisation of IT, in terms of scale, duration and complexity, is the UNIQA Group's biggest challenge in the coming years. The risks and difficulties of remaining on budget are well-known from knowledge of other system modernisations carried out in the industry.

Transformation Roadmap

In order to complement the efforts to establish the UIP, a Transformation Roadmap was developed in 2017 which covers renewal of additional cross and frontend systems. Implementation of regulatory requirements in the legacy systems as well as in the new systems is also ensured. Implementation of the Transformation Roadmap will support integrated end-to-end processes using modern systems which provide our customers with a state-of-the-art customer experience. They permit efficient and largely automated processing in sales and in back office operations. In addition to the UIP, substantial additional funds were invested in implementation of the Transformation Roadmap, which safeguards the technical updates to the systems and ensures a modern insurance business over the coming years.

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 the 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 only be processed either automatically or by a Group service company in Nitra, Slovakia. Level 2 cases will be processed in central units under the responsibility of the Board members in charge of actuarial practice for 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 an increasing focus on issues surrounding cybercrime, phishing attacks and data theft. UNIQA has already taken precautions to cover the risk of data security.

In order to ensure that the customer experiences adjust to the new digital business models, the team for digitalisation at UNIQA (Team Digital) is using agile working methods to develop projects which use the same risk-reduction measures as other projects at UNIQA. The risks identified are monitored with preventive measures taken as required in order to minimise the probability of a risk occurring. These risks are evaluated continuously with stakeholders and the project team and if needed, escalated to higher levels.

A product is only implemented once the defined implementation criteria have been met based on structured tests.

The cooperation of the Customer Experience Team (CX team), among other things, helps to identify customer needs at an early stage. This minimises the risk of damage to reputation or of not being able to meet customer expectations. New digital solutions also undergo established IT security checks in order to identify and mitigate risks of this type at an early stage.

Right of cancellation

Something that affects the entire insurance industry is the topic of potential cancellation rights in life insurance – as a result of incorrect information that was provided regarding cancellations – which received widespread media coverage in 2017. A decision by the European Court of Justice in 2013 (Endress vs. Allianz) was followed by a decision of the Austrian Supreme Court in 2015 (7 Ob 107/15h), to the effect that the cancellation period has not yet started under European law where the information provided on cancellations was defective, and therefore the relevant party is still able to cancel the contract.

In addition to publications and expert opinions from prestigious university professors, UNIQA also holds the legal view that a cancellation is too late if made once the cancellation period has expired, even if the information provided on cancellations was defective.

Cases in which policyholders wish to rescind their contract based on their claim that the information provided regarding cancellations was defective are individually reviewed and evaluated by UNIQA.

A provision has been formed accordingly for the pending proceedings.

Priorities

UNIQA is setting up a Shared Service Center (SSC) for actuarial and risk management activities, in order to be able to continue fulfilment of existing and future regulatory requirements based on the required quality levels. The SSC will relieve daily work burdens from the local companies in order to ensure more time for quality-oriented work. UNIQA is able to overcome resource shortages more effectively through the synergy effects of a central organisation unit. This step forms the basis for designing timely and high-quality supervisory reporting processes going forward.

UNIQA has also decided to extend the partial internal model to include the market risk module. A preliminary study was completed on this in May 2017. Fundamental

preliminary decisions were taken on this related to the modelling assumptions and suitable software. Comprehensive test runs and further modelling phases are planned for 2018 following the intensive modelling phase in the second half of 2017. In order to meet the ambitious timetable, the topic and the associated resources required are being given high priority.

Implementation of an integrated risk-oriented internal control system (ICS) approach began in mid-2017 with a focus on all material operational risks. This approach establishes a link with topics such as data protection, security of information, IT security, emergency planning, outsourcing, etc. with due regard to the “three lines of defence”. A uniform Group-wide valuation methodology ensures that there is an adequate data basis for management information. This allows the operational risks to be managed across the entire Group and enables synergy effects to be used from risk mitigation. The risk-based approach is scheduled to be implemented in full by the end of 2018.

