VIG Re

Annual Report 2009

We care about every detail of our work, just as a climber trusts every fiber of his rope.

Closeness Creates Understanding

VIG RE zajišťovna, a.s.

Closeness Creates Understanding

Letter from the Chairman of the Supervisory Board

Dear Ladies, Gentlemen and esteemed business partners,

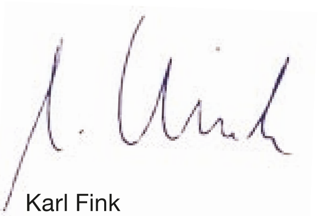
Please allow me a few words about this business year of VIG RE zajišťovna a.s. (VIG Re). VIG Re entered the market in an economically challenging situation and a very competitive environment. However, the first full year of business operations has clearly justified the decision to establish a new reinsurance partner in CEE, and the company set off to a convincing start.

From the outset, VIG Re succeeded in obtaining an A+ Rating from Standard and Poor's and set up its business activities within a short period of time. Due to the long standing reinsurance experience of the management board and a dedicated team, VIG Re soon became established on the market. This dynamic development is reflected in the company figures, where both premium income and profit exceeded initial expectations.

I would like to congratulate the management board of VIG Re as well as the whole VIG Re team on this success and the way they have identified with the company and its cedents. Bearing in mind the overall strategy of VIG Re is to serve as a reinsurer close to CEE, I am confident that the company will continue to grow and develop at the same dynamic pace in years to come.

VIG Re has laid a sound foundation for its future market position in CEE, at the same time the conservative investment policy and strength of the VIG group offer a stable background for VIG Re. This background also serves as a guarantee of stability for VIG Re clients, and I am convinced that in today's insecure environment, financial security and reliability are the foremost values a reinsurer can offer.

I would like to close my letter by thanking the business partners and cedents of VIG Re, because without them VIG Re could not have set off to such a start, and I am certain the company will reward this trust by proving to be a sound and stable business partner. To VIG Re, I wish for the future years that it may continue along its path of financial foresightedness, and security, and maintain the ability to be close to the cedents' needs – thus building a sound foundation for lasting success in the reinsurance market.



Karl Fink
Chairman of the Supervisory Board

Letter from the Chairman of the Management Board

Dear Ladies, Gentlemen and business partners,

2009 was an important, challenging and yet very successful year for VIG Re. While it was the second year of the company's existence, it was the first year in which VIG Re fully served as a reinsurance partner.

Following our strategy, we built a sound base for the further development of VIG Re by underwriting business from VIG companies. I would like to stress, however, that this is just a starting point. When founding VIG Re, we clearly did so with the intention of adding a new and strong reinsurance partner to the overall CEE market, thus increasing the freedom of choice for ceding companies.

This was supported by the fact that, shortly after obtaining our licence, our intentions were confirmed by obtaining an A+ (Outlook Stable) rating by Standard and Poor's. Being equipped with an equity of over 100 MIO EUR, and exceeding our solvency ratio by a multiple, we feel we are in a position to represent a strong option for clients in CEE who are seeking additional reinsurance solutions.

Security is the foundation; but reinsurance is also a people business. Therefore it was a clear choice for me to build this company with a management team that came with many years of reinsurance experience, and a feeling for the region we work in. All of us have lived and worked in CEE, and my colleagues have their roots in this region. Therefore "close" is not just a word for us. We have been part of this region for many years, we have seen companies start and struggle, grow and develop. We know the difficulties, and we have sufficient insight to appreciate the potential.

Therefore I am pleased that, already in 2009, we have managed to start co-operation with insurance companies in the overall market. VIG Re completed this year with a premium volume of nearly 260 MIO EUR and a result of 14,4 MIO EUR, which is 30% above the initial expectation. I would like to thank all clients for their trust and interest in VIG Re, and I am certain we will have many opportunities to increase and broaden our partnership in the future.

Finally, I would like to thank the team of VIG Re for their exceptional performance. I am proud of the way they feel responsible for the company's progress and the quality of work with our clients, and the way each of them contributes to the overall results.

We have chosen the carabiner to be our symbol – the clip that ties a mountaineer on to a climbing rope, connecting him with the partners that secure him. It is a symbol of safety and choice. We will do our utmost to ensure that VIG Re will be a safe partner to choose, a strong tie in these challenging times.

Peter Hagen
Chairman of the Board

The relationship with our clients
is based on close binds.

It's trust that binds.

Management Board

Denis Pehar
Member of the Board

Main Responsibilities:
- Property and Casualty Reinsurance
- Protection Programme
- Reinsurance Underwriting Systems

Claudia Stránský
Member of the Board

Main Responsibilities:
- Property and Casualty Reinsurance
  VIG Companies
- Reinsurance Accounting
- Human Resources

Peter Hagen
Chairman of the Board

Main Responsibilities:
- Corporate Issues
- Finance
- Planning and Legal

Dušan Bogdanović
Member of the Board

Main Responsibilities:
- Life and Health Reinsurance
- Organization
- IT

Supervisory Board

Chairman of the Supervisory Board: **Karl Fink**

Vice-Chairman of the Supervisory Board: **Peter Höfinger**

Member of the Supervisory Board: **Wolfgang Eilers**

Member of the Supervisory Board: **Rudolf Ertl**

Member of the Supervisory Board: **Franz Kosyna**

Member of the Supervisory Board: **Juraj Lelkeš**

Being connected by a carabiner protects you against being exposed all on your own.

Another climber holds you secure while you asses the situation and recover where necessary. It is much easier to take a step forward when you know someone will keep you from a fatal fall.

Company Profile

We have a strong background

Our equity provides us with a very comfortable margin over Solvency Regulations of more than 420%. We follow a conservative investment strategy and adhere to a prudent and thoroughly designed underwriting and reserving policy. Given this sound base, Standard and Poor´s awarded us with a **rating of A+** (outlook stable).

Each member of our management board has **numerous years of experience** in the reinsurance field and has participated in the development of the reinsurance markets in CEE.

We are part of CEE

Our seat is in the Czech Republic, so further to being experienced in CEE, we are part of it. We are aware that each market in this Region has specific qualities, which deserve **special attention**.

We pick the members of our team very carefully and thus are privileged to work with a strongly motivated, **high performance team**. Their professional backgrounds cover both reinsurance and insurance. This way they can relate to the strain of keeping the balance between protection and costs; they know how it feels to be a cedent.

We understand your needs

We look at each company individually, and are committed to **fast and effective service**. We avoid lengthy processes, catering to your specific needs, not just enforcing general reinsurance market standards. Our underwriting strategy is determined by a portfolio approach, and we are not lead by short term, opportunistic decisions, but take into account the overall client relationship.

We write long tail and short tail business, proportional and non-proportional. We offer our services in **Property and Casualty, Life and Health** - and together with our clients we work on solutions that will not just support existing coverage needs, but set the ground for future developments.

VIG Re Key Figures (Consolidated Financial Statement)

Income statement	2009
in EUR '000	
Premiums written	**257 241**
Property/Casualty	194 194
Life	24 540
Health	38 507
Combined ratio	**95.7%**
Result from investments	**8 415**
Profit before taxes	**14 426**
Profit of the period after taxes and minority interests	**11 755**

Balance sheet	
in EUR '000	
Investments	**376 867**
Total assets	**484 209**
Shareholders' equity	**106 232**
Underwriting provisions	**307 120**

Partners linked together have to find a pace that works.

If one climber walks too slowly or the other too fast, the rope gets too much slack and becomes hindering to both.

Management Report

2009 Results

VIG Re closed the 2009 financial year with a positive underwriting result, reflected in a combined ratio of 95.7%. The result of investments amounted to 8.4 MIO EUR, and VIG Re recorded a consolidated profit before taxes of 14.4 MIO EUR, laying a sound foundation for future years.

5.5 MIO EUR, which represents nearly half of the profit for the period of 11.779 MIO EUR, will be distributed to Shareholders.

Business Development in Detail

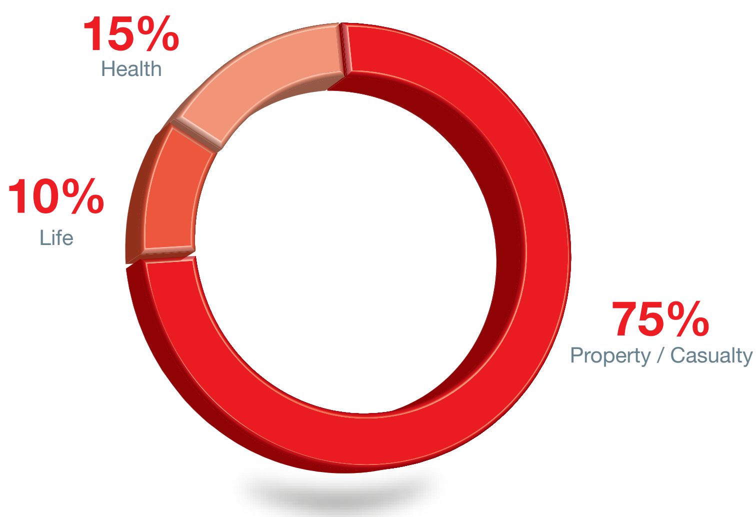
The beginning of 2009 was marked by the clearly perceptible onset of the economic recession, which was started by the pending crisis in the USA. With few exceptions, this affected all the world economies, including the countries of Central and Eastern Europe. There were drops in GDP, increases in unemployment and public budget deficits. The value of shares fell dramatically on the financial markets, and currency exchange rates also encountered instability.

The second half of 2009 was marked by a slight revival of economies and a sharp growth on stock markets. Nevertheless, the positive outlook for the last quarter was dampened by the actual development. Economists forecasted that GDP in the Euro zone would increase by 0.3 percent, whereas in reality this increase was a mere 0.1 percent.

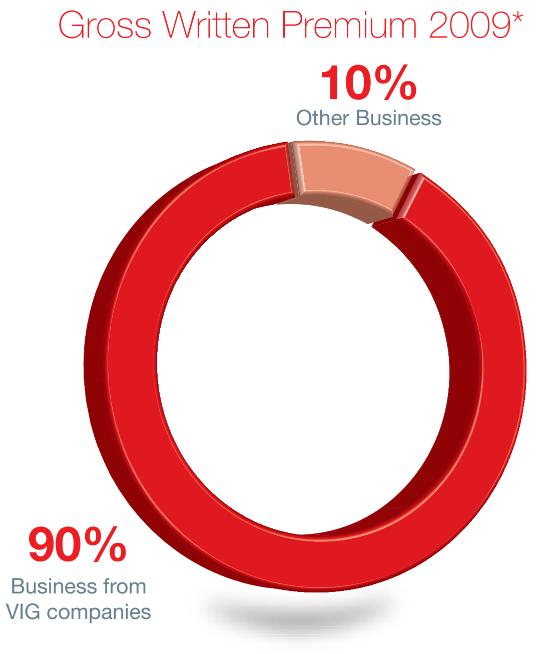
In the CEE region, the economic crisis most affected the Baltic States, whose gross domestic product declined by one tenth in the first quarter of the year, and by almost 14 percent in Lithuania. These countries implemented saving measures, cut wages in the public sector as well as old age pensions, whilst some taxes were raised. Also other economies of the region suffered from dramatic declines, the only country whose economy grew was Poland.

In this challenging environment, VIG Re managed to underwrite a volume of business that exceeded the initial expectations and, even after the impact of currency exchange rate deteriorations in some countries, **a premium volume of nearly 260 MIO EUR** could be recorded at the end of the year.

Premium Split 2009



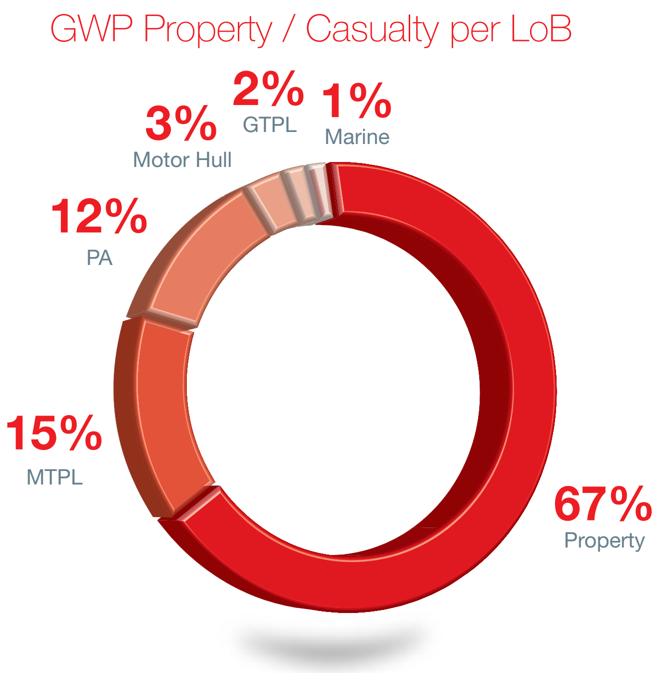
Even though VIG Re focused on underwiting business from VIG, the company was also successful in gaining other business from the market. That was a good base, combined with the development of marketing and underwriting activities, to expand further in this segment.



* Written Premium 2009, excluding special facilities for Vienna Insurance Group

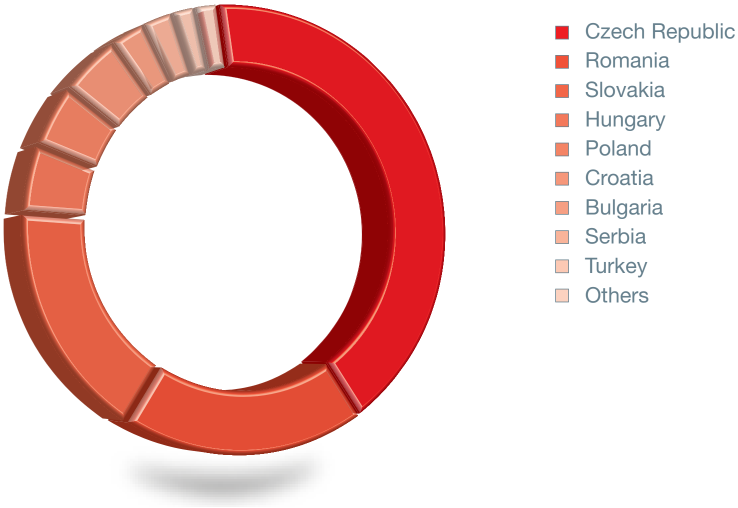
Property and Casualty

VIG Re succeeded in underwriting a **well-balanced portfolio of treaties**, offering cover for all major lines of reinsurance, with the exception of Credit & Bond and Aviation business. In addition to single-line targets a portfolio approach was applied, taking into account geographical diversification and the line of business distribution. The overall premium written amounted to 194,2 MIO EUR.



This was further diversified by a geographical spread covering the whole CEE region, as well as Austria, Germany and Italy. The CEE premium for Property and Casualty represented nearly 90 MIO EUR, and the split per country shows VIG Re's **widespread participation in this region.**

GWP Property / Casualty CEE per Country



Based on this regional spread as well as the participation in Germany and Austria, the underwriting team of VIG Re was able to encounter the specifics of each and every country in the CEE region. The spread of clients ranged from market leaders to small, rapidly developing companies, each requiring individual attention.

To better serve a heterogeneous customer base, the underwriting of VIG Re is organised as a matrix of client and line of business responsibilities, ensuring that both aspects are met with equal care.

In line with this approach of following the customer, VIG Re is underwriting both proportional and non-proportional treaties, for 2009 the split was 58% (non-proportional) and 42% (proportional). Also in future years it is the intention of VIG Re to offer both types of reinsurance protection.

The short tail to long tail ratio was 70:30, long-tail business where VIG Re is intensifying its involvement is Liability Reinsurance. CEE Liability, in particular, is a line of business where further development is to be expected regarding product range and design in the forthcoming years, VIG Re is therefore expanding its infrastructure and specialised know-how in this field.

In 2009 VIG Re was hit by several large losses, especially in Austria and the Czech Republic, but due to the closely knit protection programme, the impact for VIG Re was limited and a positive underwriting result in Property / Casualty could be observed.

In all other lines, total gross loss ratios excluding Nat Cat were positive for each line of business, and remained clearly below 100% including IBNR.

While profiting from the results of the business underwritten for 2009, VIG Re dedicated a substantial part of the year to preparing the renewal and new acquisition of treaties for 2010.

Regarding new client relationships in Austria and CEE, VIG Re has distinctly strengthened its foothold in the region and managed to increase the number of clients to 40 companies from 16 countries . In line with the long-term business targets, VIG Re managed to underwrite attractive business when reinsurance treaties were renewed for 2010, and expects that this business will represent a share of 10% of the overall gross premium written in 2010.

For business from VIG companies, key countries and target lines of business were defined and the year was used to pursue further growth in those areas, which led to increased shares for 2010.

Life and Health

Life Reinsurance premiums in 2009 amounted to 24.5 MIO EUR. VIG Re succeeded in underwriting business from a broad spectrum of market participants, and at the same time increased its presence in the business of VIG companies.

In terms of size and geographical spread, VIG Re was able to achieve a diversified and well balanced Life Reinsurance portfolio. The main risks underwritten by VIG Re are death and disability. The reinsurance business assumed primarily consists of Quota Share and Stop Loss treaties.

For the renewal of 2010 VIG Re has followed the same principles as in the previous year. On one side it is focused on providing service and protection to all of its existing cedents, while on the other side VIG Re is working on the further improvement and development of products, know how and services to all the participants on the market.

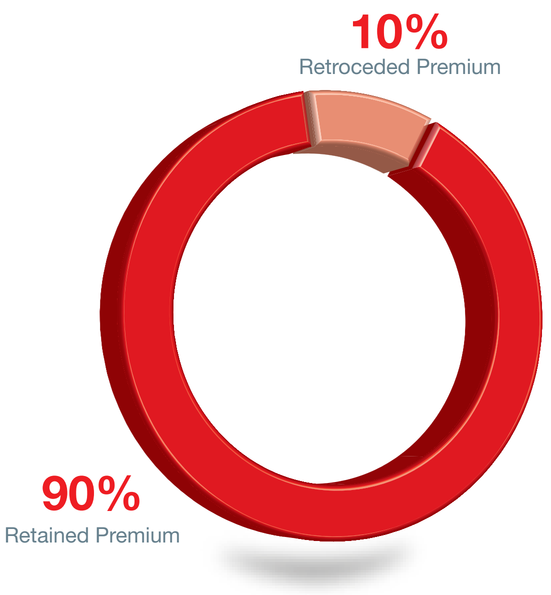
Health Reinsurance treaties were only underwritten with VIG for 2009, representing a written premium of 38.5 MIO EUR. In CEE, the core region in which VIG Re is operating, the Health Insurance and Reinsurance market is still limited. VIG Re expects that over the forthcoming years this situation will change, following legislative and economic developments in the region, and is prepared to work on solutions together with CEE companies who will be introducing and designing this complex form of insurance cover.

Protection Programme

VIG Re's conservative protection policy forms an integral part of its risk management. We limit our potential liability from incoming reinsurance business by passing some of the risks we assume (including special facilities for Vienna Insurance Group) to the international reinsurance market. VIG Re spreads this multi-level protection programme over a large number of different international reinsurance companies which are considered adequate credit quality.

Together with its strong equity base and conservative investment approach this prudent protection policy ensures VIG Re's excellent capital position and underwriting capacity.

Retroceded and Retained Premium*



* Written Premium 2009, excluding special facilities for Vienna Insurance Group

Business Processes

As it was VIG Re's first year of pursuing business relationships as an active reinsurer, the year was dedicated to optimizing all business procedures and serving as a full value reinsurance partner.

During 2009 VIG Re continued building its team of skilled people, as well as its infrastructure. The basis was set in 2008, when a fully integrated IT system was successfully implemented. As the company continued to extend its business activities, underwriting software tools were fully incorporated into underwriting procedures.

Another major development in 2009 was the change of the accounting currency from CZK to EUR, following the change of accounting standards to IFRS. An important fact was the professional support of the Czech National Bank throughout this process.

Constant professional growth, training and development are part of the HR policy. VIG Re has access to a high level of training opportunities and know how, and it is an inherent part of the company policy to ensure a high level of knowledge exchange for all members of the technical team.

Complementary to their technical skills, each person working for VIG Re is assessed based on their willingness and capability to grow and learn, and, most of all, their understanding of the business and the clients they work with.

In the forthcoming years close attention will be paid to the further development of the team and encouraging high performance standards. VIG Re will maintain a flat hierarchy and a well connected communication network, because this approach has proven to ensure strong identification with the company and its clients by each member of the team.

Financial Investments

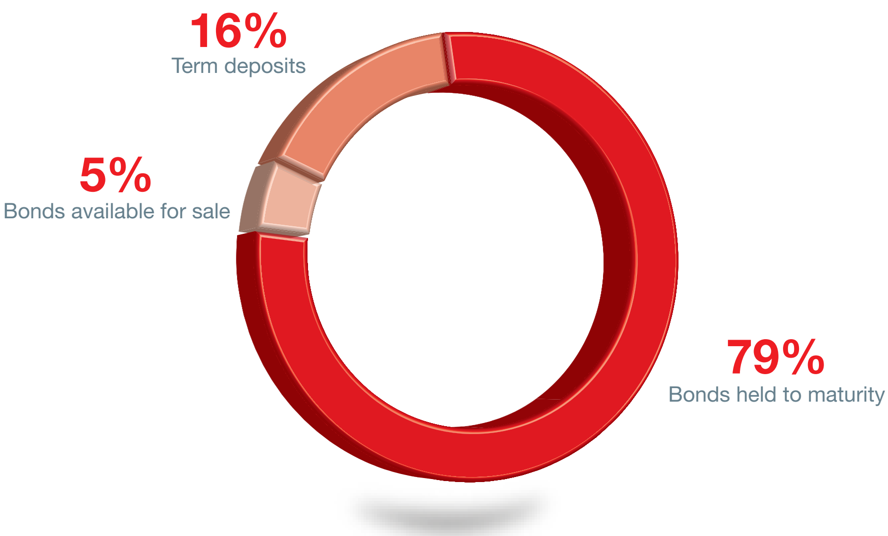
As a consequence of a conservative investment strategy with the aim of protecting the invested capital, nearly all investments were allocated to fixed income instruments. In 2009 the company could use a relatively high level of mid and long-term interest rates, especially in the first half of the year.

84% of investment assets were invested in bonds, mainly Euro-denominated sovereigns and government-guaranteed bank bonds with the core inside the Central European area of VIG Re operations. Nearly 95 % of bond portfolio volume was accounted as held to maturity .

Apart from the financial investments the company also holds 216.4 MIO EUR of funds deposited with cedents from Life and Health Reinsurance.

At the end of 2009, 93% of deposits were denominated in EUR determined to cover reinsurance operations and 7% in Czech Crowns for local operational purposes.

Financial Investments*



*Excluding funds deposited from Life and Health Reinsurance

Outlook

Some estimates predict a slight economic revival in 2010, in Central Europe an increase of 1.7 percent is expected. According to forecasts Polish GDP is set to increase by a solid 2.5 percent, Czech and Slovak GDP following with 1 percent growth, whilst the Hungarian economy is still expected to remain unchanged. Also in South Eastern Europe – in Bulgaria and Romania – following the decline in 2009 by 5.1 and 7.2 percent respectively, a slowly upturning trend is expected, not yet reflected in growth rates however.

Such an environment demands a prudent yet proactive policy, and diversification and a heterogeneous book of clients are more valuable than ever. VIG Re will therefore continue working in a multitude of territories, and follow the principles of portfolio underwriting and a well balanced business mix.

To support the above philosophy by further activities, VIG Re is planning to start offering facultative reinsurance from 2010 onwards, and will extend its activities in Liability Reinsurance as well as other lines with development potential.

Following the path that was successfully entered in 2009, VIG Re will intensify the service to its cedents and build up new client relationships. Reinsurance demand is bound to grow due to Solvency 2 and the growing need to ensure the stability of results. Many companies are bound by strict security requirements, and VIG Re represents a business partner that is prepared to meet those standards.

A multitude of partners and regions is vital for a reinsurance company. Equally, insurance companies profit from an increased number of reinsurers they can choose from. VIG Re represents an additional option for CEE cedents, both in price finding and overall placement, and will continue to strengthen this role over the forthcoming years.

Being tied to others is the mountaineers lifeline.

It distributes risk among a group,
it protects the individual.

Supervisory Board Report

The Supervisory Board has received from the Management Board the Financial statements as at 31 December 2009, and the Report on business activities and the status of the Company dating to 31 December 2009, which has been carefully read and reviewed. Based on this review, the Supervisory Board has unanimously agreed to approve the Financial statements prepared by the Management Board and also the Management Board's proposal for the distribution of profit.

