WIENER STÄDTISCHE
VERSICHERUNGSVEREIN

SUMMARY OF THE

SOLVENCY FINANCIAL CONDITION REPORT 2017

WIENER STÄDTISCHE WECHSELSEITIGER VERSICHERUNGSVEREIN – VERMÖGENSVERWALTUNG – VIENNA INSURANCE GROUP

SUMMARY

The Solvency and Financial Condition Report (SFCR) as of 31 December 2017 was prepared in accordance with the requirements stipulated in the Solvency II Directive 2009/138/EC, Delegated Acts Solvency II 2009/138/EG and additional applicable regulatory guidelines. All monetary figures are shown in the unit of thousands of Euro (TEUR) compliant with the rules of the Commission Delegated Regulation (EU) 2015/2452.

The Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group (WSTV-Verein) is, with a share of more than 70%, the majority shareholder of the Vienna Insurance Group AG Wiener Versicherung Gruppe (VIG), the leading insurance company in Austria and CEE. Compliant with the regulatory rules in place, this SFCR reports on the solvency and financial condition of the group.

Based on the contract from 24 November 2015, the WSTV-Verein delegated the tasks to fulfill the requirements of group supervision according to §§202-236 VAG to VIG. The group SFCR was established and published in compliance with Article 359 of the Commission Delegated Regulation (EU) 2015/35.

The report follows the structure prescribed in the Commission Delegated Regulation (EU) 2015/35 and is divided into chapters A to E with all of the required subchapters:

Chapter A describes the overall business profile and the last year’s performance. The group is headquartered in Vienna and with around 50 insurance companies in 25 countries the leading insurance group in Austria and CEE.

In 2017, the group had an overall premium volume of TEUR 4.810.118 (2016: TEUR 4.447.599) in non-life insurance, the overall premium volume in life insurance in 2017 amounted to TEUR 4.055.818 (2016: TEUR 4.112.312). The investment result in 2017 amounted to TEUR 1.600.626 (2016: TEUR 1.609.351).

Chapter B focuses on a description of the governance system of the group. The main elements of the system are the supervisory board, the management board and other key functions as well as the risk management system and the internal control system.

Based on the contract from 24 November 2015 the governance system of the group is operated by VIG. It considers all relevant processes for an effective and efficient management and supervision of the group. In particular it defines a proper organizational and operational structure, transparent lines of reporting and communication as well as a risk management, which is appropriate to the size and the complexity of the group.

In **Chapter C** the risk profile of the group is depicted. The following table provides an overview of material risks of the group. The figures are based on the partial internal model, which is also used in risk measurement for the regulatory solvency.

OVERVIEW OF RISKS ACCORDING TO PIM

in TEUR	31.12.2017	31.12.2016
Market risk	3.548.455	3.596.472
Counterpart default risk	315.607	280.854
Life underwriting risk	1.874.074	1 635.360
Health underwriting risk	363.988	325.491
Non-life underwriting risk	665.867	585.604
Intangible asset risk	0	0
Operational risk	295.850	300.516

Further risks not included in the solvency calculation, are considered in the risk management process qualitatively.

Chapter D describes the valuation for solvency purposes, which are mainly prescribed by the Solvency II Directive 2009/138/EC and the Commission Delegated Regulation (EU) 2015/35. The underlying principle thereof is the evaluation of the economic situation of an undertaking on the basis of current market values. The chapter presents the economic balance sheet in which the positions are valued according to current market values and elaborates on the quantitative and qualitative differences in measurement of the essential balance sheet elements (e.g. assets and technical provisions) between Solvency II and International Financial Reporting Standards (IFRS).

Chapter E describes the capital management of the group. For that purpose the available and eligible own funds are presented as well as the minimum capital requirement and the solvency capital requirement. Besides that, the differences between standard formula and the partial internal model are outlined. As of 31 December 2017, the solvency capital requirement of the group calculated under the use of the partial internal model amounted to TEUR 3.640.535. The minimum capital requirement of the group amounted to TEUR 1.812.867. Based on these capital requirements, the amounts of eligible own funds were TEUR 7.034.504 and TEUR 6.012.498, respectively. Therefore, the groups' solvency ratio resulted in 193,23% and the coverage ratio for the minimum capital requirement was 331,66%.

SOLVENCY CAPITAL REQUIREMENT AND GROUP COVERAGE ACCORDING TO PIM

in TEUR	31.12.2017	31.12.2016
Solvency II eligible own funds to meet the SCR	7.034.504	6.063.611
Tier 1	5.697.368	5.286.762
Tier 2	1.301.921	776.850
Tier 3	35.214	0
Solvency capital requirement (SCR)	3.640.535	3.507.315
Solvency Ratio	**193,23%**	**172,88%**

MINIMUM CAPITAL REQUIREMENT AND GROUP COVERAGE ACCORDING TO PIM

in TEUR	31.12.2017	31.12.2016
Solvency II eligible own funds to meet the MCR	6.012.498	5.580.904
Tier 1 (excl. other financial sectors)	5.649.924	5.238.997
Tier 2	362.573	341.907
Tier 3	0	0
Minimum capital requirement (MCR)	1.812.867	1.709.535
MCR coverage	**331,66%**	**326,46%**

In the appendix of the report, the reader can find Quantitative Reporting Templates (QRT), which describe the solvency and financial situation of the group in detail.

The solvency of the group was determined using the volatility adjustment (VA). Besides that no other transitional measures were used. The following table shows the effects of the volatility adjustment on group level.

Solvency with and without usage of the Volatility Adjustment as of 31.12.2017

in TEUR	With VA	Without VA
Solvency II eligible own funds to meet the SCR	7.034.504	6 990 928
Solvency capital requirement (SCR)	3.640.535	3 672 228
Solvency Ratio	**193,23%**	**190,37%**