The EU General Data Protection Regulation (GDPR) and Austrian Data Protection Amendment Act 2018 (DSG 2018) which come into force on 25 May 2018 and require significant action on the part of UNIQA are also crucial topics. The high financial risk with significant increases in penalties of €20 million or 4 per cent of annual revenues, along with the risk to reputation in the event of incidents or a failure to ensure compliance, are being handled in a structured manner through implementation of a Data Protection Management System. Data protection is an integral part of the UNIQA organisation and is constantly developed as part of a continuous improvement process. The short implementation time frame, and in some cases, the high level of technical complexity, leads to the implementation project being assigned high priority in the project portfolio.

UNIQA is also paying greater attention to further development of future IFRSs (IFRS 17 and IFRS 9 in particular are crucial here in the long term). 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. Further information on the IFRS standards to be applied in the future can be found in the section “Changes in major accounting policies as well as new and amended standards”.

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

40.4 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.

Internal capital adequacy

UNIQA defines risk appetite on the basis of the economic capital model (ECM). Based on this model, we are aiming for risk capital cover (capital ratio) of between 155 per cent and 190 per cent. Details for the reporting date of 31 December 2017, including a detailed analysis of changes, can be found in the Group Economic Capital Report.

Standard and Poor's model

UNIQA also takes the potential impact on the rating by recognised rating agencies into account in the capital management process. S&P currently applies a credit rating of "A-" to UNIQA Insurance Group AG. In the S&P capital model, however, UNIQA achieves significant surplus coverage for the current level. UNIQA assumes that it will secure its surplus coverage of the AA level at a minimum in the long term and will also improve the rating in line with the corporate strategy as a result.

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 in 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.

40.5 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 and credit risk".

The group companies in Central Europe operate in the property and casualty segment as well as 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.

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 risk

The characteristics of the market and credit risks depend on the structure of the capital investment and allocation of this into the different categories of investment. The table below shows investments classified by asset category.

Asset allocation

In € thousand	31/12/2017	31/12/2016
Fixed-income securities	16,541,550	16,556,545
Real estate assets	1,236,630	1,356,041
Equity investments and other stocks	855,308	803,721
Equities	604,563	439,657
Time deposits	331,191	579,951
Derivative financial instruments	165,037	135,122
Other investments	110,252	113,703
Loans	33,135	40,033
Total	19,877,666	20,024,773

However, the market and credit risks not only have impact on the value of investments, but also influence the level of actuarial liabilities. Thus, there is – particularly in life insurance – a dependence between the (price) growth of assets and liabilities from insurance contracts. UNIQA manages 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

	31/12/2017	31/12/2016
Long-term life insurance contracts with guaranteed interest and profit participation	12,158,962	12,664,450
Long-term unit-linked and index-linked life insurance contracts	5,034,492	4,879,928
Long-term health insurance contracts	3,575,455	3,352,381
Short-term property and casualty insurance contracts	5,036,955	4,755,872
Total	25,805,865	25,652,631

These values refer to the following items:

- Property, plant and equipment
- Investment property
- Financial assets accounted for using the equity method
- Other investments
- Unit-linked and index-linked life insurance investments
- Cash and cash equivalents

Technical provisions and liabilities

(net)

In € thousand

	31/12/2017	31/12/2016
Long-term life insurance contracts with guaranteed interest and profit participation	11,187,817	11,836,846
Long-term unit-linked and index-linked life insurance contracts	5,019,325	4,846,591
Long-term health insurance contracts	3,038,285	2,880,768
Short-term property and casualty insurance contracts	2,940,919	2,708,379
Total	22,186,347	22,272,584

These values refer to the following 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 whose value fluctuates as a result of changes in risk-free yield curves or associated volatility. Given the high proportion of interest-bearing securities in the investment, interest rate risk forms an important part of market risk. A structural reduction in the interest rate risk has been achieved as a result of the ALM-based investment strategy pursued for several years.