Furthermore, the Supervisory Board notes that it was able, both as a body and personally through its Chairman and Deputies, to supervise the Company's management. This was also achieved through regular meetings with the members of the Management Board, who provided sufficient explanations and evidence of the administration of the Company's business based on books and written documents.

In 2009, one ordinary shareholders' meeting, one extraordinary shareholders' meeting, and four meetings of the Supervisory Board were held.

The Supervisory Board hereby informs the shareholders' meeting that the Financial statements for 2009 were audited by KPMG Česká Republika Audit, s.r.o., an auditing company; that the Supervisory Board obtained, reviewed and discussed the audit and that no issues arose as a result of the review. The Supervisory Board hereby declares that it has nothing to append to the auditor's report.

Prague, April 2010

Dkfm. Karl Fink
Chairman of the Supervisory Board

KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a
186 00 Praha 8
Česká republika

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Fax +420 222 123 100
Internet www.kpmg.cz

Auditor's report to the shareholders of VIG RE zajišťovna, a.s.

Financial statements

On the basis of our audit, on 31 March 2010 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of VIG RE zajišťovna, a.s., which comprise the statement of financial position as of 31 December 2009, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about VIG RE zajišťovna, a.s. is set out in Note A.1. to these financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements of VIG RE zajišťovna, a.s. in accordance with International Financial Reporting Standards as adopted by the E.U. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly in all material respects the assets, liabilities and the financial position of VIG RE zajišťovna, a.s. as of 31 December 2009, and its expenses, revenues and financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the E.U."

On the basis of our audit, on 23 April 2010 we issued an auditor's report on the Company's consolidated financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying consolidated financial statements of VIG RE zajišťovna, a.s., which comprise the statement of financial position as of 31 December 2009, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about VIG RE zajišťovna, a.s. is set out in Note A.1. to these consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements of VIG RE zajišťovna, a.s. in accordance with International Financial Reporting Standards as adopted by the E.U. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly in all material respects the assets, liabilities and the financial position of VIG RE zajišťovna, a.s. as of 31 December 2009, and its expenses, revenues and financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the E.U."

Report on relations between related parties

We have also reviewed the factual accuracy of the information disclosed in the report on relations between related parties of VIG Re zajišťovna, a.s. for the year ended 31 December 2009. This report on relations between the related parties is the responsibility of the Company's management. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with International Standard on Review Engagements and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance that the report on relations is free of material factual misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not conducted an audit of the report on relations and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information disclosed in the report on relations between related parties of VIG Re zajišťovna, a.s. for the year ended 31 December 2009 contains material factual misstatements.

Consolidated annual report

We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of Company's management. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that all also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that our audit provides a reasonable basis for the auditor's opinion.

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Prague
29 April 2010

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
Licence number 71

Roger Gascoigne

Roger Gascoigne, FCA
Partner

Benešová

Romana Benešová
Partner
Licence number 1834

VIG RE zajišťovna, a.s.
Separate Financial Statements

For the year ended 31 December 2009

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BALANCE SHEET AS OF 31 DECEMBER 2009

ASSETS	Notes	2009	2008
in EUR '000			
Intangible assets	G.1	1 410	
Property, plant and equipment	G.2	164	
Investment in subsidiary	G.3	4 000	4 000
Financial investments	G.4	372 266	13 378
Financial assets held to maturity		126 973	13 378
Financial assets available for sale		7 233	
Loans – Term deposits		21 679	
Deposits due from cedents		216 381	
Receivables	G.5	44 760	34
Ceded share of reinsurance liabilities	G.6	59 225	
Other assets	G.8	2	544
Deferred acquisition costs	G.9	989	
Cash and cash equivalents	G.10	83	76 929
Total ASSETS		**482 899**	**94 885**

EQUITY AND LIABILITIES	Notes	2009	2008
in EUR '000			
Shareholders' equity	G.11		
Share capital		101 958	101 958
Other components of equity		154	
Retained earnings		3 736	-7 822
Total EQUITY		105 848	94 136
Reinsurance liabilities		306 641	
Unearned premiums	G.12	15 067	
Outstanding claims	G.13	87 191	
Life Reinsurance provision	G.14	123 985	
Other	G.15	80 398	
Other liabilities evidenced by paper	G.16	166	
Liabilities	G.17	67 311	318
Deffered tax liabilities	G.7	2	
Current tax liabilities	G.26	2 641	282
Other liabilities	G.18	290	149
Total LIABILITIES		377 051	749
Total EQUITY AND LIABILITIES		**482 899**	**94 885**

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

Income Statement	Notes	2009	2008
in EUR '000			
Premiums	G.19		
Premiums written – Gross		257 241	
Premiums written – Ceded		-93 483	
Premiums written - Retention			
Change due to provision for premiums – Gross		-6 830	
Change due to provision for premiums – Ceded		982	
Net earned premiums		157 910	
Investment Result	G.20		
Investment and interest income		8 549	2 103
Investment and interest expenses		-166	-8 935
Total investment result		8 383	-6 832
Other income	G.21	639	
Claims and insurance benefits	G.22		
Expenses for claims and insurance benefits – Gross		-112 000	
Expenses for claims and insurance benefits – Ceded		31 504	
Claims and insurance benefits – retention			
Change in claims and other reinsurance liabilities – Gross		-95 088	
Change in claims and other reinsurance liabilities – Ceded		57 732	
Total expenses for claims and insurance benefits		-117 852	
Acquisition expenses	G.23		
Commission expenses		-38 294	
Other acquisition expenses		-459	
Change in deferred acquisition expenses		989	
Commission income from retrocessionaires		4 596	
Total acquisition expenses		-33 168	
Other operating expenses	G.24	-1 409	-685
Other expenses	G.25	-64	-9
Profit before taxes		14 439	-7 526
Tax expense	G.26	-2 660	-296
Profit for the period		**11 779**	**-7 822**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

Statement of comprehensive income	Gross	Tax *	2009 Net	Gross	Tax *	2008 Net
in EUR '000						
Profit for the period	**14 439**	**- 2 660**	**11 779**	**-7 526**	**-296**	**-7 822**
Other comprehensive income						
Gains (losses) recognized in equity – Available for sale financial assets	-84	17	-67			
Other comprehensive income for the year	**-84**	**17**	-67			
Total comprehensive income for the period	**14 355**	**- 2 643**	**11 712**	**-7 526**	**-296**	**-7 822**

* Consists of both current tax and deferred tax directly recognized in the statement of comprehensive income.

SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2009

	Share capital	Available for sale financial assets	Legal and statutory reserves	Other reserves	Retained earnings	Shareholders equity
in EUR '000						
As of 18 August 2008	101 958					101 958
Total comprehensive income for the period					-7 822	-7 822
As of 31 December 2008	**101 958**				**-7 822**	**94 136**

	Share capital	Available for sale financial assets	Legal and statutory reserves	Other reserves	Retained earnings	Shareholders equity
in EUR '000						
As of 1 January 2009	101 958				-7 822	94 136
Total comprehensive income for the period		-67			11 779	11 712
Allocation to legal and statutory reserves			221		-221	
As of 31 December 2009	**101 958**	**-67**	**221**		**3 736**	**105 848**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

Cash flow statement	Notes	2009	2008
in EUR '000			
Profit for the period		**14 439**	**-7 526**
Adjustments to profit for the period			
- interest and other investment income		-8 549	-2 103
- exchange differences		-547	8 921
- depreciation		22	
Cash flows from operating activities			
Change in reinsurance liabilities		306 641	
Change in ceded share of reinsurance liabilities		-59 225	
Change in receivables		-44 725	-34
Change in deposits due from cedents		-216 319	
Change in deferred acquisition costs		-989	
Change in liabilities		66 993	318
Change in provisions			
Change in other assets and liabilities		683	-308
Income tax paid		-296	
Net cash flow from operating activities		**58 128**	**-732**
Cash flows from investing activities			
Interest received		5 324	2 048
Payment for acquisition of subsidiary			-4 000
Payment for acquisition of intangible assets and property, plant and equipment		-1 596	-87
Payment for acquisition of available for sale financial assets		-7 306	
Payment for acquisition of held to maturity financial assets		-110 045	-13 951
Net cash flow from investing activities		**-113 623**	**- 15 990**
Cash flows from financing activities			
Proceeds from the issue of other liabilities evidenced by paper		166	
Net cash flow from financing activities		166	
Net change in cash and cash equivalents		**-55 329**	**-16 722**
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at beginning of period		**76 929**	**101 958**
Foreign currency translation differences on cash balances		162	-8 307
Net change in cash and cash equivalents		-55 329	-16 722
Cash and cash equivalents at end of period		**21 762**	**76 929**

Cash and cash equivalents are represented by cash and cash equivalents and demand deposits recognized under Loans – Term deposits.

SEGMENT REPORTING

The Company determines and presents operating segments based on information internally provided to the Board of Directors, the Company's chief decision-maker. An operating segment is a component of the Company that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise administrative expenses, other expenses and income tax expenses.

The Company has two reportable segments, as described below, the Company's strategic business units, which are managed separately. For each of the strategic business units, the Board of Directors reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Company's reportable segments:

- Property/Casualty & Health: Car, Property and Liability, Catastrophe, Personal accident and Health reinsurance
- Life

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There are no intersegment sales and transfers.

The disclosures under segment reporting should be read in conjunction with additional disclosures under G.19

SEGMENT REPORTING

INCOME STATEMENT BY LINES OF BUSINESS

INCOME STATEMENT	Property/ Casualty & Health		Life		Total	
	2009	2008	2009	2008	2009	2008
In EUR '000						
Premiums written – Gross	232 701		24 540		257 241	
Premiums written – Ceded	-92 727		-756		-93 483	
Change due to provision for premiums – Net	-6 958		1 110		-5 848	
1. Net earned premiums	**133 016**		**24 894**		**157 910**	
Interest revenue	3 388		4 750		8 138	2 103
Other income and expense from investments	311		-66		245	8 935
2. Investment result	**3 699**		**4 684**		**8 383**	**-6 832**
3. Other income	**535**		**104**		**639**	
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Gross	-184 204		-22 884		-207 088	
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	89 240		-4		89 236	
4. Claims and insurance benefits	**-94 964**		**-22 888**		**-117 852**	
Commission expenses including change in deferred acquisition expenses	-34 770		-2 535		-37 305	
Other acquisition expenses	-358		-101		-459	
Commission income from retrocessionaires	4 280		316		4 596	
5. Acquisition expenses	**-30 848**		**-2 320**		**-33 168**	
Operating profit measured on the segment basis	**11 438**		**4 474**		**15 912**	**-6 832**
6. Administrative expenses	**-1 229**		**-180**		**-1 409**	**-685**
Operating profit	**10 209**		**4 294**		**14 503**	**-7 517**
7. Other expenses					**-64**	**-9**
Profit before tax					**14 439**	**-7 526**
Income tax					**-2 660**	**-296**
Profit after tax					**11 779**	**-7 822**

* No reinsurance business was carried out in 2008 as mentioned in A.1.

NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL INFORMATION

A.1 Description of the Company

VIG RE zajišťovna, a.s. ("Company" or "VIG Re") is the first professional reinsurance company established in the Czech Republic and is part of Vienna Insurance Group ("VIG"). VIG Re was incorporated on 18 August 2008 (ID 284 45 589) and has its registered office at Klimentská 1216/46, 110 02 Prague 1. VIG Re received the license to carry out reinsurance business and related activities on 8 August 2008 and conducts its reinsurance business in property/casualty, life and health from 2009 (especially within VIG).

Structure of shareholders

The registered capital consists of 25 000 shares in booked form with a nominal value of MCZK 2 500 (MEUR 102) (the booked value per share is TCZK 100 (EUR 4 078). As at 31 December 2009, 100% of the registered capital was paid.

Shareholders as at 31 December 2009:

WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group	70%
DONAU Versicherung AG Vienna Insurance Group	10%
Kooperativa pojišťovna, a.s., Vienna Insurance Group	10%
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group	10%

The members of the Board of Directors were as at 31 December 2009 as follows:

Chairman:	Hans-Peter Hagen, Vienna, Austria
Member:	Denis Pehar, Munich, Germany
Member:	Claudia Stránský, Vienna, Austria
Member:	Dušan Bogdanović, Belgrade, Serbia

As at 30 September 2009, Eva-Maria Stackl resigned from the Board of Directors and was replaced by Dušan Bogdanović. This change was entered into the Commercial Register on 1 October 2009.

Two members of the Board of Directors must always act together in the name of the Company.

The members of the Supervisory Board were as at 31 December 2009 as follows:

Member:	Karl Fink, Vienna, Austria
Member:	Peter Höfinger, Vienna, Austria
Member:	Franz Kosyna, Vienna, Austria
Member:	Juraj Lelkeš, Bratislava, Slovakia
Member:	Wolfgang Eilers, Hamburg, Germany
Member:	Rudolf Ertl, Vienna, Austria

From 18 August 2009 Dr. Wolfgang Eilers and Dr. Rudolf Ertl became new members of the Supervisory Board. This change was entered in the Commercial Register on 24 August 2009.

A.2 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations as adopted by the International Accounting Standards Board (IASB) and the European Union (EU) in accordance with the IAS Regulation (EC 1606/2002).

The management has reviewed those standards and interpretations adopted by the EU at the date of issue of the financial statements that were not effective at that date. An assessment of the expected impact of these standards and interpretations on the Company is shown in note D.

A.3 Basis of preparation

The Czech accounting legislation requires the Company to prepare these separate financial statements in accordance with IFRS (as adopted by the EU – refer to A.2.). The Company also prepares its consolidated financial statements for the same period in accordance with IFRS adopted by the EU.

The financial statements are presented in the functional currency of the Company in Euros (EUR), rounded to the nearest thousand (TEUR or EUR '000).

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as available for sale. Financial assets and liabilities and non-financial assets and liabilities which are valued at historic cost are stated at amortised cost or historic cost, as appropriate, net of any relevant impairment.

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgments about carrying the values of assets and liabilities that cannot readily be determined from other sources. The actual values may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in both the period of the revision and future periods if the revision affects both the current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are as follows (reinsurance liabilities, impairment, income taxes) and discussed in the Notes.

These are the Company's first separate financial statements prepared according to IFRS and thus IFRS 1 has been applied. An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the Company is provided in note B.

B. FIRST TIME ADOPTION OF IFRS

B.1 Previous local standards

The Company previously prepared its financial statements in accordance with Czech accounting standards (i.e. its first set of financial statements as at 31 December 2008). In particular this means in accordance with Act No. 563/1991 Coll., on Accounting, as amended and in accordance with Regulation No. 502/2002 Coll., to implement certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for accounting units, which are insurance companies ("Czech Accounting Standards" or "CAS").

B.2 Date of first application

The Company has adopted IFRS for the first time in its separate accounting statements for the year ended 31 December 2009. The same accounting policies were used in preparing the comparative information for the year ended 31 December 2008. As the Company was incorporated on 18 August 2008 this date is also the transition date. No reconciliation between CAS and IFRS is relevant for the transition date.

B.3 Transition from previous local standards to IFRS

The following paragraphs show the material changes in assets, shareholder equity, liabilities and income statement resulting from the application of IFRS. The Company was not obliged to prepare a cash-flow statement according to CAS. The Company previously prepared its financial statements in Czech crowns, rounded to the nearest thousand (TCZK) in accordance with CAS. The Company determined in accordance with IAS 21 that its functional currency is Euro (EUR) and therefore the financial statements prepared according to IFRS are presented in Euros (EUR), rounded to the nearest thousand.

The table below shows the material changes in assets, liabilities and shareholder equity as at 31 December 2008.

ASSETS	Note	CAS as at 31 December 2008 (in TCZK)	IFRS difference (in TCZK)	IFRS as at 31 December 2008 (in TCZK)	IFRS as at 31 December 2008 (in TEUR)
Investment in subsidiary	a)	107 720	-6 460	101 260	4 000
Financial investments	b)	364 602	-4 325	360 277	13 378
Receivables		918		918	34
Other assets		14 654		14 654	544
Cash and cash equivalents		2 071 703		2 071 703	76 929
Total ASSETS		**2 559 597**	**-10 785**	**2 548 812**	**94 885**
EQUITY AND LIABILITIES					
EQUITY	a, b, c)	2 537 247	-8 628	2 528 619	94 136
Reinsurance liabilities					
Liabilities		8 551		8 551	318
Current tax liabilities		7 607		7 607	282
Deferred tax liabilities	c)	2 168	-2 157	11	
Other liabilities		4 024		4 024	149
Total LIABILITIES		22 350	-2 157	20 193	749
Total EQUITY AND LIABILITIES		**2 559 597**	**-10 785**	**2 548 812**	**94 885**

Notes to the table above:

Reversal of unrealised gains of Muvi Re S.A.
Reversal of unrealised gains of HTM bonds
Reversal of deferred tax liabilities recognized in equity

The table below explains the material transition effects on the profit or loss statement in the comparative period – the year ended 31 December 2008.

Income Statement	Note	CAS as at 31 December 2008 (in TCZK)	IFRS difference (in TCZK)	IFRS as at 31 December 2008 (in TCZK)	IFRS as at 31 December 2008 (in TEUR)
Investment Result		54 088		54 088	-6 832*
Other income		1		1	
Other expenses		-17 852		-17 852	-694
Profit before taxes		36 237		36 237	-7 526
Tax expense		-7 618		-7 618	-296
Profit for the period		**28 619**		**28 619**	**-7 822**

Notes to the table above:
* Investment Results also consist of -8 935 TEUR resulting from a conversion from CZK to EUR as a consequence of different currency used in CAS and IFRS.

C. SIGNIFICANT ACCOUNTING POLICIES

C.1 Intangible assets

Purchased intangible assets are recognized in the balance sheet at acquisition cost less accumulated amortization and impairment losses. All intangible assets have a definite useful life. Amortization of an intangible asset is therefore performed over its period of use. The useful lives of significant intangible assets are between 4-10 years.

Intangible assets are amortized using the straight-line method.

C.2 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation of property and equipment to residual values is recognized in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Item	Useful lives of assets
Vehicles	4
Other tangible assets and equipment	2 – 6

The depreciation methods, useful lives and residual values, if not insignificant, are reassessed annually.

Leases, in terms of which the Company substantially assumes all the risks and rewards of ownership, are classified as finance leases. Property, plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated deprecation and impairment losses.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within “Other income” or “Other expense” in profit or loss.

C.3 Investment in subsidiary

The carrying amount of investment in the subsidiary is recognized at acquisition cost less impairment.

C.4 Financial investments

Financial investments include financial assets held to maturity, available for sale, loans and deposits due from cedents.

Financial investments are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Upon their initial recognition, the corresponding investments are valued at acquisition cost, which equals fair value plus any directly attributable transaction costs at the time of acquisition. For regular way purchases and sales of financial assets, the Company’s policy is to recognize these using settlement date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as could be accounted for had the Company used trade date accounting.

For subsequent measurement of financial investments two valuation methods are used: amortized cost and fair value.

The fair value of financial instruments is based on their quoted market price in an active market at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available or if the market for an investment is not active, the fair value of the instrument is estimated using discounted cash flow technique.

Where discounted cash flow techniques are used, estimated future cash flows are based on management’s estimates and the discount rate is derived from market rates at the balance sheet date for instruments with similar terms and conditions.

Financial assets held to maturity
Held to maturity assets are financial assets with fixed or determinable payments and fixed maturity that are quoted in an active market and where the Company has the positive intent and ability to hold to maturity.

Financial assets held to maturity are valued at amortised cost using the effective interest method less any impairment losses. The amortization of premiums and discounts is recorded as interest income or expense.

Available for sale financial assets
Some of the Company's investments in debt securities are classified as available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available for sale monetary items, are recognised directly in other comprehensive income (equity). When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Loans and deposits due from cedents
Loans consist mainly of deposits with financial institutions. Deposits due from cedents are receivables from cedents for cash deposits that have been retained under the terms of reinsurance agreements.

Loans and receivables (C.5.) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than classified as available for sale.

Loans and receivables are measured at amortised cost using the effective interest method and are reported net of allowances for loan losses to reflect the estimated recoverable amounts.

C.5 Receivables
The receivables shown in the balance sheet primarily relate to the following receivables:
- Receivables from direct reinsurance business
- Receivables from ceded reinsurance business
- Other receivables

Receivables are recognized at cost less impairment losses.

C.6 Ceded share of reinsurance liabilities
Ceded share of reinsurance liabilities is valued in accordance with contractual retrocession arrangements. The creditworthiness of each counterparty is taken into account in assessing the carrying amount of the assets. Any impairment loss is recognized in profit and loss.

C.7 Taxes
The income tax expense comprises current tax and deferred tax. The income tax associated with transactions recognised directly in equity (unrealised gains and losses from available for sale financial instruments) is also recognised directly in equity.

The current tax is calculated using the Company's taxable income and the tax rate enacted or substantially enacted by the end of the reporting period.

Deferred tax is calculated using the balance sheet liability method for all temporary differences between the asset and liability values recognised in the IFRS separate financial statements and the Company tax bases for these assets and liabilities. Deferred tax is calculated using the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. Deferred tax assets are not recognised if it is not probable that the tax benefits they contain can be realised.

C.8 Other assets
Other assets are valued at acquisition cost less impairment losses.

C.9 Deferred acquisition costs
Acquisition costs comprise reinsurance commissions, brokerage for reinsurance intermediaries and other variable costs directly connected with the acquisition or renewal of reinsurance policies. Deferred acquisition costs and deferred retrocession commission revenue represent the proportion of acquisition costs incurred and revenue received which corresponds to the unearned premium reserve. Deferred acquisition costs are subject to recoverability testing at the time of policy issue and at the end of each accounting period. Deferred acquisition costs which are not deemed to be recoverable are charged to the income statement.

For deferred acquisition expenses in life see point C.11 Life Reinsurance provision.

C. 10 Cash and cash equivalents

Cash consists of cash on hand and demand deposits with banks and other financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

C.11 Reinsurance liabilities

Unearned premiums

The provision for unearned premiums comprises that part of gross premiums written attributable to the following financial year or to subsequent financial years, computed separately for each reinsurance contract using the pro rata temporis method.

Outstanding claims

The provision for outstanding claims represents the total estimated ultimate cost of settling all claims arising from events which have occurred up to the end of the financial year and are covered by reinsurance contracts, whether reported or not, less amounts already paid in respect of such claims, including the related internal and external claims settlement expenses.

The provision for outstanding claims is for payment obligations arising from, covered by and calculated according to reinsurance contracts. Part of the provision is for known claims for which individually calculated provisions are raised (RBNS). Another part is for claims incurred but not reported (IBNR). The provision for outstanding claims is based on information provided by cedents and the Company's estimates. The amounts raised are the realistically estimated future amounts to be paid. They are calculated on the basis of past experience and assumptions about future developments using appropriate actuarial methods. With the exception of annuities, the Company does not discount its provisions for outstanding claims. Where applicable, provisions are disclosed net of the prudent estimates for salvage and subrogation recoveries.

Whilst the Board of Directors considers that the provision for outstanding claims and the related reinsurance recoveries are fairly stated, the ultimate liability may differ as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of the provisions are reflected in the financial statements for the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

Life Reinsurance provision

Life Reinsurance provisions are comprised of the reserves for guaranteed claims of ceding companies in Life Reinsurance. They are determined using actuarial methods on the basis of the present value of future payments to cedents less the present value of premium still payable by cedents. The calculation follows the reinsurance contracts and includes assumptions relating to mortality, disability, lapse rates and the guaranteed interest rate. The actuarial bases used in this context allow an adequate safety margin for the risks of change, error and random fluctuation. They correspond to those used in the premium calculation.

The Life Reinsurance provision comprises the sum of the reinsured part of the provisions for individual Life Insurance policies. The Company accounts for the provision using the zillmerization method. The zillmerization method results in the deferral of acquisition costs for life assurance contracts. These costs are included within the life provision through actuarial methods after eliminating temporary negative balances, which are capitalized and presented as deferred acquisition costs. The acquisition costs are capitalised and deferred in accordance with the prudence principle and taking into account the risk of lapses and cancellations.

The provision is initially measured using the assumptions used for calculating the corresponding premiums and remain unchanged except where liability inadequacy occurs. A liability adequacy test (LAT) is performed at each reporting date by the Company's actuaries using current estimates of future cash flows under its insurance contracts (see E). If those estimates show that the carrying amount of the provision is insufficient in the light of the estimated future cash flows, the difference is recognised in the income statement with a corresponding increase to the Life Reinsurance provision.

Other

Other reinsurance liabilities consist mainly of ageing provision in Health and reinsurance provision for contractual non-discretionary bonuses in non-life business. These provisions for outstanding claims are calculated according to reinsurance contracts.

