

Report of the Supervisory Board

Dear Shareholders,

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

At the start of 2016 the UNIQA Group Management Board, with the agreement of the Supervisory Board, decided to launch a comprehensive investment programme. This investment programme is split over several

years and has a total value of around €500 million. The investments are predominantly aimed at redesigning the business model and at the modernisation of IT systems required for this development. This innovation programme will create the conditions needed to allow UNIQA's planned growth to continue successfully in future, despite major changes to the structural conditions.

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

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

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

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

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

Activities of the Supervisory Board

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

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

Focus of the deliberations

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

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

At the meeting held on 18 January, the Supervisory Board approved the budget for the 2016 financial year and the medium-term forecast up to the

year 2020. It also addressed the ORSA Report 2015 (Own Risk and Solvency Assessment) and took a decision in principle to implement a new core IT system for the Group, together with the necessary financial framework.

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

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

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

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

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

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

In addition to reporting on the results of the Group in the first three quarters of 2016 and the latest performance information for the fourth quarter of 2016, at the Supervisory Board meeting on 23 November detailed discussions were held about the forecast for the 2016 financial year, planning for the 2017 financial year and the medium-term planning up to

2021. The Supervisory Board also evaluated its activities in accordance with the Austrian Code of Corporate Governance (ÖCGK) and discussed the submission of the ORSA Report 2016, along with the status report on the pending sale of the Italian Group companies.

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

Committees of the Supervisory Board

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

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

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

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

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

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

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

Separate and consolidated financial statements

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

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

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

The Supervisory Board acknowledged the consolidated financial statements for 2016 and approved the 2016 annual financial statements of UNIQA Insurance Group AG. It also endorsed both the management report and the

Group management report. The 2016 annual financial statements were thereby adopted in accordance with Section 96(4) of the Austrian Stock Corporation Act.

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

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

Vienna, April 2017

On behalf of the Supervisory Board



Walter Rothensteiner
Chairman of the Supervisory Board