

# Report of the Supervisory Board

Dear Shareholders,

The year 2015 was a challenging one for the European insurance industry. Returns on European government bonds with the best credit ratings fell to record lows following the ECB's decision to implement significant bond purchases. This affects all long-term investors in secure fixed-income securities, and therefore the insurance industry as well. Despite this, in 2015 – the fourth full year of the UNIQA 2.0 strategic programme – UNIQA was able to achieve the best results in the history of the Group.

The cornerstones of the strategic programme remain unchanged: the aim is to further increase the number of customers in the two existing core markets by 2020 through UNIQA focusing on its core expertise as a direct insurer. The company is striving for the further gradual improvement in the overall technical results, an increase in economic earnings performance for the life insurance business – particularly in Austria – and careful but profitable growth in Central and Eastern Europe.

The increased digitalisation of our entire societal and economic life represents a challenge as well as an opportunity. UNIQA intends to launch a significant investment programme in 2016 in preparation for this change and in order to set a new direction for information technology in the Group as a whole. This programme is being implemented from a position of strength: as at the end of 2015 the economic capital ratio amounted to 182.2 per cent. In conjunction with the continued low level of interest rates,

however, these planned investments will result in the earnings before taxes in 2016 being well below the 2015 level from today's point of view. Nevertheless, they are absolutely necessary for the long-term stable safeguarding of the Group's profits.

## ACTIVITIES OF THE SUPERVISORY BOARD

During 2015, 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. Two special seminars were held in 2015 on the topic of "The Insurance Supervision Act 2016, the Solvency II regulations and the International Financial Reporting Standards (IFRSs)", and on "Compliance and audit under the new Solvency II regulations".

## FOCUS OF THE DELIBERATIONS

The Supervisory Board met on six occasions in 2015. It also adopted two decisions by circulating a written resolution.

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

At the meeting held on 5 March, the Supervisory Board mainly discussed the Group's preliminary results for 2014 and the trends in the first few weeks of the 2015 financial year.

The Supervisory Board meeting on 14 April focused on the audit of the annual financial statements and consolidated financial statements for the year ended 31 December 2014 and on the reports from the Management Board with up-to-date information on the performance of the Group in the first quarter of 2015. The Supervisory Board also discussed the agenda for the 16<sup>th</sup> Annual General Meeting held on 26 May 2015.

The meeting of the Supervisory Board held on 21 May was dedicated to a discussion of the Group's earnings situation in the first quarter of 2015.

The Supervisory Board was reconstituted in the meeting on 26 May based on the new election of all Supervisory Board members.

The Supervisory Board approved a new issue of a hybrid capital bond amounting to €500 million by circular resolution on 31 May.

On 29 July, the Supervisory Board passed the resolution by circular to sell the stake in Casinos Austria Aktiengesellschaft.

At its meeting on 10 September, the Supervisory Board discussed the Group's earnings situation in the first half of the 2015, the latest developments in the third quarter of 2015, and the forecast for the 2015 financial year. It also addressed the equity planning of the Group companies under Solvency II.

In addition to receiving reports on the results of the Group in the first three quarters of 2015 and the latest performance information for the

fourth quarter of 2015, the meeting of the Supervisory Board on 26 November held detailed discussions on the forecast for 2015. The Supervisory Board also evaluated its activities in accordance with the Austrian Code of Corporate Governance.

#### 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. The Working Committee approved the terms of the hybrid capital bond by way of a circular resolution on 17 July.

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 two 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 **Audit Committee** held three meetings in 2015 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 14 April, with the Compliance Manager's annual activity report for 2014 also submitted and acknowledged in particular. At the meeting held on 21 May, the auditor presented the planning for the audits of the 2015 financial statements prepared by the companies in the UNIQA Group and coordinated this planning and strategy with the

committee. At the meeting held on 26 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. 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 2015 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 243b of the Austrian Commercial Code and the evaluation of UNIQA's compliance with the rules of the Austrian Code of Corporate Governance (with the exception of Rules 77 to 83) in the 2015 financial year was carried out by PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The audits found that UNIQA had complied with

the rules of the Austrian Code of Corporate Governance in the 2015 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 2015 and approved the 2015 annual financial statements of UNIQA Insurance Group AG. It also endorsed both the management report and the Group management report. The 2015 annual financial statements were thereby adopted in accordance to 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 47 cents per share will be proposed to the Annual General Meeting on 30 May 2016.

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 2016

On behalf of the Supervisory Board



Walter Rothensteiner  
Chairman of the Supervisory Board