The ageing provision is created for those classes of Non-Life Reinsurance where the premium amount depends on the entry age or possibly the gender of the insured. This provision represents the value of the Company's liabilities calculated using actuarial methods.

The provision for contractual non-discretionary bonuses in non-life business covers future benefits in the form of additional payments to original policyholders or reduction of policyholders' payments, which are a result of the past performance. This provision is not recognised for those contracts, where future premium is reduced by bonuses resulting from favourable past policy claim experience and such bonus is granted irrespectively of whether the past claim experience was with the reporting entity. In such a situation, the reduction of the premium reflects the expected lower future claims, rather than the distribution of past surpluses.

C.12 Other liabilities evidenced by paper
Liabilities evidenced by paper are recognized initially at fair value, net of transaction costs incurred, and subsequently carried at amortized cost. Amortization of discount or premium and interest are recognized in interest expense using the effective interest method.

C.13 Provisions
A provision is created when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will occur and a reliable estimate can be made of the amount of the obligation.

Where the effect of discounting is material, provisions are discounted. The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

C.14 Liabilities
Liabilities arise when the Company has a contractual obligation to deliver cash or another financial asset. They are measured at amortised cost, which will normally equal their nominal or repayment value.

C.15 Premiums
Premium written relates to business incepted during the year (irrespective of whether they relate in whole or in part to a later accounting period), together with any differences between booked premium for prior years and those previously recognized and includes estimates of premium due but not yet received or notified to the Company. Premium revenue is recognized as and when due in terms of the reinsurance contract.

Premiums are disclosed gross of reinsurance brokerage, reinsurance commissions and exclude taxes. Estimates are included for premiums not yet notified by year end.

Outward ceded premiums are recognized as an expense.

C.16 Investment result
Interest income and interest expense are recognized in the income statement on an accrual basis, taking into account the effective yield of the asset or liability, or an applicable floating rate. Interest income and interest expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated using the effective interest method.

Other income and expenses from financial assets comprise realized gains/losses, dividends and impairment losses. A realized gain/loss arises on derecognition of financial assets. The amount of the realised gain/loss represents the difference between the carrying value of the financial asset and the sale price adjusted for any cumulative gain or loss that had been recognized directly in the equity.

C.17 Claims and insurance benefits
All payments to cedents arising from loss events, claims settlement expenses directly related to loss events (covered by reinsurance contracts), and internal costs attributable to claims settlement, are shown as expenses for claims. Expenses for claims are reduced by the income gained from recourses (this applies in particular to Property and Casualty Reinsurance). Changes in the provision for outstanding claims and other technical provisions are also shown in the expenses for claims item as well as bonuses and rebates.

Bonuses comprise all amounts chargeable for the financial year representing an allocation of surplus or profit arising on business as a whole or from a section of business, after deduction of amounts provided in previous years which are no longer required. Rebates comprise such amounts to the extent that they represent a partial refund of premiums resulting from the experience of individual contracts.

C.18 Acquisition expenses
Acquisition costs are costs arising from the conclusion of reinsurance contracts and include direct costs such as brokerage for reinsurance intermediaries and reinsurance commissions and indirect costs, such as the administrative expenses connected with the processing of proposals, renewals and the issuing of policies.

Acquisition costs that vary with and are directly related to the acquisition of reinsurance policies or the renewal of existing policies are deferred (namely brokerage for reinsurance intermediaries and reinsurance commissions) see C.9.

Reinsurance commissions and profit participations include commissions paid and payable to cedents and profit participations based on reinsurance contracts.

C.19 Other operating expenses (Administrative expenses)

Administrative expenses include expenses relating to the administration of the Company. This includes personnel costs, office rental expenses and other operating expenses. Staff costs include expenses arising from employee benefits, such as salaries and wages, management remuneration and bonuses, social insurance and costs of premium collection, portfolio administration and the processing of inwards and outwards reinsurance.

C.20 Foreign currency transaction

A foreign currency transaction is a transaction, which is denominated in or requires settlement in other than functional currency. Functional currency is the currency of the primary economic environment in which an entity operates. A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the exchange rate effective at the date of the transaction. At each balance sheet date:

a) foreign currency monetary items are translated using the closing foreign exchange rate;

b) non-monetary items denominated in a foreign currency which are carried at historical cost are translated using the foreign exchange rate at the date of the original transaction;

c) and non-monetary items denominated in a foreign currency, which are carried at fair value, are translated using the foreign exchange rates ruling at the dates the fair values were determined.

Exchange differences arising from the settlement of monetary items or from translation of the Company's monetary items at rates different from those at which they were initially recorded or reported in previous financial statements are recognized as 'Other income' or as 'Other expenses' in the period in which they arise.

C.21 Impairment

The carrying amounts of the Company's assets, other than deferred acquisition costs, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is measured annually regardless of any indication of impairment for intangible assets with an indefinite useful life and for intangible assets not yet available for use.

An impairment loss is recognized to the extent that the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Individual impairment losses are losses which are specifically identified. General impairment losses are losses which are present in a portfolio of loans or receivables but not specifically identified.

The carrying amount of the subsidiary is tested for impairment annually. The Company observes if there were any events or any changes in the subsidiary business which could result in any possible impairment. The Company considers the level of equity of the subsidiary as a key indicator for potential impairment. An impairment loss in respect of subsidiary is not reversed in a subsequent period.

The recoverable amount of the Company's investments in held to maturity securities, loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of an available for sale asset is the current fair value. When there is objective evidence that it is impaired, the decline in fair value that had been recognized directly in equity is recognized in the income statement.

An impairment loss in respect of a held to maturity security, loan, advance or receivable, available for sale debt instrument is reversed through the income statement (up to the amount of the amortized cost), if the subsequent increase in recoverable amount can be attributed objectively to an event occurring after the impairment loss was recognized.

Loans and advances are reported net of allowances for loan losses to reflect the estimated recoverable amounts. Receivables and held to maturity investments are stated at their cost less impairment losses.

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In respect of other assets, an impairment loss is reversed through the income statement if there has been an increase in the recoverable amount and the increase can be objectively related to an event occurring after the date of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

C.22 Classification of reinsurance contracts

A reinsurance contract under which the Company assumes a significant insurance risk from another party (the insurance company) as a result of a provision whereby the insurance company receives compensation if a specified uncertain future event (the insured event) adversely affects the insurance company is treated as an insurance policy as defined in IFRS. A distinction is made between insurance risk and financial risk. Financial risk is the risk of a possible future change in specific interest rates, securities prices, price indices, interest rate indices, credit ratings, or credit indices, or another variable, provided that, in the case of a non-financial variable, the variable is not specific to one counterparty. In many cases, particularly in the Life Insurance area, reinsurance policies as defined in IFRS also transfer financial risk.

Reinsurance contracts in property and casualty and health are considered as insurance contracts. Moreover, the Life Reinsurance contracts transfer significant insurance risk (death benefits) and therefore they are considered as insurance contracts as well.

C.23 Novation

Where the Company assumes the rights and obligations relating to a portfolio of insurance contracts from another reinsurer (novation) the assets and liabilities are recorded via the balance sheet only, no premium income is recognized in respect of such transactions.

D. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS

The following published amendments and interpretations to existing standards are mandatory and relevant for VIG Re accounting periods and have been applied by VIG Re since 1 January 2009:

Amendments to IFRS 7 Financial Instruments: Disclosures. These amendments require enhanced disclosures about fair value measurements of financial instruments and over liquidity risk. VIG Re applies IFRS 7 from the annual period beginning 1 January 2009.

Standards in force

Amendment to IAS 1 Presentation of Financial Statements. This revision especially introduces a statement of comprehensive income. This will enable users of the financial statements to analyse changes in a company's equity that result from transactions with its owners in their capacity as owners (such as dividends and share repurchases), separately from 'non-owner' changes (such as transactions with third parties). The revised standard allows items of income and expense and components of other comprehensive income either to be presented in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income).

Amendment to Appendix of IAS 18 Revenue. This amendment eliminates the mismatch in the definition of transaction costs (as defined in IAS 39 Financial Instruments: Recognition and Measurement) and related direct costs (as previously defined in IAS 18). Under the amended standard only related transaction costs (as defined in IAS 39) can be deferred and recognized as an adjustment to the effective interest rate.

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements. Prior to this amendment, IAS 32 required shareholders' interests in limited liability companies to be classified as liabilities because such companies are obliged to pay a withdrawing shareholder its share of the company's net assets. Following the amendment, IAS 32 requires such interests to be classified as equity, rather than liabilities, because they represent a residual interest in the entity.

Standards not in force yet

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2009, and have not been applied in preparing these financial statements. Of these standards, the following will potentially have an impact on VIG Re's operations. VIG Re plans to adopt this standard when it becomes effective. VIG Re is in the process of analyzing the likely impact on its financial statements.

Amendment to IFRS 3 Business Combinations and related revisions to IAS 27 Consolidated and Separate Financial Statements (effective for annual reporting period beginning on or after 1 July 2009). In the new version of IFRS 3, transaction costs directly attributable to the acquisition are no longer included in the cost of the business combination. Furthermore, under IFRS 3 the acquirer can elect to measure any non-controlling interest at fair value at the acquisition date or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by transaction basis.

IFRS 9 Financial Instruments, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. IFRS 9 has not yet been adopted by the EU.

Amendment to IAS 17 Leases (effective from 1 January 2010). The current version of IAS 17 states that a lease of land with an indefinite economic life is normally classified as an operating lease, unless at the end of the lease term the title is expected to pass to the lessee. Under the amendments, a land lease with a lease term of several decades or longer may be classified as a finance lease, even if at the end of the lease term title will not pass to the lessee, because in such arrangements substantially all risks and rewards are transferred to the lessee and the present value of the leased asset is considered negligible.

Revised IAS 24 Related Party Disclosures (effective from 1 January 2011) provides a disclosure exemption in respect of related party relationships that arise through common control by the state, unless indicators of influence exist between the entities. The revised IAS 24 also amends the definition of a related party to:

- exclude situations in which two entities are related because a person has significant influence over an entity and a close family member of that person has significant influence over another entity; and
- include other entities in which a significant investor of the reporting entity is a member of key management personnel.

The amendments to IAS 24 have not yet been adopted by the EU.

E. PRINCIPAL ASSUMPTIONS

For reported claims (RBNS) the separate case-by-case assessment with regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims provided by the cedents is used and checked. The Company's share of case reserves is reviewed regularly and is updated as and when new information arises.

The estimation of Company's incurred but not reported claims (IBNR) is generally subject to a greater degree of uncertainty than reported claims. IBNR provisions are predominantly assessed by the Company's actuary using information provided by cedents and statistical techniques such as chain ladder methods, whereby historical data is extrapolated in order to estimate ultimate claims costs.

To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

a) economic, legal, political and social trends (resulting in different than expected levels of inflation);

b) changes in the reinsurance contracts mix;

c) random fluctuations and large losses.

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries.

The assumptions which have the greatest effect on the measurement of reinsurance liabilities are follows:

Expected claims ratio - The expected claims ratio represents the ratio of expected ultimate claims incurred to premiums earned.

Tail factors - For long-tail business, the level of provision is significantly influenced by the estimate of the development of claims from the latest development year for which historical data is available to ultimate settlement. These tail factors are estimated prudently using mathematical curves, which project observed development factors.

Annuities
In MTPL reinsurance and other third party liability lines, part of the claims payment may be in the form of an annuity. The provision for such claims is established as the present value of expected future claims payments. The key assumptions involved in the calculation are the discount rate, the expected increase in wages and disability pensions, which influence the amount of annuities to be paid. The ultimate annuity claims are dependent on national legislations and development of social and political factors beyond the Company's control.

Liability adequacy test
Non-Life Reinsurance liabilities connected are calculated by using current (not historical) assumptions. The liability adequacy test is limited to the unexpired portion of existing contracts. It is performed by comparing the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date with the amount of unearned premiums in relation to such policies after deduction of deferred acquisition costs.

Life – The liability adequacy test is performed using discounted projected cash flows. The minimum value of liabilities to cedents is determined using best estimates of the future development of entry parameters adjusted by market value margins. The Life Reinsurance provision is tested at each reporting date against a calculation of future cash flows using explicit and consistent assumptions of all factors such as future premiums, mortality, morbidity, lapses and surrenders. VIG Re does not bear a technical interest rate risk as it is retained by the insurance company. Input assumptions are updated annually based on recent experience.

Where the calculated amount exceeds the amount of the Life Reinsurance provisions reduced by any unamortized acquisition costs and other intangible assets, the deficiency is recognized through the creation of a Life Reinsurance provision.

F. RISK REPORTING

F.1 RISK MANAGEMENT

F.1.1 Introduction
The Company is a member of VIG and is part of its risk management structure. The risk management processes apply to the whole VIG group and thus to the Company.

The Company's core competence is dealing professionally with risk. The Company's primary business is assuming risks from its clients (insurance companies) using a variety of reinsurance contracts (both proportional and non-proportional). The majority of the Company's reinsurance clients are from VIG. The Insurance companies' primary business then assumes risks from its customers using a variety of insurance packages, part of the risk is subsequently transferred to the reinsurance Company (VIG Re). The reinsurance business of the Company and the insurance business of the Company's clients consist of deliberately assuming diverse risks and managing them profitably. One of the primary responsibilities of risk management is to ensure that the obligations assumed under reinsurance contracts can be satisfied at all times.

F.1.2 Risk management objectives and methods
VIG Re is exposed to a number of other risks in addition to the underwriting risks of its reinsurance policy portfolio. A risk management process is used to identify, analyze, evaluate, monitor, report and control these risks. The risk control measures used are avoidance, reduction below an acceptable level, diversification, transfer and acceptance of risks and opportunities.

The overall risk can be divided into the following risk categories as defined by the Company.

- *Underwriting (reinsurance business) risks:* The core business of VIG Re is the insurance risk transferred from the insurance company to VIG Re.
- *Credit risk:* This risk quantifies the potential loss due to the deterioration of the situation of a contracting party owing receivables or other financial investments arising from financial assets and reinsurance contracts.
- *Market risk:* Market risk is taken to mean the risk of changes in the value of investments caused by unforeseen fluctuations in interest rate curves, share prices and currency rates, and the risk of changes in the market value of ownership interests.
- *Liquidity risk:* Liquidity risk depends on how good the fit is between the financial investment portfolio and reinsurance commitments.
- *Concentration risk:* Concentration risk is a single direct or indirect position or group of positions with the potential to significantly endanger the Company, core business or key performance measures. Concentration risk is caused by an individual position, a collection of positions with common owners, guarantors or managers, or by sector concentrations. The concentration risk arises mainly from geographical distribution. For the geographical distribution of total assets see segment reporting.
- *Strategic risks:* These can arise due to changes in the economic environment, case law, and the regulatory environment. VIG Re is subject to insurance/reinsurance law in the Czech Republic. The regulation governs such matters as capital requirements, Solvency requirements, limits for placement of financial instruments.
- *Operational risks:* These may result from deficiencies or errors in business processes, controls or projects caused by technology, staff, organization or external factors.

As a rule, local companies in VIG and thus the Company are responsible for managing their own risks, while at the same time strict requirements are set in terms of investments and capital assets, as well as for reinsurance.

Effective risk and opportunities management requires ERM (Enterprise Risk Management) and a risk policy and risk strategy set by management. ERM enables managers to deal effectively with uncertainty and the risks and opportunities it involves, and strengthens their ability to create value. Taking all relevant potential future events into account improves the utilization and proactive realization of opportunities. Reliable information on risks improves the allocation of capital. ERM provides a procedure for identifying and selecting alternative reactions to risks.

The VIG risk management department is an independent organizational unit. Every employee contributes to the effectiveness of risk management in VIG. Great importance is placed on the day-to-day implementation of a suitable risk monitoring culture. Transparent and verifiable processes form an essential element of this Group-wide risk culture. Deviations from set target values and the admission and reporting of errors can take place in the Company, and are used to promote the active problem-solving abilities of our employees.

Risk management in VIG and VIG Re is governed by a number of internal guidelines. Underwriting risks in Property and Casualty Reinsurance are primarily managed using actuarial models for setting tariffs and monitoring the progress of claims and guidelines for the assumption of insurance risks. The most important underwriting risks in Life and Health Reinsurance are primarily biometric ones, such as life expectancy, occupational disability, illness and the need for nursing care. To manage these underwriting risks transferred to the Company, VIG Re has formed reserves for paying future insurance benefits.

VIG Re limits its potential liability from its reinsurance business by passing on some of the risks it assumes to the international reinsurance market (retrocession). It spreads this reinsurance coverage over a large number of different international reinsurance companies that VIG Re believes have adequate creditworthiness, in order to minimize the risk (credit risk) resulting from the insolvency of one reinsurer.

VIG Re monitors the various market risks in its security portfolio using fair value valuations, value-at-risk (VaR) calculations, sensitivity analyses and stress tests.

Liquidity risk is limited by matching the investment portfolio to reinsurance commitments. Operational and strategic risks which might be caused by deficiencies or errors in business processes, controls and projects and changes in the business environment are also monitored continuously.

F.1.3 Areas involved in risk monitoring and control at VIG and VIG Re

Risk committee: The cross-class risk committee is formed by the actuarial, operations, reinsurance, internal audit and corporate risk controlling departments. The risk committee is responsible for the optimization and ongoing development of an ERM system. ERM is a framework for company-wide risk management that uses key principles and concepts, uniform terminology and clear instructions and support. The Company applies this risk management approach and cooperates in this area with the VIG.

Actuarial department: Underwriting risks are managed by the actuarial department of Kooperativa pojišťovna, a.s., Vienna Insurance Group, a related party. This department subjects all reinsurance solutions to in-depth actuarial analysis covering all classes of reinsurance business (life, health, property and casualty). Stochastic simulations are performed regularly as part of the ALM process. The Company has its own appointed actuary.

Risk controlling: The risk controlling department prepares a quarterly risk budget for the investment area. Budget compliance at VIG Re is checked regularly. Compliance with securities guidelines and the Company's own limit system is monitored continuously. Periodic VaR calculations and analyses and detailed stress tests are performed for this monitoring.

Controlling: The controlling department monitors and controls operational developments at domestic and foreign insurance companies. This is accomplished by means of monthly reports submitted to the controlling department by the companies and an analysis of plan and forecast figures. VIG Re monitors and controls regularly its business development by comparison with plans and reinsurance contracts signed.

Audit: The audit department systematically monitors operating and business processes, the internal controlling system of all operational corporate areas and the functionality and adequacy of risk management. The internal audit department operates continuously and reports directly to the full Management Board. The Company uses the group internal audit department.

F.2 REINSURANCE RISK

F.2.1 Introduction

VIG Re assumes both reinsurance from group companies and reinsurance from non-group companies. In 2009 the majority of reinsurance assumed was from group companies. VIG Re writes long tail as well as short tail business, and writes both proportional and non-proportional reinsurance business. In 2009 the Company was not writing any facultative reinsurance business, but will start with business assumed from VIG in 2010.

VIG Re limits its liability arising from the reinsurance business by ceding, as necessary, a portion of the risks assumed to the international reinsurance market.

F.2.2 Insurance risks

The Company assumes insurance risk transferred from client to insurance and through reinsurance contract to VIG Re. The risk under any one reinsurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of a reinsurance contract, this risk is random and therefore unpredictable. For a portfolio of reinsurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that VIG Re faces under its reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of the reinsurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Claim events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Experience shows that the larger the portfolio of similar reinsurance contracts, the smaller the relative variability in the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its reinsurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Property/Casualty Reinsurance & Health

Property Reinsurance – For property reinsurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding, hurricanes, typhoons, etc.) and their consequences (for example, subsidence claims). The Company usually assumes one year reinsurance policy and thus has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. The greatest likelihood of significant losses on these contracts arises from storm or flood damage. The Company has reinsurance cover for such damage to limit losses.

Casualty Reinsurance – The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damage suffered and the increase in the number of cases coming to court that were inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims monitoring.

For contracts where health is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.

Life

For contracts where death is the insured risks, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. Uncertainty in the estimation of future benefit payments and premium receipts for long-term reinsurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour. VIG Re uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides.

F.2.3 Reinsurance guidelines

Approach to the Company's own reinsurance protection

Reinsurance guidelines and protection structure are jointly determined each year by the Board of Directors and approved by the Supervisory Board of VIG Re, following the overall guidelines and security policy of VIG.

The reinsurance guidelines govern the following matters:

- Retrocession is a prerequisite for providing reinsurance coverage. VIG Re may only make a binding commitment to reinsure a risk if sufficient reinsurance coverage from external reinsurers has already been ensured if applicable.
- Retention: It is VIG Re policy that no more than EUR 20 million per event of loss due to natural catastrophe can be placed at risk on a PML (probable maximum loss) basis. The maximum VIG Re retention per individual loss is less than EUR 4 million.
- Selection of reinsurers – diversification. VIG Re divide their reinsurance coverage among many different international reinsurance companies of appropriate credit quality, so as to minimize the risk growing out of a reinsurer's inability to pay. No significant default of a reinsurer has occurred in the history of VIG and VIG Re.

- Selection of reinsurers – rating. For business segments where claims take a long time to be settled, especially for auto liability and general liability, VIG Re uses as reinsurers companies with outstanding ratings (at least a Standard & Poor's rating of "A," preferably "AA" or higher), which in all likelihood will continue to exist over the long term. Even for business segments with claims that are settled quickly (for example, natural catastrophes, fire, technology, transportation, storm, burglary, household, water pipes, auto collision), where the number of reinsurers is greater, the preferred rating is Standard & Poor's "A" or higher. Only in a few cases – and for limited periods of time – reinsurers with lower ratings are accepted.

Approach to the reinsurance contracts assumed by the Company
VIG Re follows strict underwriting policy and there are a number of insurance risks excluded from VIG Re underwriting policy. There are general exclusions as well as specific exclusions per line of business. The general exclusions (see examples below) are obligatory for all VIG Re's acceptances. The Company does not assume any credit, bond or other financial risk, aviation business and does not assume the run-off of losses to treaties incepted prior to January 1st 2009. Moreover, the Company assumes Nat Cat risks only if and only to the extent it enjoys full Nat cat retrocession cover.

The objective is to build up and maintain a portfolio that consists of a well-balanced mix of Life, Health and Property/Casualty obligatory reinsurance treaties, making use of the diversification advantage of the spread within CEE, Austria and Germany.

VIG Re as a rule underwrites shares representing a maximum PML of MEUR 4. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

For VIG companies, the Company writes up to 100% of reinsurance treaties only with low PMLs, i.e. on Quota Share Treaties and small Excess of Loss Treaties which are considered suitable for retention. The maximum percentage of shares underwritten in any one treaty also takes into account the respective local Group company's need to comply with the arm's length principle.

The Company plans to increase providing reinsurance to insurance companies outside VIG from 2010.

VIG Re's aim is to create a market place in Prague and be considered a prudent reinsurer with good security, a strong knowledge and an understanding of the cedent's market environment within the CEE region. VIG Re will write business in countries where VIG is established.

F.2.4 Concentration risk
The Company writes business in the CEE region, Austria and Germany. For geographical concentration measured by premium written see G.19. For natural catastrophes the main exposures are: flood, storm and earthquake. These exposures are annually modelled by the actuaries of the retrocession brokers, based on the actual status of all portfolios including cross country exposures and analyzed by the Company. Based on this, the above-mentioned full retrocession cover for VIG Re is being determined and placed with a high number of reinsurers with security according to the Guidelines, thus preventing the concentration risk on the net base.

F.3 CREDIT RISK
Credit risk is the risk that the counter-party will fail to discharge an obligation and cause the Company to incur a financial loss.

F.3.1 Credit risk from financial investments
The Company invests in debt securities and deposits (both term and due from cedents) only, taking into account the overall risk position of the Company and the investment strategy provided for this purpose. For more about the investment strategy see also below.

In managing risks related to credit quality, a distinction must be made between "liquid" or "marketable" risks (e.g. exchange-listed bonds) and "bilateral" risks, such as, for example, time deposits and loans. Risks relating to the former are limited at the portfolio level by means of rating and diversification limits. Consideration is only given to those issuers or contracting parties whose credit quality or reliability can be assessed by VIG Re, whether on the basis of an analysis performed by the Company or credit assessments/ratings from recognised sources.

According to the Company investment guidelines financial investments (debt securities and term deposits) are made almost exclusively in investment with a Standard & Poor's rating of AAA to BBB (or with a Moody's rating of Aaa to Baa). There are also specific limits for investments in bonds and investments in banks (term deposits, treasury notes etc.) which differ according to the level of rating (i.e. the better the rating, the higher the limit for investment). Investments outside the limits sets in guidelines are only made in individual cases and in accordance with decisions made by the Management Board and Supervisory Board. The credit risks (i.e. limits and ratings) are monitored daily.