The following table shows the maturity structure of fixed-income securities.

Exposure by term

In € thousand

	31/12/2017	31/12/2016
Up to 1 year	1,157,926	1,368,044
More than 1 year up to 3 years	1,920,831	2,123,798
More than 3 years up to 5 years	2,475,017	2,375,886
More than 5 years up to 7 years	2,507,702	2,571,683
More than 7 years up to 10 years	2,846,914	2,424,867
More than 10 years up to 15 years	2,323,211	2,232,827
More than 15 years	3,309,949	3,459,442
Total	16,541,550	16,556,545

In comparison with this, the next table shows the insurance provision before reinsurance in health and life insurance and the gross provision for unsettled 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	31/12/2017	31/12/2016
Up to 1 year	1,443,546	1,334,940
More than 1 year up to 3 years	1,690,150	2,311,871
More than 3 years up to 5 years	1,124,251	1,434,894
More than 5 years up to 7 years	1,088,078	1,177,977
More than 7 years up to 10 years	1,687,476	1,797,645
More than 10 years up to 15 years	2,383,198	2,307,471
More than 15 years	6,082,316	5,357,720
Total	15,499,016	15,722,518

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 difference is known as a duration gap and means that changes in interest rates result in different changes in value in the assets and liabilities (interest rate risk). The discount rate that may be used in the costing when new business is written in most UNIQA companies takes into account 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 beginning 1 January 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 overview of the average discount rates by region and currency.

Average technical discount rates, core business by region and currency

In per cent	EUR	USD	Local currency
Austria (AT)	2.4		
Central Europe (CE)	3.4		3.2
Eastern Europe (EE)	3.6	3.9	3.3
Southeastern Europe (SEE)	2.7	2.1	1.4
Russia (RU)	3.0	2.9	4.0

As these discount rates are guaranteed by the insurance company, the financial risk lies in not being able to generate these returns. Since classic life insurance business predominantly invests in interest-bearing securities, 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. One example of this in Austria is the sale of deferred pension products with a discount rate of 0 per cent.

Spread risk

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 fixed-income securities that are neither overdue nor written down, based on their ratings.

Exposure by rating

In € thousand	31/12/2017	31/12/2016
AAA	4,316,755	3,227,227
AA	4,063,019	5,337,798
A	4,042,640	3,766,503
BBB	2,287,377	2,351,805
BB	961,445	1,151,994
B	198,127	124,947
≤ CCC	183,097	232,220
Not rated	489,089	364,052
Total	16,541,550	16,556,545

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 and other interests. The effective equity weighting is controlled by hedging with the selective use of derivative financial instruments.

Currency risk

Foreign 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. The following table shows a breakdown of assets and liabilities by currency.

Currency risk

31/12/2017

In € thousand	Assets	Provisions and liabilities
EUR	24,868,208	22,547,049
USD	487,254	87,257
CZK	586,717	474,119
HUF	485,880	578,675
PLN	1,167,861	1,011,021
RON	289,729	220,337
Other	858,235	632,036
Total	28,743,885	25,550,494

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

Concentration risk

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

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.

To cover the obligations, which have a term of more than twelve months, the ALM process uses a maximum, though not complete, maturity match between assets and liabilities. 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 €1.0 million.

Sensitivities

Market and credit risk

Stress tests and sensitivity analyses are used in particular to measure and manage 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 profit/(loss) and equity. Depending on the measurement principle to be applied, any future losses from the measurement at fair value may result in different fluctuations in profit/(loss) for the period 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.