The goal is to achieve the greatest possible diversification among individual issuers, to avoid accumulation risks, to ensure good average credit quality, to control foreign currency effects, and to make the majority of investments in mid- to long term maturities.

Deposits retained on assumed reinsurance serve directly as collateral for technical provisions covering business assumed from cedents in reinsurance. They do not trigger any cash flows and may not be used by the cedent independently. The credit risk is therefore limited. The amount of and changes in deposits retained on assumed reinsurance in the balance sheet year generally derive from the values for the changes in the related technical provisions for the reinsured business. Deposits retained on assumed reinsurance business thus do not have a fixed maturity date, their release generally being dependent on run-off of the corresponding provisions.

At the balance sheet date there were no significant concentrations of credit risk.

F.3.2 Credit risk - Receivables due to cedents

Consideration is only given to those issuers or contracting parties whose credit quality or reliability can be assessed by the Company. The majority of the cedents consists of companies within VIG. Management believes that it has sufficient internal data to assess the creditworthiness of the companies reliably.

F.3.3 Credit risk – Reinsurers share in reinsurance liabilities and amounts due from reinsurers in respect of claims already paid (retrocession)

VIG Re follows a policy of ceding a portion of assumed risks to reinsurance companies (see F.2.3.) This transfer of risk to reinsurers does not, however, relieve VIG Re of its obligations to the insurance companies (cedents). VIG Re is therefore exposed to the risk of insolvency on the part of reinsurers. The Company follows a strict policy on reinsurer selection.

F.3.4 Credit risk exposure

Illustrated in the tables below is a detailed analysis of the Company's exposure to credit risk.

	Reinsurance receivables		Other financial assets	
	2009	2008	2009	2008
in EUR '000				
Collectively impaired – carrying amount				
Gross amount				
Up to 30 days after maturity	41 078			
31 days to 90 days after maturity	127			
91 days to 180 days after maturity	1 138			
181 days to 1 year after maturity	2 417			
Neither past due nor impaired – carrying amount			**372 266**	**13 378**
Total carrying amount	**44 760**		**372 266**	**13 378**

The credit quality of neither past due nor impaired financial assets is monitored per individual cases. The Company closely monitors each counterparty and evaluates its credit quality. The majority of counterparties are the Companies within the VIG (see related party disclosures G.27.) therefore the Company has enough information to evaluate the quality of the counterparty.

Cash and cash equivalents are neither individually nor collectively impaired.

Credit risk exposure						2009
Standard & Poor's rating	AAA	AA	A	B / BB / BBB	No Rating	Carrying value in balance sheet
in EUR '000						
Financial investments*	21 661	8 423	125 801			155 885
Deposits due from cedents			84 968		131 413	216 381
Cash and cash equivalents					83	83
Receivables from reinsurance and ceded share of reinsurance liabilities	443	33 407	47 541	274	22 320	103 985
Total	**22 104**	**41 830**	**258 310**	**274**	**153 816**	**476 334**
In %	*4,6*	*8,8*	*54,2*	*0,1*	*32,3*	*100*

* Except for deposits due from cedents

Credit risk exposure						2008
Standard & Poor's rating	AAA	AA	A	B / BB / BBB	No Rating	Carrying value in balance sheet
in EUR '000						
Financial investments			13 378			13 378
Cash and cash equivalents			76 929			76 929
Total			**90 307**			**90 307**
In %			*100*			*100*

F.4 LIQUIDITITY AND MARKET RISKS

Introduction
The Company invests in debt securities and term deposits with a prudent investment strategy. The Company follows the VIG investment strategy. When determining exposure volumes and limits, the risk inherent in the specified categories and the market risks are of fundamental importance. Investment guidelines are laid down on a centralized basis and are mandatory for all group companies.

The investment strategy of the Company can be summarized as follows

- VIG Re practices a conservative investment policy designed for the long-term.
- VIG Re maintains a high level of liquidity position with the placement of a significant portion of its portfolio into term deposits.
- Majority of the debt securities is hold till maturity i.e. no active trading is in place.
- Management of market risk on securities is aimed at providing a transparent view of the risk exposure arising from price, interest-rate, and currency fluctuations as they affect profitability and the value of securities investments, and at limiting these risks. Risks are limited by setting position limits and by means of a two-tier limit system for risk exposure.

Liquidity risk
Liquidity risk may arise because the actual payout structure of our liabilities differs from that assumed in our asset-liability management, for example, due to a lengthening or acceleration of the period to pay claims in a line of business or in a particular region.

An important aspect of the Company's management of assets and liabilities is ensuring that cash is available to settle liabilities as they fall due. The Company maintains cash and liquid deposits to meet these demands on a daily basis. In normal circumstances, the majority of claims are settled with the cash deposit.

Over the longer term, the Company monitors its forecast liquidity position by estimating the cash outflows from its reinsurance contracts and purchasing assets with similar durations to meet these obligations. The liquidity is monitored daily.

The following are the contractual maturities of relevant assets (measured in the same way as in the financial statements) as monitored by the Company:

Expected contractual maturities of assets:					2009
	Up to one year	From one to five years	From five to ten years	More than ten years	Carrying value in balance sheet
in EUR '000					
Financial investments	**86 214**	**81 868**	**96 482**	**107 702**	**372 266**
Financial assets held to maturity	4 673	49 563	65 715	7 022	126 973
Financial assets available for sale	27	3 166	4 040		7 233
Loans – Term deposits	21 679				21 679
Deposit due from cedents	59 835	29 139	26 727	100 680	216 381
Receivables	**44 760**				**44 760**
Cash and cash equivalents	**83**				**83**
Total	**131 057**	**81 868**	**96 482**	**107 702**	**417 109**

The following are the contractual maturities of relevant liabilities (measured in the same way as in the financial statements) as required by IFRS:

Expected contractual maturities of liabilities:					2009
	Up to one year	From one to five years	From five to ten years	More than ten years	Carrying value in balance sheet
in EUR '000					
Reinsurance liabilities	**84 794**	**41 294**	**37 876**	**142 677**	**306 641**
Unearned premiums	15 067				15 067
Outstanding claims	58 933	16 497	6 880	4 881	87 191
Life Reinsurance provision	9 299	24 797	30 996	58 893	123 985
Other	1 495			78 903	80 398
Other liabilities evidenced by paper		**166**			**166**
Liabilities	**67 311**				**67 311**
Other Liabilities	**290**				**290**
Total	**152 395**	**41 460**	**37 876**	**142 677**	**374 408**

Expected contractual maturities of assets:					2008
	Up to one year	From one to five years	From five to ten years	More than ten years	Carrying value in balance sheet
in EUR '000					
Financial investments	**4 103**	**2 576**	**6 699**		**13 378**
Financial assets held to maturity	4 103	2 576	6 699		13 378
Financial assets available for sale					
Loans					
Receivables	**34**				**34**
Cash and cash equivalents	**76 929**				**76 929**
Total	**81 066**	**2 576**	**6 699**		**90 341**

Expected contractual maturities of liabilities:					2008
	Up to one year	From one to five years	From five to ten years	More than ten years	Carrying value in balance sheet
in EUR '000					
Current tax liabilities	**282**				**282**
Liabilities	318				318
Other Liabilities	149				149
Total	**749**				**749**

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- Currency risk
- Interest rate risk
- Other price risk

Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk arises from recognised assets and liabilities denominated in another currency than the functional currency.

The Company exposure to foreign currency risk within the investment portfolios supporting the company's eurozone reinsurance and investment operations arise primarily from purchased investments and reinsurance contracts that are denominated or payable in currencies other than euros.

The tables below summarize the Company's exposure to foreign currency exchange rate risk at 31 December.
The Company's assets and liabilities at carrying amounts are included in the table, categorized by currency at their carrying amount:

			2009
Currency	Total Assets	Total Liabilities	Net Amount
in EUR '000			
EUR	462 640	373 471	89 169
CZK	19 196	2 192	17 004
HUF	902	1 250	-348
Other	161	138	23
Total	**482 899**	**377 051**	**105 848**

			2008
Currency	Total Assets	Total Liabilities	Net Amount
in EUR '000			
EUR	17 378		17 378
CZK	77 507	749	76 758
Total	**94 885**	**749**	**94 136**

Interest rate risk:
For VIG Re, interest rates are the most relevant parameters for market risk. The Company's investments consist largely of fixed interest securities. The majority of these securities are denominated in euros. As a result, interest rate fluctuations in the eurozone have a significant effect on the value of these financial assets.

The Company is exposed to interest rate price risk to the extent that it holds fixed interest rate instruments in the form of government securities and stock of local authorities and public bodies. The Company is exposed to interest rate cash flow risk to the extent that it holds variable interest rate instruments in the form of cash.

The tables below summarize the Company's exposure to interest rate risk at 31 December.

In thousands of EUR, for the year ended 31 December

2009	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
in EUR '000								
Financial instruments								
Financial assets available for sale – debt securities	1,73%	3 173	4 060					7 233
Financial assets held to maturity – debt securities	4,42%		7 647	4 070	46 780	68 476		126 973
Loans – Term deposits	2,43%	21 679						21 679
Deposit due from cedents	**3,15%**		**59 835**	**29 139**		**127 407**		**216 381**
Cash and cash equivalents	0,00%	83						83
Total financial assets		**24 935**	**71 542**	**33 209**	**46 780**	**195 883**		**372 349**
Other liabilities evidenced by paper	**3,80%**				**166**			**166**
Total financial liabilities					**166**			**166**

2008	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
in EUR '000								
Financial instruments								
Financial assets available for sale – debt securities								
Financial assets held to maturity – debt securities	3,76%		4 103	1 463	1 113	6 699		13 378
Loans and receivables								
Cash and cash equivalents	2,66%	76 929						76 929
Total financial assets		**76 929**	**4 103**	**1 463**	**1 113**	**6 699**		**90 307**

Sensitivity analysis:
The market risk of the Company's financial assets and liabilities is monitored and measured on a continual basis, using a Value at Risk ('VaR') analysis.

VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level. This approach calculates the VaR using a covariance matrix of relative changes in market factors and the net present value of financial investment positions assuming that these relative changes are normally distributed. The VaR is calculated daily at a 99% confidence level and for the period of 60 working days.

The assumptions on which the VaR model is based give rise to certain limitations, especially the following:

- A 99 percent confidence level does not reflect losses that may occur beyond this level.
- The methodology is applicable to instruments with a linear relationship between position value and market rates.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Company's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The VaR positions of the financial investments were as follows:

VAR to 31 December 2009

in EUR '000	
Total portfolio size	134 206
Historical VaR 60d; 1%	1 106
Relative VaR (%)	0,8

The VaR figure can be interpreted that there is a 1% probability that the portfolio will fall in value by more than 1 106 EUR over a 60 day period, assuming markets are normal and there is no trading. The accuracy of the VaR model is regularly monitored.

F.5 CAPITAL MANAGEMENT

The Company carries out business in the insurance/reinsurance sector, which is a regulated industry. The Company has to comply with all regulations set in the Insurance Act No 363/1999 Sb. and regulation No 303/2004 Sb., including the prudential rules relating to capital. The prudential rules set the method for calculating the required solvency margin and available solvency elements. Both minimum and solvency capital requirements are calculated separately for Life and Non-Life Reinsurance.

The industry lead regulator is the Czech National Bank which sets and monitors the capital requirements for the Company.

Regulatory capital as at 31 December 2009

in EUR '000		
Required solvency margin	Life and Non-Life Reinsurance	25 100
Available solvency elements	Life and Non-Life Reinsurance	105 557

The Company closely monitors its compliance with the regulatory capital requirements. The current base of calculation with respect to capital requirements are based on the Solvency I principles which are to be replaced by a new system of the regulatory capital calculation - Solvency II. The Company is gradually implementing the Solvency II standards into its own risk capital management procedures.

According to the regulation mentioned above, the Life and Non-Life Reinsurance solvency margin and elements are calculated and presented together.

G. NOTES TO THE FINANCIAL STATEMENTS

G.1 INTANGIBLE ASSETS

Intangible assets	2009	2008
in EUR '000		
Software and licence	1 410	
Total intangible assets	**1 410**	

2009	Software	Licence	Total
in EUR '000			
Balance as at 1 January			
Additions	81	1 334	1 415
Balance as at 31 December	81	1 334	1 415
Balance as at 1 January			
Amortizations	5		5
Balance as at 31 December	5		5
Book value as of 1 January			
Book value as of 31 December	**76**	**1 334**	**1 410**

As at 31 December 2008 the Company did not recognize any intangible assets.

G.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment - 2009	Vehicles	Other	Tangible assets not yet in use	Total
in EUR '000				
Balance as at 1 January				
Additions	79	48	54	181
Balance as at 31 December	79	48	54	181
Balance as at 1 January				
Amortizations	8	9		17
Balance as at 31 December	8	9		17
Book value as of 1 January				
Book value as of 31 December	**71**	**39**	**54**	**164**

As at 31 December 2008 the Company did not recognize any property, plant and equipment.

G.3 INVESTMENT IN SUBSIDIARY

Investment in subsidiary	31. 12. 2009	Country	Cost of investment	Impairment losses	Net cost of investment	Proportion of ownership interest	Proportion of voting power
in EUR '000							
MUVI Re S.A.	4 000	Luxembourg	4 000		4 000	100%	100%
Total	**4 000**		**4 000**		**4 000**		

Investment in subsidiary	31. 12. 2008	Country	Cost of investment	Impairment losses	Net cost of investment	Proportion of ownership interest	Proportion of voting power
in EUR '000							
MUVI Re S.A.	4 000	Luxembourg	4 000		4 000	100%	100%
Total	**4 000**		**4 000**		**4 000**		

Investment in subsidiary	Date of acquisition	Assets acquired	Liabilities acquired
in EUR '000			
MUVI Re S.A.	24. 10. 2008	5 263	855
Total		5 263	855

The shareholders' equity of this subsidiary contains as well as catastrophe and equalization provision amounting to 408 TEUR at the date of acquisition. MUVI Re S.A. was acquired from WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group.

G.4 FINANCIAL INSTRUMENTS

Financial instruments	2009	2008
in EUR '000		
Financial assets available for sale	7 233	
Financial assets held to maturity	126 973	13 378
Loans – Term deposits	21 679	
Deposits due from cedents	216 381	
Total	**372 266**	**13 378**

G.4.1 Financial assets available for sale

Financial assets available for sale	2009	2008
in EUR '000		
Debt securities		
Government bonds	7 233	
Total	**7 233**	

Government bonds consist of government bonds and other bonds guaranteed by government.

Amortized value	Amortized value	FX differences	Unrealized gains or losses	Impairment	Fair value
in EUR '000					
Debt securities	7 317		-84		7 233

Fair value hierarchy	Level 1	Level 2	Level 3	Total
in EUR '000				
Financial assets available for sale	7 233			7 233

Level 1 represents quoted prices in active markets for identical assets or liabilities.

G.4.2 Financial assets held to maturity

Financial assets held to maturity	2009	2008
in EUR '000		
Debt securities		
Government bonds	102 924	13 378
Other public sector bonds	18 241	
Corporate bonds	5 808	
Total	**126 973**	**13 378**

Financial assets held to maturity	Carrying amount	Fair value
in EUR '000		
Debt securities		
Government bonds	102 924	109 232
Other public sector bonds	18 241	16 133
Corporate bonds	5 808	6 081
Total	**126 973**	**131 446**

G.4.3 Loans and Deposits due from Cedents

Loans and Deposits due from cedents	2009	2008
in EUR '000		
Loans - Term deposits	21 679	
Deposits due from cedents	216 381	
Total	**238 060**	

Loans and deposits due from cedents	Carrying amount	Fair value
in EUR '000		
Loans - Term deposits	21 679	21 679
Deposits due from cedents	216 381	216 381
Total	**238 060**	**238 060**

As at 1 January 2009 VIG Re assumed the rights and obligations relating to Life and Health Reinsurance portfolio contracts from WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group (Novation). The deposits due from cedents and reinsurance liabilities recognized in accordance with the accounting policy mentioned in C.23 account for:

Novation			
in EUR '000			
Assets		**Liabilities**	
Deposits due from cedents	205 121	Unearned premiums	8 635
		Outstanding claims	4 730
		Life Reinsurance provision	116 165
		Other - Aging reserves	74 106
		Other - Provision for bonuses and rebates	1 485
Total gross	**205 121**		**205 121**

G.5 RECEIVABLES

Receivables	2009	2008
in EUR '000		
Receivables arising out of assumed reinsurance - cedents	15 520	
Receivables arising out of reinsurance operations - retrocession	29 130	
Trade and other receivables	85	
Prepayments	25	34
Total gross	**44 760**	**34**
Impairment		
Total net	**44 760**	**34**

G.6 CEDED SHARE OF REINSURANCE LIABILITIES

Ceded share of reinsurance liabilities	2009	2008
in EUR '000		
Unearned premiums	1 026	
Outstanding claims	58 199	
Total	**59 225**	

G.7 DEFERRED TAX

The deferred tax credits and liabilities recognised relate to the amounts of temporary differences in balance sheet items listed in the following table. The differences were already valued using applicable tax rates.

Deferred tax		2009		2008
Balance sheet position	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
in EUR '000				
Property, plant and equipment		2		
Total		**2**		
Net Balance		**2**		

Movement in deferred tax	2009	2008
Deferred tax (expense)/income for the period	2	
Net deferred tax asset/(liability) – closing balance	**2**	

In accordance with the accounting method described in C.7. the amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date which is for the year 19% (2008: 20% and 19%).

G.8 OTHER ASSETS

Other Assets	2009	2008
in EUR '000		
Prepaid expenses	2	544
Total	**2**	**544**

G.9 DEFERRED ACQUISITION COSTS

Development of DAC	2009	2008
in EUR '000		
Book value – opening balance		
Costs deferred during the current year	989	
Book value – closing balance	**989**	

G.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2009	2008
in EUR '000		
Cash and cash equivalents	1	
Cash at bank	82	76 929
Total	**83**	**76 929**

G.11 SHAREHOLDERS' EQUITY

Share capital	2009	2008
in EUR '000		
Authorised number of shares		
25 000 of 4 078,32 EUR shares	101 958	101 958
Issued number of shares		
25 000 of 4 078,32 EUR shares	101 958	101 958

Legal and statutory reserves - The creation and use of the legal and statutory reserve fund is limited by legislation. The legal reserve fund is not available for distribution to the shareholders.

G.12 UNEARNED PREMIUMS

Unearned premium provision - 2009	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance			
Premium written during the current year	257 241	93 483	163 758
Less premium earned during the current year	-250 411	-92 413	-157 998
Novation	8 635		8 635
Clean cut system	-380	-44	-336
FX translation	-18		-18
Book value – closing balance	**15 067**	**1 026**	**14 041**

The Company booked portfolio entries of provisions as explained in C.23.

G.13 OUTSTANDING CLAIMS

RBNS - 2009	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance			
Claims incurred and reported	182 381	84 492	97 889
Less claims paid	-112 000	-31 504	-80 496
Novation	4 730	467	4 263
Clean cut system	- 1 704		-1 704
FX translation	2		2
Book value – closing balance	**73 409**	**53 455**	**19 954**

IBNR - 2009	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance			
Claims incurred	87 191	58 199	28 992
Less transfer to RBNS	-73 409	-53 455	-19 954
FX translation			
Book value – closing balance	**13 782**	**4 744**	**9 038**

Claims development table	2009	2008	Total
in EUR '000			
Estimate of total cumulative claims at the end of the underwriting year	199 191		
One year later			
Estimate of cumulative claims	199 191		
Cumulative payment	112 000		
Value recognised in balance sheet	**87 191**		

The Company booked portfolio entries of provisions as explained in C.23.

G.14 LIFE REINSURANCE PROVISION

Life Reinsurance Provision	2009	2008
in EUR '000		
Gross	123 985	
Retrocession		
Net	**123 985**	

Development in 2009	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance			
Novation	116 165		116 165
Additions	7 820		7 820
Book value – closing balance	**123 985**		**123 985**

The Company booked portfolio entries of provisions as explained in C.23.

G.15 OTHER

Ageing reserves	2009	2008
in EUR '000		
Gross	78 903	
Retrocession		
Net	**78 903**	

Development in 2009	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance			
Novation	74 106		74 106
Additions	4 797		4 797
Book value – closing balance	**78 903**		**78 903**

The Company booked portfolio entries of provisions as explained in C.23.

Reserves for premium and rebates	2009	2008
in EUR '000		
Gross	1 495	
Retrocession		
Net	**1 495**	

Development in 2009	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance			
Novation	1 485		1 485
Additions	10		10
Book value – closing balance	**1 495**		**1 495**

G.16 OTHER LIABILITIES EVIDENCED BY PAPER

Other liabilities evidenced by paper	2009	2008
in EUR '000		
Zero Bond	166	
Total	**166**	

On 30 November 2009 the Company issued 100 zero bonds with a nominal value EUR 200 000 in total maturing in 2014.

G.17 LIABILITIES

Liabilities	2009	2008
in EUR '000		
Payables arising out of reinsurance operations - cedents	60 657	
Payables arising out of reinsurance operations - retrocession	5 471	
Trade payables	1 088	181
Wages and salaries	29	
Social security and health insurance	7	
Other payables	59	137
Total	**67 311**	**318**

G.18 OTHER LIABILITIES

Other liabilities	2009	2008
in EUR '000		
Accruals	290	149
Total	**290**	**149**

G. 19 PREMIUM

Premium written – Reinsurance premium	Property/ Casualty & Health 2009	Life 2009	Total 2009
in EUR '000			
Gross			
Austria	113 090	15 972	129 062
Germany	29 800		29 800
Czech Republic	39 192	172	39 364
Slovakia	14 894	212	15 106
Poland	4 116	14	4 130
Romania	16 385	245	16 630
Other CEE*	15 224	7 925	23 149
Premium written	232 701	24 540	257 241
Retroceded premium	-92 727	-756	-93 483
Premium written – Retained	**139 974**	**23 784**	**163 758**

* Other CEE represents the following countries: Albania, Bulgaria, Belarus, Georgia, Croatia, Hungary, Macedonia, Serbia, Turkey, Ukraine.

Premium written – Reinsurance premium	Property/ Casualty & Health 2009	Life 2009	Total 2009
in EUR '000			
Gross			
From group companies	231 467	9 457	240 924
External parties	1 234	15 083	16 317
Premium written – Gross	**232 701**	**24 540**	**257 241**

Premium written – Reinsurance premium	Property/ Casualty & Health 2009	Property/ Casualty & Health 2009	Property/ Casualty & Health 2009
in EUR '000			
Property/Casualty & Health	Gross	Ceded	Retained
MTPL	29 426	-10 523	18 903
Other motor vehicle reinsurance	5 509		5 509
Casualty	23 537	-6 619	16 918
Liability	3 366	-905	2 461
Property	130 597	-74 680	55 917
Marine	1 759		1 759
Health	38 507		38 507
Premium written	**232 701**	**-92 727**	**139 974**

G.20 INVESTMENT RESULTS

Investment Income	2009	2008
in EUR '000		
Interest income		
Loans	5 151	
Financial investments held to maturity	2 974	2 103
Financial investments available for sale	26	
FX gains	**398**	
Total current income	**8 549**	**2 103**
Total	**8 549**	**2 103**

Investment Expenses	2009	2008
in EUR '000		
Management fees	166	
FX losses		8 935
Total	**166**	**8 935**

G.21 OTHER INCOME

Other income	2009	2008
in EUR '000		
Foreign currency gains	639	
Total	**639**	

G.22 CLAIMS AND INSURANCE BENEFITS

Expenses for claims and insurance benefits – 2009	Gross	Retrocession	Net
in EUR '000			
Property/Casualty & Health			
Expenses for insurance claims			
Claims and benefits	97 454	-31 484	65 970
Changes in provision for outstanding claims	81 943	-57 756	24 187
Subtotal	179 397	-89 240	90 157
Changes in other insurance liabilities	4 807		4 807
Total non-life expenses for claims and insurance benefits	**184 204**	**-89 240**	**94 964**

Expenses for claims and insurance benefits – 2009	Gross	Retrocession	Net
in EUR '000			
Life			
Expenses for insurance claims			
Claims and benefits	14 546	-20	14 526
Changes in provision for outstanding claims	518	24	542
Subtotal	15 064	4	15 068
Changes in mathematical reserve	7 820		7 820
Changes in other insurance liabilities			
Total life expenses for claims and insurance benefits	**22 884**	**4**	**22 888**
Total	**207 088**	**-89 236**	**117 852**

G.23 ACQUISITION EXPENSES

Commission expenses	2009		2008	
	Property/ Casualty & Health	Life	Property/ Casualty & Health	Life
in EUR '000				
Reinsurance commission – Fix	21 844			
Reinsurance commission – Sliding Scale	12 293			
Reinsurance commission – Profit commission		2 535		
Reinsurance commission – Health (administration)	1 622			
Total	**35 759**	**2 535**		

G.24 OTHER OPERATING EXPENSES

Other operating expenses	2009	2008
in EUR '000		
Personnel expenses	625	
Mandatory social security contributions and expenses	54	
Depreciation of property, plant and equipment	22	
Rental expenses	107	2
IT expenses	467	236
Services	117	186
Other administrative expenses	17	261
Total	**1 409**	**685**

Management and employee statistics	2009	2008
number of people (persons)		
Management - BoD	4	3
Other employees	7	
Total	**11**	**3**

Personnel expenses	2009	2008
in EUR '000		
Wages and salaries	622	
Mandatory social security contribution expenses	54	
Other social security expenses	3	
Total	**679**	

Board of Directors and supervisory board compensation	2009	2008
in EUR '000		
Managing board compensation	303	
Supervisory board compensation	22	
Total	**325**	

G.25 OTHER EXPENSES

Other expenses	2009	2008
in EUR ‘000		
Foreign currency losses	49	9
Interests from retrocession operations	15	
Total	**64**	**9**

G.26 TAX EXPENSES

Tax expenses	2009	2008
in EUR ‘000		
Current taxes		
- Actual taxes current period	2 658	296
- Actual taxes related to other periods		
Total current taxes	**2 658**	**296**
Deferred taxes	**2**	
Total taxes	**2 660**	**296**

Tax rate reconciliation	2009	2008
in EUR ‘000		
Expected tax rate in %	**20**	**21**
Profit before tax	14 439	-7 526
Expected tax expense	**2 888**	**-1 580**
Adjusted for tax effects due to:		
- Non-deductible expenses - other	282	
- Non-deductible expenses - FX differences*	-510	1 876
INCOME TAX EXPENSE	**2 660**	**296**
Effective tax rate in %	**18,42**	**-3,93**

* Non-deductible expenses – FX differences result mainly from the different functional currency (EUR) and currency used for tax purposes (CZK).

G.27 RELATED PARTIES

The related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

G.27.1 Shareholders

Shareholders as at 31 December 2009:

WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group	70%
DONAU Versicherung AG Vienna Insurance Group	10%
Kooperativa pojišťovna, a.s., Vienna Insurance Group	10%
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group	10%

The ultimate parent of the Company is Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung Versicherung.

Transactions with Parent and entities with joint control or significant influence	2009	2008
in EUR '000		
Balance sheet		
Deposits due from cedents	84 969	
Receivables	14 945	
Unearned premiums	1 034	
Outstanding claims	6 844	
Life Reinsurance provision		
Other provision	80 398	
Liabilities	53 515	84
Income statement		
Premiums written	81 087	
Change due to provision for premiums	-1 395	
Investment and interest income	91	
Expenses for claims and insurance benefits	-44 139	
Change in claims and other reinsurance liabilities	-9 144	
Commission expenses	-16 782	
Other operating expenses	-492	-84

G.27.2 Subsidiary

The Company has one subsidiary, MUVI Re S.A. (for details C.3.). There were no significant transactions between the Company and its subsidiary in 2009 and 2008.

G.27.3 Key management personnel of the entity and its parent

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The key management personnel represents the Board of Directors and the Supervisory board, together with members of the Board of Directors of VIG. Close family members of key management personnel are also deemed to be related parties.

G.27.4 Other related parties

Other related parties represent fellow subsidiaries, associates and joint ventures of the ultimate parent Company.

Transactions with other related parties	2009	2008
in EUR '000		
Balance sheet		
Deposits due from cedents	24 813	
Receivables	15 407	
Unearned premiums	4 338	
Outstanding claims	63 091	
Life Reinsurance provision	24 643	
Liabilities	12 274	
Income statement		
Premiums written	132 837	
Change due to provision for premiums	-1 999	
Expenses for claims and insurance benefits	-38 315	
Change in claims and other reinsurance liabilities	-67 782	
Commission expenses	-20 643	

G.28 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets		31. 12. 2009		31. 12. 2008
	Fair value	Carrying amount	Fair value	Carrying amount
in EUR '000				
Financial investments	376 739	372 266	13 058	13 378
Financial assets held to maturity	131 446	126 973	13 058	13 378
Financial assets available for sale	7 233	7 233		
Loans	238 060	238 060		
Receivables	44 760	44 760	34	34
Cash and cash equivalents	83	83	76 929	76 929
Total financial assets	**421 582**	**417 109**	**90 021**	**90 341**

Financial liabilities		31. 12. 2009		31. 12. 2008
	Fair value	Carrying amount	Fair value	Carrying amount
in EUR '000				
Other liabilities evidenced by paper	166	166		
Liabilities	67 311	67 311	318	318
Other liabilities	290	290	149	149
Total financial liabilities	**67 767**	**67 767**	**467**	**467**

G.29 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. Therefore accounting estimates might not equal the actual results. Significant estimates and assumptions are summarized below.

G.29.1 Assumptions used in reinsurance liabilities

The Company uses certain assumptions when calculating its insurance liabilities. The process used to determine the assumptions that have the greatest effect on the measurement of the items in the Company's financial statements, and the effects of changes in the assumptions that would have a material effect on the recognised amounts, are discussed in part E.

G.29.2 Impairment of loans and receivables

At each balance sheet date the Company assesses whether there is objective evidence that any loan, receivable or reinsurance assets are impaired. They are impaired if there is objective evidence of impairment as a result of one or more events that have occurred since its initial recognition and the resulting loss event (or events) has an impact on the estimated future cash flows that can be reliably estimated (e.g. significant financial difficulty of the issuer or obligor; a breach of contract, such as default on interest or principal payments).

The Company first assesses whether objective evidence of impairment exists individually for any loans or receivables that are individually significant, and individually or collectively for any loans, receivables and reinsurance assets that are not individually significant. For the purposes of the collective evaluation of impairment, loans, receivables and reinsurance assets are grouped on the basis of similar credit risk characteristics.

G.29.3 Income taxes

Judgment is required in determining the provision for income taxes. If the final tax outcome is different from the amounts that were initially recorded, such differences impact on the income tax and deferred tax in the period in which such determination is made.

G.29.4 Fair value of financial instruments

The fair value of financial instruments that are not traded on an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and makes assumptions that are mainly based on the market conditions existing at each balance sheet date.

G.30 SUBSEQUENT EVENTS

The Company's management is not aware of any events that have occurred since the balance sheet date that would have a material impact on the financial statements.

The financial statements were approved by Board of Directors of the Company on 31 March 2010.

VIG RE zajišťovna, a.s.
Consolidated Financial Statements

For the year ended 31 December 2009

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CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2009

ASSETS	Notes	2009	2008
in EUR '000			
Intangible assets	H.1	1 410	
Property, plant and equipment	H.2	164	
Financial investments	H.3	376 867	17 988
Financial assets held to maturity		126 973	13 378
Financial assets available for sale		7 233	
Loans – Term deposits		26 280	4 610
Deposits due from cedents		216 381	
Receivables	H.4	45 001	317
Ceded share of reinsurance liabilities	H.5	59 460	290
Other assets	H.7	2	544
Deferred acquisition costs	H.8	989	
Cash and cash equivalents	H.9	316	77 009
Total ASSETS		**484 209**	**96 148**

EQUITY AND LIABILITIES	Notes	2009	2008
in EUR '000			
Shareholders' equity	H.10		
Share capital		101 958	101 958
Other components of equity		154	
Retained earnings		3 736	-7 822
Equalization provision		384	408
Total EQUITY		106 232	94 544
Reinsurance liabilities		307 120	412
Unearned premiums	H.11	15 067	
Outstanding claims	H.12	87 670	412
Life Reinsurance provision	H.13	123 985	
Other	H.14	80 398	
Other liabilities evidenced by paper	H.15	166	
Liabilities	H.16	67 640	639
Deffered tax liabilities	H.6	98	102
Current tax liabilities	H.25	2 641	282
Other liabilities	H.17	312	169
Total LIABILITIES		377 977	1 604
Total EQUITY AND LIABILITIES		**484 209**	**96 148**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

Consolidated Income Statement	Notes	2009	2008
in EUR '000			
Premiums	H.18		
Premiums written – Gross		257 241	
Premiums written – Ceded		-93 163	
Premiums written - Retention			
Change due to provision for premiums – Gross		-6 830	
Change due to provision for premiums – Ceded		982	
Net earned premiums		158 230	
Investment Results	H.19		
Investment and interest income		8 581	2 103
Investment and interest expenses		-166	-8 935
Total investment results		8 415	-6 832
Other income	H.20	639	
Claims and insurance benefits	H.21		
Expenses for claims and insurance benefits – Gross		-112 004	
Expenses for claims and insurance benefits – Ceded		31 392	
Claims and insurance benefits – retention			
Change in claims and other reinsurance liabilities – Gross		-95 155	
Change in claims and other reinsurance liabilities – Ceded		57 676	
Total expenses for claims and insurance benefits		-118 091	
Acquisition expenses	H.22		
Commission expenses		-38 294	
Other acquisition expenses		-459	
Change in deferred acquisition expenses		989	
Commission income from retrocessionaires		4 503	
Total acquisition expenses		-33 261	
Other operating expenses	H.23	-1 442	-685
Other expenses	H.24	-64	-9
Profit before taxes		14 426	-7 526
Tax expense	H.25	-2 671	-296
Profit for the period		**11 755**	**-7 822**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

Consolidated Statement of comprehensive income			2009			2008
	Gross	Tax *	Net	Gross	Tax *	Net
in EUR '000						
Profit for the period	**14 426**	**- 2 671**	**11 755**	**-7 526**	**-296**	**-7 822**
Other comprehensive income						
Gains (losses) recognized in equity						
– Available for sale financial assets	-84	17	-67			
Other comprehensive income for the year	**-84**	**17**	-67			
Total comprehensive income for the period	**14 342**	**- 2 654**	**11 688**	**-7 526**	**-296**	**-7 822**

* Consists of both current tax and deferred tax directly recognized in the consolidated statement of comprehensive income.

CONSOLIDATED SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2009

	Share capital	Available for sale financial assets	Legal and statutory reserves	Equalisation reserve	Retained earnings	Shareholders' equity
in EUR '000						
As of 18 August 2008	101 958					101 958
Total comprehensive income for the period					-7 822	-7 822
Acquisition of the subsidiary				408 *		408
As of 31 December 2008	**101 958**			**408**	**-7 822**	**94 544**

	Share capital	Available for sale financial assets	Legal and statutory reserves	Equalisation reserve	Retained earnings	Shareholders' equity
in EUR '000						
As of 1 January 2009	101 958			408	-7 822	94 544
Total comprehensive income for the period		-67			11 755	11 688
Allocation to legal and statutory reserve			221		-221	0
Change of Equalization reserve				-24	24	0
As of 31 December 2009	**101 958**	**-67**	**221**	**384**	**3 736**	**106 232**

* The balance represents the equalisation reserve recorded by the subsidiary Muvi Re S.A. as of the date of acquisition in 2008. This reserve is created according to local law and there are legal restrictions relating to the distribution of this reserve.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

Consolidated Cash flow statement	Notes	2009	2008
in EUR '000			
Profit for the period		**14 426**	**-7 526**
Adjustments to profit for the period			
- interest and other investment income		-8 581	-2 103
- exchange differences		- 547	8 921
- depreciation		22	
Cash flows from operating activities			
Change in reinsurance liabilities		306 708	
Change in ceded share of reinsurance liabilities		-59 170	
Change in receivables		-44 684	-34
Change in deposits due from cedents		-216 319	
Change in deferred acquisition costs		-989	
Change in liabilities		67 001	318
Change in provisions			
Change in other assets and liabilities		678	-308
Income tax paid		-296	
Net cash flow from operating activities		**58 249**	**-732**

Cash flows from investing activities			
Interest received		5 356	2 048
Payment for acquisition of subsidiary net of cash received			-3 920
Payment for acquisition of intangible assets and property, plant and equipment		-1 596	-87
Payment for acquisition of available for sale financial assets		-7 306	
Payment for acquisition of held-to-maturity financial assets		-110 045	-13 951
Net cash flow from investing activities		**-113 591**	**- 15 910**

Cash flows from financing activities			
Proceeds from the issue of other liabilities evidenced by paper		166	
Net cash flow from financing activities		166	

Net change in cash and cash equivalents		**-55 176**	**-16 642**

Reconciliation of cash and cash equivalents			
Cash and cash equivalents at beginning of period		**77 009**	**101 958**
Foreign currency translation differences on cash balances		162	-8 307
Net change in cash and cash equivalents		-55 176	-16 642
Cash and cash equivalents at end of period		**21 995**	**77 009**

Cash and cash equivalents are represented by cash and cash equivalents and demand deposits which are part of “Loans – Term deposits”.

CONSOLIDATED SEGMENT REPORTING

The Group determines and presents operating segments based on the information that is provided internally to the Board of Directors, the Group's chief decision-making body. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly administrative expenses, other expenses and income tax expenses.

The Group has two reportable segments, as described below, the Group's strategic business units, which are managed separately. The Board of Directors reviews internal management reports for each of the strategic business units on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Property/Casualty & Health: Car, Property and Liability, Catastrophe, Personal accident and Health reinsurance
- Life

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There are no inter-segmental sales and transfers.

The disclosures under segment reporting should be read in conjunction with additional disclosures under H.18.

CONSOLIDATED SEGMENT REPORTING

CONSOLIDATED INCOME STATEMENT BY LINES OF BUSINESS

CONSOLIDATED INCOME STATEMENT	Property/ Casualty & Health		Life		Total	
	2009	2008	2009	2008	2009	2008
In EUR '000						
Premiums written – Gross	232 701		24 540		257 241	
Premiums written – Ceded	-92 407		-756		-93 163	
Change due to provision for premiums – Net	-6 958		1 110		-5 848	
1. Net earned premiums	**133 336**		**24 894**		**158 230**	
Interest revenue	3 421		4 750		8 171	2 103
Other income and expense from investments	310		-66		244	8 935
2. Investment results	**3 731**		**4 684**		**8 415**	**-6 832**
3. Other income	**535**		**104**		**639**	
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities– Gross	-184 275		-22 884		-207 159	
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	89 068		-4		89 064	
4. Claims and insurance benefits	**-95 203**		**-22 888**		**-118 091**	
Commission expenses including change in deferred acquisition expenses	-34 770		-2 535		-37 305	
Other acquisition expenses	-358		-101		-459	
Commission income from retrocessionaires	4 187		316		4 503	
5. Acquisition expenses	**-30 941**		**-2 320**		**-33 261**	
Operating profit measured on the segment basis	**11 458**		**4 474**		**15 932**	**-6 832**
6. Administrative expenses	**-1 262**		**-180**		**-1 442**	**-685**
Operating profit	**10 196**		**4 294**		**14 490**	**-7 517**
7. Other expenses					**-64**	**-9**
Profit before tax					**14 426**	**-7 526**
Income tax					**-2 671**	**-296**
Profit after tax					**11 755**	**-7 822**

* No reinsurance business was carried out in 2008 as mentioned in A.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. GENERAL INFORMATION

A.1 Description of the Group

VIG RE zajišťovna, a.s. (“VIG Re” or the “Parent Company”) is the first professional reinsurance company established in the Czech Republic and is part of Vienna Insurance Group (“VIG”). VIG Re was incorporated on 18 August 2008 (ID 284 45 589) and has its registered office at Klimentská 1216/46, 110 02 Prague 1. VIG Re was licenced to carry out reinsurance business and related activities on 8 August 2008 and conducts its reinsurance business in property/casualty, life and health from 2009 (especially within VIG).

The consolidated financial statements of the Parent Company for the year ended 31 December 2009 comprise the Parent Company and its subsidiary (together referred to as ‘the Group’).

See Section C of these financial statements for a listing of significant Group entities and changes to the Group in 2009 and 2008.

Structure of shareholders

The registered capital consists of 25 000 shares in booked form with a nominal value of MCZK 2 500 (MEUR 102) (the booked value per share is TCZK 100 (EUR 4 078). As at 31 December 2009, 100% of the registered capital was paid.

Shareholders as at 31 December 2009:

WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group	70%
DONAU Versicherung AG Vienna Insurance Group	10%
Kooperativa pojišťovna, a.s., Vienna Insurance Group	10%
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group	10%

The members of the Board of Directors of the Parent Company were as at 31 December 2009 as follows:

Chairman:	Hans-Peter Hagen, Vienna, Austria
Member:	Denis Pehar, Munich, Germany
Member:	Claudia Stránský, Vienna, Austria
Member:	Dušan Bogdanović, Belgrade, Serbia

As at 30 September 2009, Eva-Maria Stackl resigned from the Board of Directors and was replaced by Dušan Bogdanović. This change was entered into the Commercial Register on 1 October 2009.

Two members of the Board of Directors must always act together in the name of the Parent Company.

The members of the Supervisory Board of the Parent Company were as at 31 December 2009 as follows:

Member:	Karl Fink, Vienna, Austria
Member:	Peter Höfinger, Vienna, Austria
Member:	Franz Kosyna, Vienna, Austria
Member:	Juraj Lelkeš, Bratislava, Slovakia
Member:	Wolfgang Eilers, Hamburg, Germany
Member:	Rudolf Ertl, Vienna, Austria

From 18 August 2009 Dr. Wolfgang Eilers and Dr. Rudolf Ertl became new members of the Supervisory Board. This change was entered in the Commercial Register on 24 August 2009.

A.2 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations as adopted by the International Accounting Standards Board (IASB) and the European Union (EU) in accordance with the IAS Regulation (EC 1606/2002).

The management has reviewed those standards and interpretations adopted by the EU at the date of issue of the financial statements that were not effective at that date. An assessment of the expected impact of these standards and interpretations on the Group is shown in note F.

A.3 Basis of preparation

Czech accounting legislation requires the Parent Company to prepare its separate financial statements in accordance with IFRS (as adopted by the EU – refer to A.2.). The Parent Company also prepares its consolidated financial statements for the same period in accordance with IFRS adopted by the EU. It is the first set of its consolidated financial statements

The financial statements are presented in the functional currency of the Group in Euros (EUR), rounded to the nearest thousand (TEUR or EUR '000).

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as available for sale. Financial assets and liabilities and non-financial assets and liabilities which are valued at historic cost are stated at amortised cost or historic cost, as appropriate, net of any relevant impairment.

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgments about the carrying values of assets and liabilities that cannot readily be determined from other sources. The actual values may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in both the period of the revision and future periods if the revision affects both the current and future periods.

Judgments made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are as follows (reinsurance liabilities, impairment, income taxes) and discussed in the Notes.

These are the Group's first consolidated financial statements prepared according to IFRS and thus IFRS 1 has been applied. An explanation of how the transition to IFRSs has affected the reported financial position and financial performance of the Group is provided in note B.

B. FIRST TIME ADOPTION OF IFRS

B.1 Previous local standards

The Parent Company previously prepared its separate financial statements in accordance with Czech accounting standards (i.e. its first set of financial statements as at 31 December 2008). In particular this means in accordance with Act No. 563/1991 Coll., on Accounting, as amended and in accordance with Regulation No. 502/2002 Coll., to implement certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for accounting units, which are insurance companies ("Czech Accounting Standards" or "CAS").

B.2 Date of first application

The Group has adopted IFRS for the first time in its consolidated accounting statements for the year ended 31 December 2009. The same accounting policies were used in preparing the comparative information for the year ended 31 December 2008. As the Parent Company was incorporated on 18 August 2008 this date is also the transition date.

This is the first set of consolidated financial statements, therefore no reconciliation to previous GAAP is relevant.

C. CONSOLIDATION

C.1 Basis of consolidation

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into consideration. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Reorganisations and mergers involving companies under common control are accounted for using consolidated net book values, consequently no adjustment is made to carrying amounts in the consolidated accounts and no goodwill arises on such transactions.

Derecognition of subsidiaries follows the contractual arrangements and law conditions.

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The list of significant subsidiaries is presented in note C.2.

C.2 Group entities

The significant subsidiaries as at 31 December 2009 are the following:

Company	Country of residence	Effective proportion of ownership interest	Effective proportion of voting interest
VIG RE zajišťovna, a.s.	Czech Republic	Parent Company	Parent Company
MuVi Re S.A.	Luxemburg	100.00%	100.00%

C.3 Acquisitions

There was no acquisition during 2009. The following table shows the companies acquired by the Parent Company in 2008:

Acquired company	Description of entity	Date of first consolidation	Percentage of ownership interest
MuVi Re S.A.	Reinsurance company	31 December 2008	100.00%

MuVi Re was acquired from another company within the VIG on 24 October 2008. The acquisition thus represented a common control transaction. For more details on accounting of transactions concerning companies under common control see section C.1.

The acquired company’s net book value as of the date of acquisition amounted to TEUR 4 408 and the acquisition cost amounted to TEUR 4000. The excess of TEUR 408 was represented by the equalization reserve of MuVi Re.

D. SIGNIFICANT ACCOUNTING POLICIES

D.1 Intangible assets

Purchased intangible assets are recognized in the balance sheet at acquisition cost less accumulated amortization and impairment losses. All intangible assets have a definite useful life. Amortization of an intangible asset is therefore performed over its period of use. The useful lives of significant intangible assets are between 4-10 years.

Intangible assets are amortized using the straight-line method.

D.2 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have a different useful life, they are accounted for as separate items (major components) of property and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation of property and equipment to residual values is recognized in profit and loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment.

The estimated useful life for the current and comparative periods are as follows:

Item	Useful life of assets
Vehicles	4
Other tangible assets and equipment	2 – 6

The depreciation methods, useful life and residual values, if not insignificant, are reassessed annually.

Leases, in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Property, plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated deprecation and impairment losses.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within “Other income” or “Other expense” in profit or loss.

D.3 Financial investments

Financial investments include financial assets held to maturity, available for sale, loans and deposits due from cedents.

Financial investments are recognized on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Upon their initial recognition, the corresponding investments are valued at acquisition cost, which equals fair value plus any directly attributable transaction costs at the time of acquisition. For regular way purchases and sales of financial assets, the Group’s policy is to recognize them using settlement date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as could be accounted for had the Group used trade date accounting.

For subsequent measurement of financial investments two valuation methods are used, amortized cost and fair value.

The fair value of financial instruments is based on their quoted market price in an active market at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available or if the market for an investment is not active, the fair value of the instrument is estimated using the discounted cash flow technique.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's estimates and the discount rate is derived from market rates at the balance sheet date for instruments with similar terms and conditions.

Financial assets held to maturity
Held to maturity assets are financial assets with fixed or determinable payments and fixed maturity that are quoted in an active market and where the Group has the positive intent and ability to hold to maturity.

Financial assets held to maturity are valued at amortised cost using the effective interest method less any impairment losses. The amortization of premiums and discounts is recorded as interest income or expense.

Available for sale financial assets
Some of the Group's investments in debt securities are classified as available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available for sale monetary items, are recognised directly in other comprehensive income (equity). When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Loans and deposits due from cedents
Loans consist mainly of deposits with financial institutions. Deposits due from cedents are receivables from cedents for cash deposits that have been retained under the terms of reinsurance agreements.

Loans and receivables (D.4.) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than classified as available for sale.

Loans and receivables are measured at amortised cost using the effective interest method and are reported net of allowances for loan losses to reflect the estimated recoverable amounts.

D.4 Receivables

The receivables shown in the balance sheet primarily relate to the following receivables:

- Receivables from direct reinsurance business
- Receivables from ceded reinsurance business
- Other receivables

Receivables are recognized at cost less impairment losses.

D.5 Ceded share of reinsurance liabilities

Ceded share of reinsurance liabilities is valued in accordance with contractual retrocession arrangements. The creditworthiness of each counterparty is taken into account in assessing the carrying amount of the assets. Any impairment loss is recognized in profit and loss.

D.6 Taxes

The income tax expense comprises current tax and deferred tax. The income tax associated with transactions recognised directly in equity (unrealised gains and losses from available for sale financial instruments) is also recognised directly in equity.

The current tax is calculated using the Group's entities' taxable incomes and the tax rate enacted or substantially enacted by the end of the reporting period.

Deferred tax is calculated using the balance sheet liability method for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.Deferred tax is calculated using the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. Deferred tax assets are not recognised if it is not probable that the tax benefits they contain can be realised.

D.7 Other assets

Other assets are valued at acquisition cost less impairment losses.