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

Interest rate risk

	31/12/2017		31/12/2016	
In € thousand	+100 basis points	-100 basis points ¹⁾	+100 basis points	-100 basis points ¹⁾
Government bonds	-768,284	746,481	-755,100	641,797
Corporate bonds (incl. covered)	-372,587	281,189	-333,366	181,071
Other	-28,592	32,926	-28,373	8,757
Total	-1,169,463	1,060,595	-1,116,839	831,625

¹⁾ An interest rate floor of 0% is taken into account in the calculation for the interest rate decline scenario.

Spreadrisk

	31/12/2017	31/12/2016
In € thousand	+100 basis points	+100 basis points
Total	-1,184,283	-1,133,350

Equity risk

	31/12/2017		31/12/2016	
In € thousand	30%	-30%	30%	-30%
Total	277,757	-247,797	220,730	-173,966

Currency risk

	31/12/2017		31/12/2016	
In € thousand	10%	-10%	10%	-10%
USD	27,209	-27,209	50,257	-50,261
HUF	16,776	-16,776	22,718	-22,718
RON	14,893	-14,893	17,868	-17,868
CZK	37,314	-37,314	34,196	-34,196
PLN	47,743	-47,743	43,386	-43,386
Other	57,374	-55,908	54,219	-53,228
Total	201,308	-199,842	222,645	-221,659

2017

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	-1,235	4,152	-8,842	42,945	-19,012	185,406	-183,941
Equity	-1,168,228	1,056,443	-1,175,441	234,812	-228,785	15,902	-15,902
Total	-1,169,463	1,060,595	-1,184,283	277,757	-247,797	201,308	-199,842

¹⁾ Market value changes that are without impact on the balance sheet include reclassified bonds, in the case of interest rate and spread risk, and real estate in the case of foreign currency risk.

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⁾ 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 amortised cost 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 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 deferred profit participation) amounts to €+8.35 million. A -100 bp reduction in this assumption results in a net effect of €-8.41 million. The effects described relate to the changes in 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 insurance provision in the Group.

Non-life insurance

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 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. In particular, the reserving process for court damages in property and casualty insurance should be mentioned here. 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 internal model in property and casualty insurance is a suitable instrument for quantifying the volatility involved in processing. Pursuant to analysis of these model results, it was determined that a deviation of 5 per cent from the basic provision determined may represent a realistic scenario. Based on the current provision for unsettled claims of €2,425 million (excluding additional provisions such as provisions for claim settlement) in the Group on a gross basis, this would mean an increase in claims incurred by €121.2 million.

Health insurance

Health insurance operated on the similar to life technique is now also affected by the period of low interest rates. Since 1 January 2018 only tariffs with the 1 per cent discount rate are being sold. That fact, together with the tariffs sold in 2017 at the discount rate of 1.75 per cent, further reduce the average discount rate.

A reduction in the capital earnings by 100 bp (based on investment results 2017) would reduce the profit from ordinary activities by approx. €32 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 settlement loss. The claim 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 the estimate.

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 IFRSs. 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 contract is balanced out by the law of large numbers.

The following risks exist for a life insurance company:

- The calculation principles 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	31/12/2017	31/12/2016
Austria (AT)	10,092,306	10,802,566
Western Europe (WE)	115	-541
Central Europe (CE)	364,428	340,922
Eastern Europe (EE)	37,704	31,117
Southeastern Europe (SEE)	490,533	501,436
Russia (RU)	209,433	167,031
Total	11,194,519	11,842,533

Long-term unit-linked and index-linked life insurance contracts

In € thousand	31/12/2017	31/12/2016
Austria (AT)	4,457,284	4,377,911
Western Europe (WE)	0	0
Central Europe (CE)	554,202	464,667
Eastern Europe (EE)	0	0
Southeastern Europe (SEE)	7,839	4,012
Russia (RU)	0	0
Total	5,019,325	4,846,591