D.8 Deferred acquisition costs

Acquisition costs comprise reinsurance commissions, brokerage for reinsurance intermediaries and other variable costs directly connected with the acquisition or renewal of reinsurance policies. Deferred acquisition costs and deferred retrocession commission revenue represent the proportion of acquisition costs incurred and revenue received which corresponds to the unearned premium reserve. Deferred acquisition costs are subject to recoverability testing at the time of policy issue and at the end of each accounting period. Deferred acquisition costs which are not deemed to be recoverable are charged to the income statement.

For deferred acquisition expenses in life see point D.10 Life Reinsurance provision.

D.9 Cash and cash equivalents

Cash consists of cash on hand and demand deposits with banks and other financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

D.10 Reinsurance liabilities

Unearned premiums

The provision for unearned premiums comprises that part of gross premiums written attributable to the following financial year or to subsequent financial years, computed separately for each reinsurance contract using the pro rata temporis method.

Outstanding claims

The provision for outstanding claims represents the total estimated ultimate cost of settling all claims arising from events which have occurred up to the end of the financial year and are covered by reinsurance contracts, whether reported or not, less amounts already paid in respect of such claims, including the related internal and external claims settlement expenses.

The provision for outstanding claims is for payment obligations arising from, covered by and calculated according to reinsurance contracts. Part of the provision is for known claims for which individually calculated provisions are raised (RBNS). Another part is for claims incurred but not reported (IBNR). The provision for outstanding claims is based on information provided by cedents and the Group's estimates. The amounts raised are the realistically estimated future amounts to be paid. They are calculated on the basis of past experience and assumptions about future developments using appropriate actuarial methods. With the exception of annuities, the Group does not discount its provisions for outstanding claims. Where applicable, provisions are disclosed net of the prudent estimates for salvage and subrogation recoveries.

Whilst the Board of Directors considers that the provision for outstanding claims and the related reinsurance recoveries are fairly stated, the ultimate liability may differ as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of the provisions are reflected in the financial statements for the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

Life Reinsurance provision

Life Reinsurance provisions are comprised of the reserves for guaranteed claims of ceding companies in Life Reinsurance. They are determined using actuarial methods on the basis of the present value of future payments to cedents less the present value of premium still payable by cedents. The calculation follows the reinsurance contracts and includes assumptions relating to mortality, disability, lapse rates and the guaranteed interest rate. The actuarial bases used in this context allow an adequate safety margin for the risks of change, error and random fluctuation. They correspond to those used in the premium calculation.

The Life Reinsurance provision comprises the sum of the reinsured part of the provisions for individual Life Insurance policies. The Group accounts for the provision using the zillmerization method. The zillmerization method results in the deferral of acquisition costs for life assurance contracts. These costs are included within the life provision through actuarial methods after eliminating temporary negative balances, which are capitalized and presented as deferred acquisition costs. The acquisition costs are capitalised and deferred in accordance with the prudence principle and taking into account the risk of lapses and cancellations.

The provision is initially measured using the assumptions used for calculating the corresponding premiums and remain unchanged except where liability inadequacy occurs. A liability adequacy test (LAT) is performed at each reporting date by the Group's actuaries using current estimates of future cash flows under its insurance contracts (see F). If those estimates show that the carrying amount of the provision is insufficient in the light of the estimated future cash flows, the difference is recognised in the income statement with corresponding increase to the Life Reinsurance provision.

Other
Other reinsurance liabilities consist mainly of ageing provision in health and reinsurance provision for contractual non-discretionary bonuses in non-life business. These provisions for outstanding claims are calculated according to reinsurance contracts.

The ageing provision is created for those classes of Non-Life Reinsurance where the premium amount depends on the entry age or possibly the gender of the insured. This provision represents the value of the Group's liabilities calculated using actuarial methods.

The provision for contractual non-discretionary bonuses in non-life business covers future benefits in the form of additional payments to original policyholders or reduction of policyholders' payments, which are the result of past performance. This provision is not recognised for those contracts, where future premium is reduced by bonuses resulting from favourable past policy claim experience and such bonus is granted irrespective of whether the past claim experience was with the reporting entity. In such a situation, the reduction of the premium reflects the expected lower future claims, rather than distribution of past surpluses.

D.11 Other liabilities evidenced by paper

Liabilities evidenced by paper are recognized initially at fair value, net of transaction costs incurred, and subsequently carried at amortized cost. Amortization of discount or premium and interest are recognized in interest expense using the effective interest method.

D.12 Provisions

A provision is created when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will occur and a reliable estimate can be made of the amount of the obligation.

Where the effect of discounting is material, provisions are discounted. The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

D.13 Liabilities

Liabilities arise when the Group has a contractual obligation to deliver cash or another financial asset. They are measured at amortised cost, which will normally equal their nominal or repayment value.

D.14 Premiums

Premium written relates to business incepted during the year (irrespective of whether they relate in whole or in part to a later accounting period), together with any differences between booked premium for prior years and those previously recognized and includes estimates of premium due but not yet received or notified to the Group. Premium revenue is recognized as and when due in terms of the reinsurance contract.

Premiums are disclosed gross of reinsurance brokerage, reinsurance commissions and exclude taxes. Estimates are included for premiums not yet notified by year end.

Outward ceded premiums are recognized as an expense.

D.15 Investment results

Interest income and interest expense are recognized in the income statement on accrual basis, taking into account the effective yield of the asset or liability, or an applicable floating rate. Interest income and interest expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated using the effective interest method.

Other income and expenses from financial assets comprise realized gains/losses, dividends and impairment losses. A realized gain/loss arises on derecognition of financial assets. The amount of the realised gain/loss represents the difference between the carrying value of a financial asset and the sale price adjusted for any cumulative gain or loss that had been recognized directly in the equity.

D.16 Claims and insurance benefits

All payments to cedents arising from loss events, claims settlement expenses directly related to loss events (covered by reinsurance contracts), and internal costs attributable to claims settlement, are shown as expenses for claims. Expenses for claims are reduced by the income gained from recourses (this applies in particular to Property and Casualty Reinsurance). Changes in provision for outstanding claims and other technical provisions are also shown in the expenses for claims item as well as bonuses and rebates.

Bonuses comprise all amounts chargeable for the financial year representing an allocation of surplus or profit arising on business as a whole or from a section of business, after deduction of amounts provided in previous years which are no longer required. Rebates comprise such amounts to the extent that they represent a partial refund of premiums resulting from the experience of individual contracts.

D.17 Acquisition expenses

Acquisition costs are costs arising from the conclusion of reinsurance contracts and include direct costs such as brokerage for reinsurance intermediaries and reinsurance commissions and indirect costs, such as the administrative expenses connected with the processing of proposals, renewals and the issuing of policies.

Acquisition costs that vary with and are directly related to the acquisition of reinsurance policies or the renewal of existing policies are deferred (namely brokerage for reinsurance intermediaries and reinsurance commissions) see D.8.

Reinsurance commissions and profit participations include commissions paid and payable to cedents and profit participations based on reinsurance contracts.

D.18 Other operating expenses (Administrative expenses)

Administrative expenses include expenses relating to the administration of the Group. These include personnel costs, office rental expenses and other operating expenses. Staff costs include expenses arising from employee benefits, such as salaries and wages, management remuneration and bonuses, social insurance and costs of premium collection, portfolio administration and the processing of inwards and outwards reinsurance.

D.19 Foreign currency transaction

A foreign currency transaction is a transaction which is denominated in or requires settlement in another currency other than the functional currency. Functional currency is the currency of the primary economic environment in which an entity operates. A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the exchange rate effective at the date of the transaction. At each balance sheet date:

a) foreign currency monetary items are translated using the closing foreign exchange rate;

b) non-monetary items denominated in a foreign currency which are carried at historical cost are translated using the foreign exchange rate at the date of the original transaction;

c) and non-monetary items denominated in a foreign currency, which are carried at fair value, are translated using the foreign exchange rates ruling at the dates the fair values were determined.

Exchange differences arising from the settlement of monetary items or from translation of the Group's monetary items at rates different from those at which they were initially recorded or reported in previous financial statements are recognized as 'Other income' or as 'Other expenses' in the period in which they arise.

D.20 Impairment

The carrying amounts of the Group's assets, other than deferred acquisition costs, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is measured annually regardless of any indication of impairment for intangible assets with an indefinite useful life and for intangible assets not yet available for use.

An impairment loss is recognized to the extent that the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Individual impairment losses are losses which are specifically identified. General impairment losses are losses which are present in a portfolio of loans or receivables but not specifically identified.

The recoverable amount of the Group's investments in held-to-maturity securities, loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of an available for sale asset is the current fair value. When there is objective evidence that it is impaired, the decline in fair value that had been recognized directly in equity is recognized in the income statement.

An impairment loss in respect of a held-to-maturity security, loan, advance or receivable, available for sale debt instrument is reversed through the income statement (up to the amount of the amortized cost), if the subsequent increase in the recoverable amount can be attributed objectively to an event occurring after the impairment loss was recognized.

Loans and advances are reported net of allowances for loan losses to reflect the estimated recoverable amounts. Receivables and held-to-maturity investments are stated at their cost less impairment losses.

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In respect of other assets, an impairment loss is reversed through the income statement if there has been an increase in the recoverable amount and the increase can be objectively related to an event occurring after the date of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

D.21 Classification of reinsurance contracts

A reinsurance contract under which the Group assumes a significant insurance risk from another party (the insurance company within VIG) as a result of a provision whereby the insurance company receives compensation if a specified uncertain future event (the insured event) adversely affects the insurance company is treated as an insurance policy as defined in IFRS.
A distinction is made between insurance risk and financial risk. Financial risk is the risk of a possible future change in specific interest rates, securities prices, price indices, interest rate indices, credit ratings, or credit indices, or another variable, provided that, in the case of a non-financial variable, the variable is not specific to one counterparty. In many cases, particularly in the Life Insurance area, reinsurance policies as defined in IFRS also transfer financial risk.

Reinsurance contracts in property and casualty and health are considered as insurance contracts. Moreover, the Life Reinsurance contracts transfer significant insurance risk (death benefits) and are therefore also considered as insurance contracts.

D.22 Novation

Where the Group assumes the rights and obligations relating to a portfolio of insurance contracts from another reinsurer (novation) the assets and liabilities are recorded via the balance sheet only, no premium income is recognized in respect of such transactions.

E. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS

The following published amendments and interpretations to existing standards are mandatory and relevant for the Group's accounting periods and have been applied by the Group since 1 January 2009:

Amendments to IFRS 7 Financial Instruments: Disclosures. These amendments require enhanced disclosures about fair value measurements of financial instruments and over liquidity risk. VIG Re has applied IFRS 7 from the annual period beginning 1 January 2009.

Standards in force
Amendment to IAS 1 Presentation of Financial Statements. This revision especially introduces a statement of comprehensive income. This will enable users of the financial statements to analyse changes in a Group's equity that result from transactions with its owners in their capacity as owners (such as dividends and share repurchases), separately from 'non-owner' changes (such as transactions with third parties). The revised standard allows items of income and expense and components of other comprehensive income either to be presented in a single statement of comprehensive income with subtotals, or in two consolidated statements (a consolidated income statement followed by a statement of comprehensive income).

Amendment to Appendix of IAS 18 Revenue. This amendment eliminates the mismatch in the definition of transaction costs (as defined in IAS 39 Financial Instruments: Recognition and Measurement) and related direct costs (as previously defined in IAS 18). Under the amended standard only related transaction costs (as defined in IAS 39) can be deferred and recognized as an adjustment to the effective interest rate.

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements. Prior to this amendment, IAS 32 required shareholders' interests in limited liability companies to be classified as liabilities because such companies are obliged to pay a withdrawing shareholder its share of the Group's net assets. Following amendment, IAS 32 requires such interests to be classified as equity, rather than liabilities, because they represent a residual interest in the entity.

Standards not in force yet
A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2009, and have not been applied in preparing these financial statements. Of these standards, the following will potentially have an impact on the Group's operations. The Group plans to adopt this standard when it becomes effective. The Group is in the process of analyzing the likely impact on its financial statements.

Amendment to IFRS 3 Business Combinations and related revisions to IAS 27 Consolidated and Separate Financial Statements (effective for annual reporting period beginning on or after 1 July 2009). In the new version of IFRS 3, transaction costs directly attributable to the acquisition are no longer included in the cost of the business combination. Furthermore, under IFRS 3 the acquirer can elect to measure any non-controlling interest at fair value at the acquisition date or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

IFRS 9 Financial Instruments, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available for sale and loans and receivables. The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. IFRS 9 has not yet been adopted by the EU.

Amendment to IAS 17 Leases (effective from 1 January 2010). The current version of IAS 17 states that a lease of land with an indefinite economic life is normally classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. Under the amendments, a land lease with a lease term of several decades or longer may be classified as a finance lease, even if at the end of the lease term title will not pass to the lessee, because in such arrangements substantially all risks and rewards are transferred to the lessee and the present value of the leased asset is considered negligible.

Revised IAS 24 Related Party Disclosures (effective from 1 January 2011) provides a disclosure exemption in respect of related party relationships that arise through common control by the state, unless indicators of influence exist between the entities. The revised IAS 24 also amends the definition of a related party to:

- exclude situations in which two entities are related because a person has significant influence over an entity and a close family member of that person has significant influence over another entity; and
- include other entities in which a significant investor of the reporting entity is a member of key management personnel.

The amendments to IAS 24 have not yet been adopted by the EU.

F. PRINCIPAL ASSUMPTIONS

For reported claims (RBNS) the separated case-by-case assessment with regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims provided by the cedents is used and checked. The Group's share of case reserves is reviewed regularly and is updated as and when new information arises.

The estimation of the Group's incurred but not reported claims (IBNR) is generally subject to a greater degree of uncertainty than reported claims. IBNR provisions are predominantly assessed by the Group's actuary using information provided by cedents and statistical techniques such as chain ladder methods, whereby historical data is extrapolated in order to estimate ultimate claims costs.

To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

a) economic, legal, political and social trends (resulting in different from expected levels of inflation);

b) changes in the reinsurance contracts mix;

c) random fluctuations and large losses.

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries.

The assumptions which have the greatest effect on the measurement of reinsurance liabilities are as follows:

Expected claims ratio - The expected claims ratio represents the ratio of expected ultimate claims incurred to premiums earned.

Tail factors - For long-tail business, the level of provision is significantly influenced by the estimate of the development of claims from the latest development year for which historical data is available to ultimate settlement. These tail factors are estimated prudently using mathematical curves, which project observed development factors.

Annuities
In MTPL reinsurance and other third party liability lines, part of the claims payment may be in the form of an annuity. The provision for such claims is established as the present value of expected future claims payments. The key assumptions involved in the calculation are the discount rate and the expected increase in wages and disability pensions, which influence the amount of annuities to be paid. The ultimate annuity claims are dependent on national legislation and the development of social and political factors beyond the Group's control.

Liability adequacy test
Non-Life Reinsurance liabilities connected are calculated by using current (not historical) assumptions. The liability adequacy test is limited to the unexpired portion of existing contracts. It is performed by comparing the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date with the amount of unearned premiums in relation to such policies after deduction of deferred acquisition costs.

Life – The liability adequacy test is performed using discounted projected cash flows. The minimum value of liabilities to cedents is determined using best estimates of the future development of entry parameters adjusted by market value margins. The Life Reinsurance provision is tested at each reporting date against a calculation of future cash flows using explicit and consistent assumptions of all factors such as future premiums, mortality, morbidity, lapses and surrenders. The Group does not bear technical interest rate risk as it is retained by the insurance company. Input assumptions are updated annually based on recent experience.

Where the calculated amount exceeds the amount of the Life Reinsurance provisions reduced by any unamortized acquisition costs and other intangible assets, the deficiency is recognized through the creation of a Life Reinsurance provision.

G. RISK REPORTING

G.1 RISK MANAGEMENT

G.1.1 Introduction
The Group is a member of VIG and is part of its risk management structure. The risk management processes apply to the whole VIG group and thus to the Group.

The Group's core competence is dealing professionally with risk. The Group's primary business is assuming risks from its clients (insurance companies) using a variety of reinsurance contracts (both proportional and non-proportional). The majority of the Group's reinsurance clients are from VIG. The Insurance companies' primary business then assumes risks from its customers using variety of insurance packages, part of the risk is subsequently transferred to the reinsurance Group (VIG Re). The reinsurance business of the Group and the insurance business of the Group's clients consist of deliberately assuming diverse risks and managing them profitably. One of the primary responsibilities of risk management is to ensure that the obligations assumed under reinsurance contracts can be satisfied at all times.

G.1.2 Risk management objectives and methods
VIG Re is exposed to a number of other risks in addition to the underwriting risks of its reinsurance policy portfolio. A risk management process is used to identify, analyze, evaluate, monitor, report and control these risks. The risk control measures used are avoidance, reduction below an acceptable level, diversification, transfer and acceptance of risks and opportunities.

The overall risk can be divided into the following risk categories as defined by the Group.

- *Underwriting (reinsurance business) risks:* The core business of VIG Re is the insurance risk transferred from the insurance company to VIG Re.
- *Credit risk:* This risk quantifies the potential loss due to deterioration of the situation of a contracting party owing receivables or other financial investments arising from financial assets and reinsurance contracts.
- *Market risk:* Market risk is taken to mean the risk of changes in the value of investments caused by unforeseen fluctuations in interest rate curves, share prices and currency rates, and the risk of changes in the market value of ownership interests.
- *Liquidity risk:* Liquidity risk depends on how good the fit is between the financial investment portfolio and reinsurance commitments.
- *Concentration risk:* Concentration risk is a single direct or indirect position or group of positions with the potential to significantly endanger the Group, core business or key performance measures. Concentration risk is caused by an individual position, a collection of positions with common owners, guarantors or managers, or by sector

concentrations. The concentration risk arises mainly from geographical distribution. For geographical distribution of total assets see segment reporting.

- *Strategic risks:* These can arise due to changes in the economic environment, case law, and the regulatory environment. VIG Re is subject to insurance/reinsurance law in the Czech Republic. The regulation governs such matters as capital requirements, solvency requirements and limits for placement of financial instruments.
- *Operational risks:* These may result from deficiencies or errors in business processes, controls or projects caused by technology, staff, organization or external factors.

As a rule, local companies in VIG and thus the Group are responsible for managing their own risks, while at the same time strict requirements are set in terms of investments and capital assets, as well as for reinsurance.

Effective risk and opportunities management requires ERM (Enterprise Risk Management) and a risk policy and risk strategy set by management. ERM enables managers to deal effectively with uncertainty and the risks and opportunities it involves, and strengthens their ability to create value. Taking all relevant potential future events into account improves the utilization and proactive realization of opportunities. Reliable information on risks improves the allocation of capital. ERM provides a procedure for identifying and selecting alternative reactions to risks.

The VIG risk management department is an independent organizational unit. Every employee contributes to the effectiveness of risk management in VIG. Great importance is placed on the day-to-day implementation of a suitable risk monitoring culture. Transparent and verifiable processes form an essential element of the VIG wide risk culture. Deviations from set target values and the admission and reporting of errors can take place in the Group, and are used to promote the active problem-solving abilities of our employees.

Risk management in VIG and the Group is governed by a number of internal guidelines. Underwriting risks in Property and Casualty Reinsurance are primarily managed using actuarial models for setting tariffs and monitoring the progress of claims, and guidelines for the assumption of insurance risks. The most important underwriting risks in Life and Health Reinsurance are primarily biometric ones, such as life expectancy, occupational disability, illness and the need for nursing care. To manage these underwriting risks transferred to the Group, reserves have been formed for paying future insurance benefits by the Group.

The Group limits its potential liability from its reinsurance business by passing on some of the risks it assumes to the international reinsurance market (retrocession). It spreads this reinsurance coverage over a large number of different international reinsurance companies that the Group believes have adequate creditworthiness, in order to minimize the risk (credit risk) due to the insolvency of one reinsurer.

The Group monitors the various market risks in its security portfolio using fair value valuations, value-at-risk (VaR) calculations, sensitivity analyses and stress tests.

Liquidity risk is limited by matching the investment portfolio to reinsurance commitments. Operational and strategic risks which might be caused by deficiencies or errors in business processes, controls and projects and changes in the business environment are also monitored continuously.

G.1.3 Areas involved in risk monitoring and control at VIG and the Group

Risk committee: The cross-class risk committee is formed from the actuarial, operations, reinsurance, internal audit and corporate risk controlling departments. The risk committee is responsible for optimization and ongoing development of an ERM system. ERM is a framework for Group-wide risk management that uses key principles and concepts, uniform terminology and clear instructions and support. The Group applies this risk management approach and cooperates in this area with the VIG.

Actuarial department: Underwriting risks are managed by the actuarial department of Kooperativa pojišťovna, a.s., Vienna Insurance Group, a related party. This department subjects all reinsurance solutions to in-depth actuarial analysis covering all classes of reinsurance business (life, health, property and casualty). Stochastic simulations are performed regularly as part of the ALM process. The Group's entities have their appointed actuaries.

Risk controlling: The risk controlling department prepares a quarterly risk budget for the investment area. Budget compliance at the Group is checked regularly. Compliance with securities guidelines and the Group's own limit system is monitored continuously. Periodic VaR calculations and analyses and detailed stress tests are performed for this monitoring.

Controlling: The controlling department monitors and controls operational developments at domestic and foreign insurance companies. This is accomplished by means of monthly reports submitted to the controlling department by the companies and an analysis of plans and forecast figures. The Group monitors and controls regularly its business development by comparison with plans and reinsurance contracts signed.

Audit: The audit department systematically monitors operating and business processes, the internal controlling system of all operational corporate areas and the functionality and adequacy of risk management. The internal audit department operates continuously and reports directly to the full Management Board. The Group uses the VIG internal audit department.

G.2 REINSURANCE RISK

G.2.1 Introduction

The Group assumes both reinsurance from VIG companies and reinsurance from non-group companies. In 2009 the majority of reinsurance assumed was from group companies. The Group writes long tail as well as short tail business, and writes both proportional and non-proportional reinsurance business. In 2009 the Group did not write any facultative reinsurance business, but will start with business assumed from VIG in 2010.

The Group limits its liability arising from the reinsurance business by ceding, as necessary, a portion of the risks assumed to the international reinsurance market.

G.2.2 Insurance risks

The Group assumes insurance risk transferred from client to insurance and through reinsurance contract to VIG Re.
The risk under any one reinsurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of a reinsurance contract, this risk is random and therefore unpredictable.
For a portfolio of reinsurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of the reinsurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Claim events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Experience shows that the larger the portfolio of similar reinsurance contracts, the smaller the relative variability in the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its reinsurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Property/Casualty Reinsurance & Health

Property reinsurance - For property reinsurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding, hurricanes, typhoons, etc.) and their consequences (for example, subsidence claims). The Group usually assumes a one-year reinsurance policy and thus has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. The greatest likelihood of significant losses on these contracts arises from storm or flood damage. The Group has reinsurance cover for such damage to limit losses.

Casualty reinsurance - The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damage suffered and the increase in the number of cases coming to court that were inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims monitoring.

For contracts where health is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.

Life

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is the continued improvement in medical science and social conditions that would increase longevity. Uncertainty in the estimation of future benefit payments and premium receipts for long-term reinsurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour. The Group uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides.

G.2.3 Reinsurance guidelines

Approach to the Group's own reinsurance protection

Reinsurance guidelines and protection structure are jointly determined each year by the Board of directors and approved by the Supervisory Board of the Group, following the overall guidelines and security policy of VIG.

The reinsurance guidelines govern the following matters:

- Retrocession is a prerequisite for providing reinsurance coverage. The Group may only make a binding commitment to reinsure a risk if sufficient reinsurance coverage from external reinsurers has already been ensured if applicable.
- Retention: It is the Group policy that no more than EUR 20 million per event of loss due to natural catastrophe can be placed at risk on a PML (probable maximum loss) basis. The maximum Group's retention per individual loss is less than EUR 4 million.
- Selection of reinsurers – diversification. The Group divides their reinsurance coverage among many different international reinsurance companies of appropriate credit quality, so as to minimize the risk growing out of a reinsurer's inability to pay. No significant default of a reinsurer has occurred in the history of VIG and VIG Re.
- Selection of reinsurers – rating. For business segments where claims take a long time to be settled, especially for auto liability and general liability, the Group uses as reinsurers companies with outstanding ratings (at least a Standard & Poor's rating of "A," preferably "AA" or higher), which in all likelihood will continue to exist over the long term. Even for business segments with claims that are settled quickly (for example, natural catastrophes, fire, technology, transportation, storm, burglary, household, water pipes, auto collision), where the number of reinsurers is greater, the preferred rating is Standard & Poor's "A" or higher. Only in a few cases – and for limited periods of time – reinsurers with lower ratings are accepted.