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 by type In per cent	Endowment assurance		Life insurance		Pension insurance	
	2017	2016	2017	2016	2017	2016
Austria (AT)	42.1	43.7	9.1	9.4	22.2	19.6
Central Europe (CE)	15.9	16.8	2.5	2.5	0.2	0.2
Eastern Europe (EE)	30.6	46.8	3.2	4.7	0.0	0.0
Southeastern Europe (SEE)	77.4	80.2	8.0	7.0	0.4	0.4
Russia (RU)	98.0	96.8	0.0	0.0	0.0	0.0
Total	42.7	44.6	7.7	7.9	16.7	15.1

Premium portfolio by type In per cent	Unit-linked and index-linked		Residual debt insurance		Other	
	2017	2016	2017	2016	2017	2016
Austria (AT)	25.5	26.2	0.0	0.0	1.1	1.1
Central Europe (CE)	53.3	57.6	10.1	9.1	18.1	13.7
Eastern Europe (EE)	0.0	0.0	63.7	44.3	2.6	4.2
Southeastern Europe (SEE)	3.1	2.2	0.8	0.6	10.2	9.6
Russia (RU)	0.0	0.0	2.0	3.2	0.0	0.0
Total	26.7	27.6	2.4	1.7	3.8	3.1

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 in Austria). Health insurance outside of Austria has been reduced to approx. 5 per cent through the sale of UNIQA Assicurazioni SpA. As a result, risk management in this line focuses mainly on 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 principles.

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 insurance provision 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 new circular was published by the Austrian Financial Market Authority (FMA) in July 2017 related to the discount rate in health insurance, stating that the FMA expects that tariffs will only be sold with 1 per cent discount rate as of 1 January 2018. This results in a further improvement of the risk in cases where the investment results are insufficient. The average discount rate at 31 December 2017 was approximately 2.89 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 are being observed by the insurance association, and attempts will also be made where necessary to react to negative developments from the perspective of the private health insurer.

The premium volume for the health insurance business abroad amounts to approx. €56 million. The health insurance business from Switzerland was transferred to UNIQA Liechtenstein (approx. €14 million) as Solvency II also applies here in terms of supervisory law instead of the SST (Swiss Solvency Test). The remaining premiums are practically divided between all UNIQA insurance companies internationally, but are generally of only minor importance. As UNIQA has no obligations to life-long contracts abroad and the contracts are pre-dominantly one-year contracts, the risk of health insurance similar to property technique must be categorised as somewhat low.

Other risks

Operational risk

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 to the Group 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 throughout all group companies.

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 in the form of a summarised risk report.

This process is usually conducted twice a year.

Business Continuity Management (BCM)

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 BCM system covering the issues of crisis prevention, crisis management and business recovery (including business continuity plans). The UNIQA BCM model is based on international rules and standards and is developed on a continuous basis.

Reputational and strategic risk

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 claim processing or advising and service quality are identified, evaluated and managed as operational risks in the group companies.

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 and/or 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 reported to the Group 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.

Sustainability risks

Sustainability risks are not currently classified as a separate risk category but are allocated among the existing categories. Up until now, UNIQA has identified potential sustainability risks with the following topics from the materiality analysis: clear evaluation of damage and rapid assistance, process for handling data and new technologies, customer information and financing, complaints management, avoidance of critical investment, employee satisfaction as well as ethics and compliance. UNIQA's risk identification process is subject to continuous development and will also ascertain in the future whether an identified risk is relevant from a sustainability point of view. According to the definition used by UNIQA this is the case if a risk exists in relation to ecological and/or social aspects of the sustainability topics.

40.6 Reinsurance

The Group Management Board 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, Switzerland, is responsible for the operational implementation of these tasks. It is responsible for and guarantees the implementation of reinsurance policies issued by the Group Management Board. 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.