Approach to the reinsurance contracts assumed by the Group

The Group follows a strict underwriting policy and there are a number of insurance risks excluded from the Group's underwriting policy. There are general exclusions as well as specific exclusions per line of business. The general exclusions (see examples below) are obligatory for all the Group's acceptances. The Group does not assume any credit, bond or other financial risk, or aviation business and does not assume the run-off of losses to treaties incepted prior to January 1st 2009. Moreover, the Group assumes Nat Cat risks only if and only to the extent it enjoys full Nat cat retrocession cover.

The objective is to build up and maintain a portfolio that consists of a well-balanced mix of Life, Health and Property/Casualty obligatory reinsurance treaties, making use of the diversification advantage of the spread within CEE, Austria and Germany.

The Group as a rule underwrites shares representing a maximum PML of MEUR 4. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

For VIG companies the Group writes up to 100% of reinsurance treaties only with low PMLs, i.e. on Quota Share Treaties and small Excess of Loss Treaties which are considered suitable to retain. The maximum percentage of shares underwritten in any one treaty also takes into account the respective local VIG company's need to comply with the arm's length principle.

The Group plans to increase providing reinsurance to insurance companies outside VIG from 2010.

The Group's aim is to create a market place in Prague and be considered a prudent reinsurer with good security, a strong knowledge and an understanding of the cedent's market environment within the CEE region. The Group will write business in countries where VIG is established.

G.2.4 Concentration risk

The Group writes business in the CEE region, Austria and Germany. For geographical concentration measured by premium written see G.19. For natural catastrophes the main exposures are: flood, storm and earthquake. These exposures are annually modelled by the actuaries of the retrocession brokers, based on the actual status of all portfolios including cross country exposures and analyzed by the Group. Based on this, the above-mentioned full retrocession cover for VIG Re is determined and placed with a high number of reinsurers with security according to the Guidelines, thus preventing the concentration risk on the net base.

G.3 CREDIT RISK

Credit risk is the risk that a counterparty will fail to discharge an obligation and cause the Group to incur a financial loss.

G.3.1 Credit risk from financial investments

The Group invests in debt securities and deposits (both term and due from cedents) only, taking into account the overall risk position of the Group and the investment strategy provided for this purpose. For more about the investment strategy see also below.

In managing risks related to credit quality, a distinction must be made between "liquid" or "marketable" risks (e.g. exchange-listed bonds) and "bilateral" risks, such as, for example, time deposits and loans. Risks relating to the former are limited at the portfolio level by means of rating and diversification limits. Consideration is only given to those issuers or contracting parties whose credit quality or reliability can be assessed by the Group, whether on the basis of an analysis performed by the Group or credit assessments/ratings from recognised sources.

According to the Group investment guidelines financial investments (debt securities and term deposits) are made almost exclusively in investment with a Standard & Poor's rating of AAA to BBB (or with a Moody's rating of Aaa to Baa). There are also specific limits for investments in bonds and investments in banks (term deposits, treasury notes etc.) which differ according to the level of rating (i.e. the better the rating, the higher the limit for investment). Investments outside the limits set in the guidelines are only made in individual cases and in accordance with decisions made by the Management Board and Supervisory Board. The credit risk (i.e. limits and ratings) are monitored daily.

The goal is to achieve the greatest possible diversification among individual issuers, to avoid accumulation risks, to ensure good average credit quality, to control foreign currency effects, and to make the majority of investments in mid- to long term maturities.

Deposits retained on assumed reinsurance serve directly as collateral for technical provisions covering business assumed from cedents in reinsurance. They do not trigger any cash flows and may not be used by the cedent independently. The credit risk is therefore limited. The amount of and changes in deposits retained on assumed reinsurance in the balance sheet year generally derive from the values for the changes in the related technical provisions for the reinsured business. Deposits retained on assumed reinsurance business thus do not have a fixed maturity date, their release generally being dependent on run-off of the corresponding provisions.

At the balance sheet date there were no significant concentrations of credit risk.

G.3.2 Credit risk - Receivables due to cedents

Consideration is only given to those issuers or contracting parties whose credit quality or reliability can be assessed by the Group. The majority of the cedents consists of companies within VIG. Management believes that it has sufficient internal data to assess the creditworthiness of the companies reliably.

G.3.3 Credit risk – Reinsurers share in reinsurance liabilities and amounts due from reinsurers in respect of claims already paid (retrocession)

The Group follows a policy of ceding a portion of assumed risks to reinsurance companies (see G.2.3.) This transfer of risk to reinsurers does not, however, relieve VIG Re of its obligations to the insurance companies (cedents). The Group is therefore exposed to the risk of insolvency on the part of reinsurers. The Group follows a strict policy on reinsurer selection.

G.3.4 *Credit risk exposure*

Illustrated in the tables below is a detailed analysis of the Group's exposure to credit risk.

	Reinsurance receivables		Other financial assets	
	2009	2008	2009	2008
in EUR '000				
Collectively impaired – carrying amount				
Gross amount				
Up to 30 days after maturity	41 078			
31 days to 90 days after maturity	127			
91 days to 180 days after maturity	1 138			
181 days to 1 year after maturity	2 658			
Neither past due nor impaired – carrying amount			**376 867**	**17 988**
Total carrying amount	**45 001**		**376 867**	**17 988**

The credit quality of neither past due nor impaired financial assets is monitored per individual cases. The Group closely monitors each counterparty and evaluate its credit quality. The majority of counterparties are the Companies within the VIG (see related party disclosures H.26.) therefore the Group has enough information to evaluate the quality of the counterparty.

Cash and cash equivalents are neither individually nor collectively impaired.

Credit risk exposure						2009
Standard & Poor's rating	AAA	AA	A	B / BB / BBB	No Rating	Carrying value in balance sheet
in EUR '000						
Financial investments*	21 661	13 024	125 801			160 486
Deposits due from cedents			84 968		131 413	216 381
Cash and cash equivalents					316	316
Receivables and ceded share of reinsurance liabilities	443	33 401	47 541	274	22 802	104 461
Total	**22 104**	**46 425**	**258 310**	**274**	**154 531**	**481 644**
In %	*4,6*	*9,6*	*53,6*	*0,1*	*32,1*	*100*

* Except for deposits due from cedents

Credit risk exposure						2008
Standard & Poor's rating	AAA	AA	A	B / BB / BBB	No Rating	Carrying value in balance sheet
in EUR '000						
Financial investments		4 610	13 378			17 988
Cash and cash equivalents			77 009			77 009
Total		**4 610**	**90 387**			**94 997**
In %		*4,8*	*95,2*			*100*

G.4 LIQUIDITITY AND MARKET RISKS

Introduction
The Group invests in debt securities and term deposits with a prudent investment strategy. The Group follows the VIG investment strategy. When determining exposure volumes and limits, the risk inherent in the specified categories and the market risks are of fundamental importance. Investment guidelines are laid down on a centralized basis and are mandatory for all group companies.

The investment strategy of the Group can be summarized as follows:

- The Group practices a conservative investment policy designed for the long-term.
- The Group maintains a high level of liquidity position with the placement of a significant portion of their portfolio into term deposits.
- The majority of the debt securities is hold till maturity i.e. no active trading is in place.
- Management of market risk on securities is aimed at providing a transparent view of the risk exposure arising from price, interest rate and currency fluctuations as they affect profitability and the value of securities investments, and at limiting these risks. Risks are limited by setting position limits and by means of a two-tier limit system for risk exposure.

Liquidity risk
Liquidity risk may arise because the actual payout structure of our liabilities differs from that assumed in our asset-liability management, for example, due to a lengthening or acceleration of the period to pay claims in a line of business or in a particular region.

An important aspect of the Group's management of assets and liabilities is ensuring that cash is available to settle liabilities as they fall due. The Group maintains cash and liquid deposits to meet these demands on a daily basis. In normal circumstances, the majority of claims are settled with the cash deposit.

Over the longer term, the Group monitors its forecast liquidity position by estimating the cash outflows from its reinsurance contracts and purchasing assets with similar durations to meet these obligations. The liquidity is monitored daily.

The following are the contractual maturities of relevant assets (measured in the same way as in the financial statements) as monitored by the Group:

Expected contractual maturities of assets:					2009
	Up to one year	From one to five years	From five to ten years	More than ten years	Carrying value in balance sheet
in EUR '000					
Financial investments	**90 815**	**81 868**	**96 482**	**107 702**	**376 867**
Financial assets held to maturity	4 673	49 563	65 715	7 022	126 973
Financial assets available for sale	27	3 166	4 040		7 233
Loans – Term deposits	26 280				26 280
Deposits due from cedents	59 835	29 139	26 727	100 680	216 381
Receivables	**45 001**				**45 001**
Cash and cash equivalents	**316**				**316**
Total	**136 132**	**81 868**	**96 482**	**107 702**	**422 184**

The following are the contractual maturities of relevant liabilities (measured in the same way as in the financial statements) as required by IFRS:

Expected contractual maturities of liabilities:					2009
	Up to one year	From one to five years	From five to ten years	More than ten years	Carrying value in balance sheet
in EUR '000					
Reinsurance liabilities	**85 273**	**41 294**	**37 876**	**142 677**	**307 120**
Unearned premiums	15 067				15 067
Outstanding claims	59 412	16 497	6 880	4 881	87 670
Life Reinsurance provision	9 299	24 797	30 996	58 893	123 985
Other	1 495			78 903	80 398
Other liabilities evidenced by paper		**166**			**166**
Liabilities	**67 640**				**67 640**
Other Liabilities	**312**				**312**
Total	**153 225**	**41 460**	**37 876**	**142 677**	**375 238**

Expected contractual maturities of assets:					2008
	Up to one year	From one to five years	From five to ten years	More than ten years	Carrying value in balance sheet
in EUR '000					
Financial investments	**4 103**	**7 186**	**6 699**		**17 988**
Financial assets held to maturity	4 103	2 576	6 699		13 378
Financial assets available for sale					
Loans		4 610			4 610
Receivables	**317**				**317**
Cash and cash equivalents	**77 009**				**77 009**
Total	**81 429**	**7 186**	**6 699**		**95 314**

Expected contractual maturities of liabilities:					2008
	Up to one year	From one to five years	From five to ten years	More than ten years	Carrying value in balance sheet
in EUR '000					
Current tax liabilities	282				282
Liabilities	639				639
Other Liabilities	169				169
Total	**1 090**				**1 090**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- Currency risk
- Interest rate risk
- Other price risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than the functional currency.

The Group exposure to foreign currency risk within the investment portfolios supporting the Group's eurozone reinsurance and investment operations arise primarily from purchased investments and reinsurance contracts that are denominated or payable in currencies other than the euro.

The tables below summarize the Group's exposure to foreign currency exchange rate risk at 31 December. The Group's assets and liabilities at carrying amounts are included in the table, categorized by currency at their carrying amount:

			2009
Currency	Total Assets	Total Liabilities	Net Amount
in EUR '000			
EUR	463 956	374 403	89 553
CZK	19 196	2 192	17 004
HUF	902	1 250	-348
Other	155	132	23
Total	**484 209**	**377 977**	**106 232**

			2008
Currency	Total Assets	Total Liabilities	Net Amount
in EUR '000			
EUR	18 641	855	17 786
CZK	77 507	749	76 758
Total	**96 148**	**1 604**	**94 544**

Interest rate risk:
For the Group, interest rates are the most relevant parameters for market risk. The Group's investments consist largely of fixed interest securities. The majority of these securities are denominated in euros. As a result, interest rate fluctuations in the eurozone have a significant effect on the value of these financial assets.

The Group is exposed to interest rate price risk to the extent that it holds fixed interest rate instruments in the form of government securities and stock of local authorities and public bodies. The Group is exposed to interest rate cash flow risk to the extent that it holds variable interest rate instruments in the form of cash.

The tables below summarize the Group's exposure to interest rate risk at 31 December.

In thousands of EUR, for the year ended 31 December

2009	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
in EUR '000								
Financial instruments								
Financial assets available for sale – debt securities	1,73%	3 173	4 060					7 233
Financial assets held to maturity – debt securities	4,42%		7 647	4 070	46 780	68 476		126 973
Loans – Term deposits	3,06%	21 680	4 600					26 280
Deposits due from cedents	**3,15%**		**59 835**	**29 139**		**127 407**		**216 381**
Cash and cash equivalents	0,00%	316						316
Total financial assets		**25 169**	**76 142**	**33 209**	**46 780**	**195 883**		**377 183**
Other liabilities evidenced by paper	**3,80%**				**166**			**166**
Total financial liabilities					**166**			**166**

2008	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Non-specified	Total
in EUR '000								
Financial instruments								
Financial assets available for sale – debt securities								
Financial assets held to maturity – debt securities	3,76%		4 103	1 463	1 113	6 699		13 378
Loans and receivables	3,05%	10		4 600				4 610
Cash and cash equivalents	2,9%	77 009						77 009
Total financial assets		**77 019**	**4 103**	**6 063**	**1 113**	**6 699**		**94 997**

Sensitivity analysis:
The market risk of the Group's financial assets and liabilities is monitored and measured on a continual basis, using a Value at Risk ('VaR') analysis.

VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level. This approach calculates the VaR using a covariance matrix of relative changes in market factors and the net present value of financial investment positions, assuming that these relative changes are normally distributed. The VaR is calculated daily at a 99% confidence level and for the period of 60 working days.

The assumptions on which the VaR model is based give rise to certain limitations, especially the following:

- A 99 percent confidence level does not reflect losses that may occur beyond this level.
- The methodology is applicable to instruments with a linear relationship between position value and market rates.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The VaR positions of the financial investments were as follows:

VaR to 31 December 2009

in EUR '000	
Total portfolio size	134 206
Historical VaR 60d; 1%	1 106
Relative VaR (%)	0,8

The VaR figure can be interpreted that there is a 1% probability of the portfolio falling in value by more than 1 106 EUR over a 60 day period, assuming markets are normal and there is no trading. The accuracy of the VaR model is regularly monitored.

G.5 CAPITAL MANAGEMENT

The Group carries out business in the insurance/reinsurance sector, which is a regulated industry. VIG Re has to comply with all regulations set in the Insurance Act No 363/1999 Sb. and regulation No 303/2004 Sb., including the prudential rules relating to capital. The prudential rules set the method for calculating the required solvency margin and available solvency elements. Both minimum and solvency capital requirements are calculated separately for life and Non-Life Reinsurance.

The industry lead regulator is the Czech National Bank, which sets and monitors the capital requirements for the Group.

Parent company only:

Regulatory capital as at 31 December 2009

in EUR '000		
Required solvency margin	Life and Non-Life Reinsurance	25 100
Available solvency elements	Life and Non-Life Reinsurance	105 557

The Group closely monitors its compliance with the regulatory capital requirements. The current base of calculation with respect to capital requirements are based on the Solvency I principles which are to be replaced by a new system of the regulatory capital calculation - Solvency II. The Group is gradually implementing the Solvency II standards into its own risk capital management procedures.

According to the regulation, mentioned above, the Life and Non-Life Reinsurance solvency margin and elements are calculated and presented together.

H. NOTES TO THE FINANCIAL STATEMENTS

H.1 INTANGIBLE ASSETS

Intangible assets	2009	2008
in EUR '000		
Software and licence	1 410	
Total intangible assets	**1 410**	

2009	Software	Licence	Total
in EUR '000			
Balance as at 1 January			
Additions	81	1 334	1 415
Balance as at 31 December	81	1 334	1 415
Balance as at 1 January			
Amortizations	5		5
Balance as at 31 December	5		5
Book value as of 1 January			
Book value as of 31 December	**76**	**1 334**	**1 410**

As at 31 December 2008 the Group did not recognize any intangible assets.

H.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment - 2009	Vehicles	Other	Tangible assets not yet in use	Total
in EUR '000				
Balance as at 1 January				
Additions	79	48	54	181
Balance as at 31 December	79	48	54	181
Balance as at 1 January				
Amortizations	8	9		17
Balance as at 31 December	8	9		17
Book value as of 1 January				
Book value as of 31 December	**71**	**39**	**54**	**164**

As at 31 December 2008 the Group did not recognize any property, plant and equipment.

H.3 FINANCIAL INSTRUMENTS

Financial instruments	2009	2008
in EUR '000		
Financial assets available for sale	7 233	
Financial assets held to maturity	126 973	13 378
Loans – Term deposits	26 280	4 610
Deposits due from cedents	216 381	
Total	**376 867**	**17 988**

H.3.1 Financial assets available for sale

Financial assets available for sale	2009	2008
in EUR '000		
Debt securities		
Government bonds	7 233	
Total	**7 233**	

Government bonds consist of government bonds and other bonds guaranteed by government.

Amortized value	Amortized value	FX differences	Unrealized gains or losses	Impairment	Fair value
in EUR '000					
Debt securities	7 317		-84		7 233

Fair value hierarchy	Level 1	Level 2	Level 3	Total
in EUR '000				
Financial assets available for sale	7 233			7 233

Level 1 represents quoted prices in active markets for identical assets or liabilities.

H.3.2 Financial assets held to maturity

Financial assets held to maturity	2009	2008
in EUR '000		
Debt securities		
Government bonds	102 924	13 378
Other public sector bonds	18 241	
Corporate bonds	5 808	
Total	**126 973**	**13 378**

Financial assets held to maturity	Carrying amount	Fair value
in EUR '000		
Debt securities		
Government bonds	102 924	109 232
Other public sector bonds	18 241	16 133
Corporate bonds	5 808	6 081
Total	**126 973**	**131 446**

H.3.3 Loans and Deposits due from Cedents

Loans and Deposits due from cedents	2009	2008
in EUR '000		
Loans - Term deposits	26 280	4 610
Deposits due from cedents	216 381	
Total	**242 661**	**4 610**

Loans and Deposits due from cedents	Carrying amount	Fair value
in EUR '000		
Loans - Term deposits	26 280	26 280
Deposits due from cedents	216 381	216 381
Total	**242 661**	**242 661**

As at 1 January 2009 the Group assumed the rights and obligations relating to Life and Health Reinsurance portfolio contracts from WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group (Novation). The deposits due from cedents and reinsurance liabilities recognized in accordance with the accounting policy mentioned in D.22 account for:

Novation			
in EUR '000			
Assets		**Liabilities**	
Deposits due from cedents	205 121	Unearned premiums	8 635
		Outstanding claims	4 730
		Life Reinsurance provision	116 165
		Other - Aging reserves	74 106
		Other - Provision for bonuses and rebates	1 485
Total gross	**205 121**		**205 121**

H.4 RECEIVABLES

Receivables	2009	2008
in EUR '000		
Receivables arising out of assumed reinsurance - cedents	15 520	
Receivables arising out of reinsurance operations - retrocession	29 377	260
Trade and other receivables	79	
Prepayments	25	57
Total gross	**45 001**	**317**
Impairment		
Total net	**45 001**	**317**

H.5 CEDED SHARE OF REINSURANCE LIABILITIES

Ceded share of reinsurance liabilities	2009	2008
in EUR '000		
Unearned premiums	1 026	
Outstanding claims	58 434	290
Total	**59 460**	**290**

H.6 DEFERRED TAX

The deferred tax credits and liabilities recognised relate to the amounts of temporary differences in balance sheet items listed in the following table. The differences were already valued using applicable tax rates.

Deferred tax		2009		2008
Balance sheet position	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
in EUR '000				
Property, plant and equipment		2		
Equalization provision		96		102
Total		**98**		**102**
Net Balance		**98**		**102**

Movement in deferred tax	**2009**	**2008**
Net deferred tax asset/(liability) – opening balance	-102	
Deferred tax (expense)/income for the period	4	
Net deferred tax asset/(liability) – closing balance	**-98**	

In accordance with the accounting method described in D.6. the amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date which is for the year 19% (2008: 20% and 19%).

H.7 OTHER ASSETS

Other Assets	2009	2008
in EUR '000		
Prepaid expenses	2	544
Total	**2**	**544**

H.8 DEFERRED ACQUISITION COSTS

Development of DAC	2009	2008
in EUR '000		
Book value – opening balance		
Costs deferred during the current year	989	
Book value – closing balance	**989**	

H.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2009	2008
in EUR '000		
Cash and cash equivalents	1	
Cash at bank	315	77 009
Total	**316**	**77 009**

H.10 SHAREHOLDERS EQUITY

Share capital	2009	2008
in EUR '000		
Authorised number of shares		
25 000 of 4 078,32 EUR shares	101 958	101 958
Issued number of shares		
25 000 of 4 078,32 EUR shares	101 958	101 958

Legal and statutory reserves - The creation and use of the legal and statutory reserve fund is limited by legislation. The legal reserve fund is not available for distribution to the shareholders.

H.11 UNEARNED PREMIUMS

Unearned premium provision - 2009	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance			
Premium written during the current year	257 241	93 483	163 758
Less premium earned during the current year	-250 411	-92 413	-157 998
Novation	8 635		8 635
Clean cut system	-380	-44	-336
FX translation	-18		-18
Book value – closing balance	**15 067**	**1 026**	**14 041**

Novation is explained in D.22.

H.12 OUTSTANDING CLAIMS

RBNS - 2009	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	412	290	122
Claims incurred and reported	181 973	84 325	97 648
Less claims paid	-112 004	-31 392	-80 612
Novation	4 730	467	4 263
Clean cut system	- 1 704		-1 704
FX translation	2		2
Book value – closing balance	**73 409**	**53 690**	**19 719**

IBNR - 2009	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance			
Claims incurred	87 670	58 199	29 471
Less transfer to RBNS	-73 409	-53 455	-19 954
FX translation			
Book value – closing balance	**14 261**	**4 744**	**9 517**

Claims development table	2009	2008	Total
in EUR '000			
Estimate of total cumulative claims at the end of the underwriting year	199 674		
One year later			
Estimate of cumulative claims	199 674		
Cumulative payment	112 004		
Value recognised in balance sheet	**87 670**		

Novation is explained in C.23.

H.13 LIFE REINSURANCE PROVISION

Life Reinsurance Provision	2009	2008
in EUR '000		
Gross	123 985	
Retrocession		
Net	**123 985**	

Development in 2009	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance			
Novation	116 165		116 165
Additions	7 820		7 820
Book value – closing balance	**123 985**		**123 985**

Novation is explained in C.23.

H.14 OTHER

Ageing reserves	2009	2008
in EUR '000		
Gross	78 903	
Retrocession		
Net	**78 903**	

Development in 2009	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance			
Novation	74 106		74 106
Additions	4 797		4 797
Book value – closing balance	**78 903**		**78 903**

Novation is explained in C.23.

Reserves for premium and rebates	2009	2008
in EUR '000		
Gross	1 495	
Retrocession		
Net	**1 495**	

Development in 2009	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance			
Novation	1 485		1 485
Additions	10		10
Book value – closing balance	**1 495**		**1 495**

H.15 OTHER LIABILITIES EVIDENCED BY PAPER

Other liabilities evidenced by paper	2009	2008
in EUR '000		
Zero Bond	166	
Total	**166**	

On 30 November 2009 the Group issued 100 zero bonds with a nominal value of EUR 200 000 in total, maturing in 2014.

H.16 LIABILITIES

Liabilities	2009	2008
in EUR '000		
Payables arising out of reinsurance operations - cedents	60 666	
Payables arising out of reinsurance operations - retrocession	5 797	321
Trade payables	1 082	181
Wages and salaries	29	
Social security and health insurance	7	
Other payables	59	137
Total	**67 640**	**639**

H.17 OTHER LIABILITIES

Other liabilities	2009	2008
in EUR '000		
Accruals	312	169
Total	**3120**	**169**

H.18 PREMIUM

Premium written – Reinsurance premium	Property/ Casualty & Health 2009	Life 2009	Total 2009
in EUR '000			
Gross			
Austria	113 090	15 972	129 062
Germany	29 800		29 800
Czech Republic	39 192	172	39 364
Slovakia	14 894	212	15 106
Poland	4 116	14	4 130
Romania	16 385	245	16 630
Other CEE*	15 224	7 925	23 149
Premium written	232 701	24 540	257 241
Retroceded premium	-92 407	-756	-93 163
Premium written – Retained	**140 294**	**23 784**	**164 078**

* Other CEE represents the following countries: Albania, Bulgaria, Belarus, Georgia, Croatia, Hungary, Macedonia, Serbia, Turkey, Ukraine.