Approval for publication

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

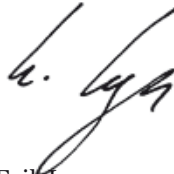
Declaration of the legal representatives

Pursuant to Section 124(1) 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, 9 March 2018



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 as at 31 December 2017, the 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 Group's earnings position at 31 December 2017 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 Regulation (EU) No. 537/2014 (hereafter the EU Regulation) and following the Austrian principles of proper auditing of financial statements. These principles require the application of the international audit standards (International Standards on Auditing, ISAs). Our responsibilities according to these regulations and standards are outlined in detail in the section of our audit opinion entitled "Responsibilities of the auditor for the audit of 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 areas were taken into account in connection with our audit of the consolidated financial statements as a whole and in forming our audit opinion; we will not issue a separate opinion on these areas.

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

- Relevant facts
- Method of audit
- Reference to additional information

1. Valuation of technical provisions and assets in life insurance

– Relevant facts

As a result of the current sustained environment of low interest rates, there is a risk that the technical provisions and/or assets in life insurance are not valued appropriately. 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. The Group tests the appropriateness of the technical provisions at each reporting date based on current estimates.

Based on the relevant facts as described, the valuation of the technical provisions in life insurance was considered to be particularly relevant data by us in our audit.

– Method of audit

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 the section in the general disclosures in the notes to the consolidated financial statements: “Use of discretionary decisions and estimates”.

2. Appropriateness of the claim reserve

- **Relevant facts**
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. The Group tests the appropriateness of the claims reserves at each reporting date using current estimates.

Based on the relevant facts as described, in our audit we considered the appropriateness of the claims reserves to be particularly important data.

- **Method of audit**
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,
 - evaluated that valuation methods were applied consistently, and
 - evaluated processes and tested core monitoring.
- **Reference to additional information**
See the section in the general disclosures in the notes to the consolidated financial statements: “Use of discretionary decisions and estimates”.

3. Valuation of investments

- **Relevant facts**
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. as is the case with structured and/or illiquid bonds. In this context the Management Board will 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.

Based on the relevant facts as described, in our audit we considered the valuation of the equity participations and capital investments to be particularly important data.

- **Method of audit**
Across the Group, we have:
- conducted spot-tests of valuations,
 - validated the valuations calculated 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, and

- evaluated processes and tested core monitoring.

– **Reference to additional information**

See the section in the general disclosures in the notes to the consolidated financial statements: “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 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 the EU Regulation and with the Austrian principles of proper auditing of financial statements, which stipulate the application of ISA rules, will in each case reveal any essentially false representation that may exist. 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 any audit of financial statements that has been executed in compliance with the EU Regulation and the Austrian principles of proper auditing of financial statements, which require the application of the ISAs, we exercise due discretion and maintain a critical stance throughout the entire process of the audit.

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.
- We gain an understanding of the internal control system relevant for the audit of the consolidated financial statements in order to plan audit actions that are reasonable under the given circumstances, but not with the objective of providing an audit opinion on the effectiveness of the company’s internal control system.
- We assess 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 with respect to the adequacy of the application of the going concern principle by the legal representatives and, on the basis of the audit evidence obtained, to 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. We draw our conclusions based on the audit evidence that was acquired up to the date of the audit opinion. However, future events or circumstances may result in the Group’s deviation from the going concern principle.

- 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

Comments 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.

Additional information in accordance with Article 10 of the EU Regulation

We were selected as statutory auditors by the Annual General Meeting on 30 May 2016. We were appointed by the Supervisory Board on 21 November 2016. We have acted as statutory auditors continuously since 31 December 2013.

We hereby declare that the audit opinion in the section “Report on the consolidated financial statements” is in accordance with the additional report to the Audit Committee pursuant to Article 11 of the EU Regulation.

We hereby declare that we have not provided any prohibited non-audit services (Article 5(1) of the EU Regulation) and that we maintained our independence from the company audited in carrying out our audit of the consolidated financial statements.

Public accountant responsible for the project

The public accountant responsible for this project is Werner Stockreiter.

Vienna, 9 March 2018

PwC Wirtschaftsprüfung GmbH



signed:

Werner Stockreiter
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.