Premium written – Reinsurance premium	Property/ Casualty & Health 2009	Life 2009	Total 2009
in EUR '000			
Gross			
From group companies	231 467	9 457	240 924
External parties	1 234	15 083	16 317
Premium written – Gross	**232 701**	**24 540**	**257 241**

Premium written – Reinsurance premium	Property/ Casualty & Health 2009	Property/ Casualty & Health 2009	Property/ Casualty & Health 2009
in EUR '000			
Property/Casualty & Health	Gross	Ceded	Retained
MTPL	29 426	-10 203	19 223
Other motor vehicle reinsurance	5 509		5 509
Casualty	23 537	-6 619	16 918
Liability	3 366	-905	2 461
Property	130 597	-74 680	55 917
Marine	1 759		1 759
Health	38 507		38 507
Premium written	**232 701**	**-92 407**	**140 294**

H.19 INVESTMENT RESULTS

Investment Income	2009	2008
in EUR '000		
Interest income		
Loans	5 183	
Financial investments held to maturity	2 974	2 103
Financial investments available for sale	26	
FX gains	**398**	
Total current income	**8 581**	**2 103**
Total	**8 581**	**2 103**

Investment Expenses	2009	2008
in EUR '000		
Management fees	166	
FX losses		8 935
Total	**166**	**8 935**

H.20 OTHER INCOME

Other income	2009	2008
in EUR '000		
Foreign currency gains	639	
Total	**639**	

H.21 CLAIMS AND INSURANCE BENEFITS

Expenses for claims and insurance benefits – 2009	Gross	Retrocession	Net
in EUR '000			
Property/Casualty & Health			
Expenses for insurance claims			
Claims and benefits	97 458	-31 372	66 086
Changes in provision for outstanding claims	82 009	-57 700	24 309
Subtotal	179 467	-89 072	90 395
Changes in other insurance liabilities	4 808		4 808
Total non-life expenses for claims and insurance benefits	**184 275**	**-89 072**	**95 203**

Expenses for claims and insurance benefits – 2009	Gross	Retrocession	Net
in EUR '000			
Life			
Expenses for insurance claims			
Claims and benefits	14 546	-20	14 526
Changes in provision for outstanding claims	518	24	542
Subtotal	15 064	4	15 068
Changes in mathematical reserve	7 820		7 820
Changes in other insurance liabilities			
Total life expenses for claims and insurance benefits	**22 884**	**4**	**22 888**
Total	**207 159**	**-89 068**	**118 091**

H.22 ACQUISITION EXPENSES

Commission expenses	2009		2008	
	Property/ Casualty & Health	Life	Property/ Casualty & Health	Life
in EUR '000				
Reinsurance commission – Fix	21 844			
Reinsurance commission – Sliding Scale	12 293			
Reinsurance commission – Profit commission		2 535		
Reinsurance commission – Health (administration)	1 622			
Total	**35 759**	**2 535**		

H.23 OTHER OPERATING EXPENSES

Other operating expenses	2009	2008
in EUR '000		
Personnel expenses	625	
Mandatory social security contributions and expenses	54	
Depreciation of property, plant and equipment	22	
Rental expenses	107	2
IT expenses	467	236
Services	150	186
Other administrative expenses	17	261
Total	**1 442**	**685**

Management and employee statistics	2009	2008
number of people (persons)		
Management - BoD	4	3
Other employees	7	
Total	**11**	**3**

Personnel expenses	2009	2008
in EUR '000		
Wages and salaries	622	
Mandatory social security contribution expenses	54	
Other social security expenses	3	
Total	**679**	

Board of Directors and supervisory board compensation	2009	2008
in EUR '000		
Managing board compensation	303	
Supervisory board compensation	22	
Total	**325**	

H.24 OTHER EXPENSES

Other expenses	2009	2008
in EUR '000		
Foreign currency losses	49	9
Interests from retrocession operations	15	
Total	**64**	**9**

H.25 TAX EXPENSES

Tax expenses	2009	2008
in EUR '000		
Current taxes		
- Actual taxes current period	2 667	296
- Actual taxes related to other periods		
Total current taxes	**2 667**	**296**
Deferred taxes	**4**	
Total taxes	**2 671**	**296**

Tax rate reconciliation	2009	2008
in EUR '000		
Expected tax rate in %	**20**	**21**
Profit before tax	14 426	-7 526
Expected tax expenses	**2 885**	**-1 580**
Adjusted for tax effects due to:		
- Non-deductible expenses - other	296	
- Non-deductible expenses - FX differences*	-510	1 876
INCOME TAX EXPENSES	**2 671**	**296**
Effective tax rate in %	**18,51**	**-3,93**

* Non-deductible expenses – FX differences result mainly from different functional currency (EUR) and currency used for tax purposes (CZK).

H.26 RELATED PARTIES

The related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

H.26.1 Shareholders

Shareholders as at 31 December 2009:

WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group	70%
DONAU Versicherung AG Vienna Insurance Group	10%
Kooperativa pojišťovna, a.s., Vienna Insurance Group	10%
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group	10%

The ultimate parent of the Parent Company is Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung Versicherung.

Transactions with Parent and entities with joint control or significant influence	2009	2008
in EUR '000		
Balance sheet		
Deposits due from cedents	84 969	
Receivables	14 945	
Unearned premiums	1 034	
Outstanding claims	6 844	
Life Reinsurance provision		
Other provision	80 398	
Liabilities	53 515	84
Income statement		
Premiums written	81 087	
Change due to provision for premiums	-1 395	
Investment and interest income	91	
Expenses for claims and insurance benefits	-44 139	
Change in claims and other reinsurance liabilities	-9 144	
Commission expenses	-16 782	
Other operating expenses	-492	-84

H.26.2 Key management personnel of the Group entity and its parent

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of that Group. The key management personnel represents the Board of Directors and the Supervisory board, together with members of the Board of Directors of VIG. Close family members of key management personnel are also deemed to be related parties.

H.26.3 Other related parties

Other related parties represent fellow subsidiaries, associates and joint ventures of the ultimate parent Group.

Transactions with other related parties	2009	2008
in EUR '000		
Balance sheet		
Deposits due from cedents	24 813	
Receivables	15 386	
Unearned premiums	4 338	
Outstanding claims	63 091	
Life Reinsurance provision	24 643	
Liabilities	12 274	
Income statement		
Premiums written	132 517	
Change due to provision for premiums	-1 999	
Expenses for claims and insurance benefits	-38 200	
Change in claims and other reinsurance liabilities	-67 658	
Commission expenses	-20 551	

H.27 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets	31. 12. 2009		31. 12. 2008	
	Fair value	Carrying amount	Fair value	Carrying amount
in EUR '000				
Financial investments	381 340	376 867	13 058	13 378
Financial assets held to maturity	131 446	126 973	13 058	13 378
Financial assets available for sale	7 233	7 233		
Loans	242 661	242 661		
Receivables	45 001	45 001	317	317
Cash and cash equivalents	316	316	77 009	77 009
Total financial assets	**426 657**	**422 184**	**90 384**	**90 704**

Financial liabilities	31. 12. 2009		31. 12. 2008	
	Fair value	Carrying amount	Fair value	Carrying amount
in EUR '000				
Other liabilities	312	312	169	169
Total financial liabilities	**68 188**	**68 188**	**808**	**808**

H.28 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. Therefore accounting estimates might not equal the actual results. Significant estimates and assumptions are summarized below.

H.28.1 Assumptions used in reinsurance liabilities

The Group uses certain assumptions when calculating its insurance liabilities. The process used to determine the assumptions that have the greatest effect on the measurement of the items in the Group's financial statements, and the effects of changes in the assumptions that would have a material effect on the recognised amounts, are discussed in part E.

H.28.2 Impairment of loans and receivables

At each balance sheet date the Group assesses whether there is objective evidence that any loan, receivable or reinsurance assets are impaired. They are impaired if there is objective evidence of impairment as a result of one or more events that have occurred since its initial recognition and the resulting loss event (or events) has an impact on the estimated future cash flows that can be reliably estimated (e.g. significant financial difficulty of the issuer or obligor; a breach of contract, such as default on interest or principal payments).

The Group first assesses whether objective evidence of impairment exists individually for any loans or receivables that are individually significant, and individually or collectively for any loans, receivables and reinsurance assets that are not individually significant. For the purposes of the collective evaluation of impairment, loans, receivables and reinsurance are grouped on the basis of similar credit risk characteristics.

H.28.3 Income taxes

Judgment is required in determining the provision for income taxes. If the final tax outcome is different from the amounts that were initially recorded, such differences impact on the income tax and deferred tax in the period in which such determination is made.

H.28.4 Fair value of financial instruments

The fair value of financial instruments that are not traded on an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on the market conditions existing at each balance sheet date.

H.29 SUBSEQUENT EVENTS

The Group's management is not aware of any events that have occurred since the balance sheet date that would have a material impact on the financial statements.

The financial statements were approved by the Board of Directors of the Parent Company on 23 April 2010.

Report of the Management Board of the company on Relationships between Related parties under the Provisions of Section 66a of the Commercial Code

Part I

PARTIES OF HOLDING

1. Controlled party

VIG RE zajišťovna, a.s.
registered office at Klimentska **1216/46, 110 02 Prague 1**
Company ID. No.: **28445589**
incorporated in the Commercial Register administrated by the City Court in Prague , Section B, Inset 14560 (hereinafter referred to as "VIG Re").

VIG Re is a business company which is active in the field of reinsurance pursuant to the Act No. 277/2009 Coll., on insurance business, as amended. The line of business is specified in the by-laws of the company and it is also recorded in the Commercial Register.

2. Controlling party

VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG
registered office at **Schottenring 30, Vienna 1010, Austria**
incorporated in the Commercial Register administrated by the Trade Court in Vienna, Section FN, Inset 75687 F (hereinafter referred to as "Wiener Städtische").

Wiener Städtische is a joint stock company which is active in the field of contractual insurance and is the ultimate parent of other stock holders who act in accordance with it. The line of business is specified in the by-laws of the company.

3. Related parties

The list of the affiliated companies of Wiener Städtische including the business name and the share of Wiener Städtische in the authorized capital presents an annex hereof.

Part II

RELATIONSHIP BETWEEN THE HOLDING PARTIES

1. Manner of Controlling

Wiener Städtische owns the shares of VIG Re with the total nominal values reaching 70.00 % of the authorized capital and representing 70.00 % of the voting rights.

2 Personal Union

- The CEO and the Chairman of the Management Board of VIG RE zajišťovna, a.s. is Dr. Hans–Peter Hagen who is also a member of the Management Board and he was the Deputy of CEO of Wiener Städtische from October 1, 2009 to December 31, 2009. Dr. Hagen was a member of the Management Board and the Deputy of CEO of Kooperativa pojišťovna, a.s., Vienna Insurance Group, and currently he is also the Vice-Chairman of the Supervisory Board of Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Vice-Chairman of the Supervisory Board of InterRisk Versicherungs AG Vienna Insurance Group, Vice-Chairman of the Supervisory Board of OMNIASIG Vienna Insurance Group S.A., member of the Supervisory Board of DONAU Allgemeine Versicherung AG Vienna Insurance Group, member of the Supervisory Board of InterRisk Lebensversicherungs AG Vienna Insurance Group, member of the Supervisory Board of OMNIASIG Asigaurari de Viata S.A., and chairman of the Supervisory Board of AIS Servis, s.r.o.

- The Chairman of the Supervisory Board of VIG RE zajišťovna, a.s. is Dkfm. Karl Fink, who is also the CEO and member of the Management Board of Wiener Städtische, and the Vice-Chairman of the Supervisory Board of Kooperativa poisťovna, a.s., Vienna Insurance Group, to December 31, 2009 Dkfm. Karl Fink was the vice-chairman of the Supervisory Board of Kooperativa pojišťovna, a.s., Vienna Insurance Group.

- The Vice-Chairman of the Supervisory Board of VIG RE zajišťovna, a.s. is Mag. Peter Höfinger, who was a member of the Supervisory Board of Kooperativa pojišťovna, a.s., Vienna Insurance Group until October 9, 2009; he was also a member of the Supervisory Board of Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group until October 14, 2009 and currently Mag. Höfinger is a member of Management Board of Wiener Städtische.

- Ing. Juraj Lelkeš is a member of the Supervisory Board of VIG RE zajišťovna, a.s., who is also the Chairman of the Management Board and the General Director of Kooperativa poisťovna, a.s., Vienna Insurance Group.

- Dr. Franz Kosyna is a member of the Supervisory Board of VIG RE zajišťovna, a.s., who is also the Chairman of the Management Board and the CEO of DONAU Versicherung AG Vienna Insurance Group, member of the Supervisory Board of Kooperativa pojišťovna, a.s., Vienna Insurance Group, member of the Supervisory Board of Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group and he has been the representing member of the Management Board of Wiener Städtische since 1 October 2009.

- Eva – Maria Stackl was a member of the Management Board of VIG RE zajišťovna, a.s. until September 30, 2009.

- Mag. Dušan Bogdanović has been a member of the Management Board of VIG RE zajišťovna, a.s. since October 1, 2009 and he was a member of the Management Board of MSK-Life, Moscow, Russia until September 30, 2009.

3. Relation Structure

The share of Wiener Städtische in other affiliated companies expressed in percentage of the authorized capital is in the annex hereof.

Part III

PERIOD

This report is prepared for the last accounting period, i.e. from January 1, 2009 to December 31, 2009.

Part IV

CONTRACTS AND AGREEMENTS CONCLUDED BETWEEN HOLDING PARTIES

1. Contracts and Agreements concluded between Wiener Städtische and VIG Re

On December 31, 2009 the outsourcing contract between Wiener Stadtlicher and VIG Re was concluded.

On December 31, 2009 the reinsurance contracts between Wiener Stadtlicher and VIG Re were concluded.

2. Contracts and Agreements concluded between VIG Re and other Controlled Parties, where the Controlling party is Wiener Städtische

On December 31, 2009 the outsourcing contract between VIG Re and Kooperativa pojišťovna, a.s. Vienna Insurance Group was concluded.

On December 31, 2009 the insurance contract No. 4950050623 between VIG Re and Kooperativa pojišťovna, a.s., Vienna Insurance Group was concluded.

On December 31, 2009 amendment No. 2 to the Framework Insurance Contract according to the rate 3LC No. 50 910533 - 51 between VIG Re and Kooperativa pojišťovna, a.s., Vienna Insurance Group was concluded.

On December 31, 2009 the contract on creating the managing and controlling system to start and operate the business between VIG re and Kooperativa pojišťovna, a.s. Vienna Insurance Group was concluded.

On December 31, 2009 reinsurance contracts between VIG Re and ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A. were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and S.C. BCR Asigurari Vienna Insurance Group S.A. were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and BENEFIA TU S.A. Vienna Insurance Group were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and Bulgarski Imoti Insurance AD were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and BULSTRAD LIFE VIENNA INSURANCE GROUP JSC were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and BULSTRAD VIENNA INSURANCE GROUP PLC were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and Compensa TU S.A. Vienna Insurance Group were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and DONAU Versicherung AG Vienna Insurance Group were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and Helios Vienna Insurance Group d.d. were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and InterRisk Versicherungs-AG Vienna Insurance Group were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and Komunálna poisťovňa, a.s., Vienna Insurance Group were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and Kooperativa poisťovňa, a.s., Vienna Insurance Group were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and Kooperativa pojišťovna, a.s., Vienna Insurance Group were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and Kvarner Vienna Insurance Group d.d. were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and OMNIASIG Vienna Insurance Group S.A. were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and Polski Zwiazek Motorowy TU S.A. Vienna Insurance Group were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and Union Vienna Insurance Group Biztoító Zrt were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and WIENER RE akcionarsko društvo za reosiguranje were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and ERSTE Vienna Insurance Group Biztosító Zrt were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and Erste osiguranje Vienna Insurance Group d.d. were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and OMNIASIG VIENNA INSURANCE GROUP S.A. were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and Poisťovňa Slovenskej Sporiteĺne, a.s. Vienna Insurance Group were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and Sparkassen Versicherung AG Vienna Insurance Group were concluded.

On December 31,2009 reinsurance contracts between VIG Re and SIGURIA E MAHDE VIENNA INSURANCE GROUP Sh.A. were concluded.

On December 31,2009 reinsurance contracts between VIG Re and Joint Stock insurance company WINNER - Vienna Insurance Group were concluded.

On December 31,2009 reinsurance contracts between VIG Re and ZASO Victoria Non-Life were concluded.

On December 31,2009 reinsurance contracts between VIG Re and Company with additional liability Insurance Company with additional liability “Globus” were concluded.

On December 31,2009 reinsurance contracts between VIG Re and Private Joint-Stock Company Ukrainian Insurance Company “Kniazha Vienna Insurance Group” were concluded.

On December 31,2009 reinsurance contracts between VIG Re and Private Joint-stock company “VAB Life” were concluded.

On December 31, 2009 reinsurance contracts between VIG Re and “WIENER RE” akcionarsko društvo ze reosiguranje, Belgrade were concluded.

No harm was suffered by VIG Re based on the contracts and agreements above.

Part V

OTHER LEGAL ACTS AND OTHER MEASURES TAKEN IN THE INTEREST OR FROM THE INITIATIVE OF RELATED PARTIES

In 2009 neither legal acts nor other measures were taken in the interest or from the initiative of related parties.

Part VI

CONFIDENTIALITY OF INFORMATION

1. Information and facts which are part of the business secret of Wiener Städtische, VIG Re and of other related parties are considered confidential; furthermore is confidential, which was declared as such by any party, which is part of the holding and also information originating from the business contact, which could cause harm – themselves or in relation with other information and facts – to any party of the holding.

2. In order to prevent any harm to the controlled party pursuant to paragraph 1 hereof, the report of the statutory body does not give any financial performance and consideration from the concluded contracts and agreements.

Part VII

CONCLUSION

1. This report was prepared by the Management Board of the controlled party, the company of VIG RE zajišťovna, a.s., and was submitted for revision by the Supervisory Board and KPMG Česká republika Audit, s.r.o., the auditor, who shall audit the statement of balances. Pursuant to legal provisions, VIG Re is obliged to execute the Annual Report; this report shall be an integral annex of the Annual Report.

2. The Management Board of VIG Re shall publish a notification in the Commercial Journal that the Annual Report will be deposited in the Deed Collection administrated by the Commercial Register of the City Court in Prague.

Dated at Prague, the 15th of February 2010.

Signatures of Management Board members of the controlled party, VIG RE zajišťovna, a.s.:

Peter Hagen
Chairman of the Management Board and CEO

Dušan Bogdanović
Member of the Management Board

Related parties and equity of WIENER STÄDTISCHE Versicherung AG

Company	Country	Share (%)	Equity (TEUR)	Last annual accounts
Consolidated companies				
"Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Vienna	Austria	100,00	-72	2009
Anděl Investment Praha s.r.o., Prague	Czech Republic	100,00	28 787	2009
ARITHMETICA Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	Austria	100,00	372	2009
Blizzard Real Sp. z o.o., Warsaw	Poland	100,00	-5 412	2008
BML Versicherungsmakler GmbH, Vienna	Austria	100,00	709 940	2009
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100,00	1 962	2009
CENTER Hotelbetriebs GmbH, Vienna	Austria	80,00	-694	2009
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100,00	16 069	2009
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100,00	23	2009
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	100,00	3 347	2008
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100,00	7 950	2009
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Hungary	100,00	1 862	2009
LVP Holding GmbH, Vienna	Austria	100,00	107 499	2009
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	100,00	44 516	
Passat Real Sp. z o.o., Warsaw	Poland	100,00	-1 184	2008
PFG Holding GmbH, Vienna	Austria	89,23	139 285	2009
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	92,88	74 743	2009
Projektbau GesmbH, Vienna	Austria	90,00	37 338	2009
Projektbau Holding GmbH, Vienna	Austria	90,00	41 330	2009
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	100,00	-3 848	2009
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66,70	10 166	2009
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100,00	738 703	2009
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	100,00	746 135	2009
WIENER Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100,00	1 431	2009
WPWS Vermögensverwaltung GmbH, Vienna	Austria	100,00	300 039	
Companies consolidated by the equity method				
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30,00	7 186	2009
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29,63	33 345	2009
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	Austria	60,00	31 891	2009
Non-consolidated companies				
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50,00	718	2008
Beteiligungs- und Immobilien GmbH, Linz	Austria	25,00	11 211	2008
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25,00	664	2008
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100,00	46	2008
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	Austria	100,00	758	2008
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100,00	205	2008
HUMANOCARE gemeinnützige Betriebsgesellschaft für Betreuungseinrichtungen GmbH, Vienna	Austria	100,00	897	2008
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	31,52	163 132	2008
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	26,57	23 337	2008
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	74,64	44	2008
Renaissance Hotel Realbesitz, GmbH, Vienna	Austria	40,00	2 032	2008
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	23,24	45 749	2008
VIG ReAL ESTATE DOO, Belgrade	Serbia	100,00	0	2008

Related parties and equity of VIENNA INSURANCE GROUP

Company	Country	Share (%)	Equity (TEUR)	Last annual accounts
Consolidated companies				
"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Vienna	Austria	40,00	87 689	2009
"WIENER RE" akcionarsko društvo ze reosiguranje, Belgrade	Serbia	100,00	6 124	2009
"WIENER STÄDTISCHE OSIGURANJE" akcionarsko društvo za osiguranje, Belgrade	Serbia	100,00	11 084	2009
Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94,00	74 783	2009
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99,04	67 831	2009
BENEFIA Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100,00	18 624	2009
BENEFIA Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	100,00	19 236	2009
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	99,91	371	2009
BULGARSKI IMOTI LIFE Insurance Company AD, Sofia	Bulgaria	99,97	3 995	2009
Bulgarski Imoti Non-Life Insurance Company AD, Sofia	Bulgaria	99,91	3 860	2009
BULSTRAD LIFE VIENNA INSURANCE GROUP Joint Stock Company, Sofia	Bulgaria	95,49	5 001	2009
BULSTRAD VIENNA INSURANCE GROUP PUBLIC LIMITED COMPANY, Sofia	Bulgaria	97,29	30 503	2009
Business Insurance Application Consulting GmbH, Vienna	Austria	100,00	2 153	2009
CAME Holding GmbH, Vienna	Austria	100,00	27 653	2009
CAPITOL, a.s., Bratislava	Slovakia	100,00	392	2009
Česká podnikatelská pojišt´ovna, a.s., Vienna Insurance Group, Prague	Czech Republic	91,72	67 839	2009
Company with additional liability Insurance Company with additional liability "Globus", Kiev	Ukraine	74,00	2 447	2009
COMPENSA Holding GmbH, Wiesbaden	Germany	100,00	19 635	2009
Compensa Life Vienna Insurance Group SE, Tallinn	Estonia	100,00	6 617	2009
Compensa Towarzystwo Ubezpieczeń Na Życie Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	100,00	34 638	2009
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99,86	51 157	2009
Cosmopolitan Life Vienna Insurance Group - dioničko društvo za osiguranje, Zagreb	Croatia	100,00	5 745	2009
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	99,24	139 092	2009
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	73,18	113 015	2009
Erste osiguranje Vienna Insurance Group d.d., Zagreb	Croatia	95,00	6 713	2009
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	95,00	5 435	2009
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	40,00	182 751	2009
Gemeinnützige Mürz-Ybbs-Siedlungsanlagen-GmbH, Kapfenberg	Austria	40,00	72 267	2009
Helios Vienna Insurance Group d.d., Zagreb	Croatia	100,00	12 000	2009
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100,00	19 133	2009
InterRisk Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99,97	59 453	2009
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100,00	33 220	2009
JOINT STOCK COMPANY "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev	Ukraine	73,00	1 849	2009
Joint Stock insurance company WINNER - Vienna Insurance Group, Skopje	Macedonia	100,00	2 738	2009
Kapitol pojišťovací a finanční poradenství, a.s., Brno	Czech Republic	100,00	8 732	2009
Komunálna poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100,00	32 253	2009

KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100,00	223 521	2009
Kooperativa pojišťovna, a.s. Vienna Insurance Group, Prague	Czech Republic	91,72	458 163	2009
Kvarner Vienna Insurance Group dioničko društvo za osiguranje, Rijeka	Croatia	98,75	14 081	2009
Kvarner WIENER Städtische Nekretnine d.o.o., Zagreb	Croatia	98,75	390	2009
NEUE HEIMAT Gemeinnűtzige Wohnunkgs-und SiedlungsgesmbH, Linz	Austria	99,81	88 620	2009
Neue Heimat ObeRÖsterreich Holding GmbH, Vienna	Austria	100,00	19 774	2009
Omniasig Asigurari de Viata SA, Bucharest	Romania	100,00	5 785	2009
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	98,86	106 067	2009
Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava	Slovakia	95,00	21 250	2009
Pojišťovna České spořitelny, a.s. Vienna Insurance Group, Prague	Czech Republic	95,00	83 458	2009
Private Joint-Stock Company Ukrainian Insurance Company “Kniazha Vienna Insurance Group”, Kiev	Ukraine	99,99	-4 467	2009
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	60,00	12 858	2009
S.C. BCR Asigurări de Viață Vienna Insurance Group S.A., Bucharest	Romania	88,47	12 373	2009
S.C. BCR Asigurări Vienna Insurance Group S.A., Bucharest	Romania	93,17	15 648	2009
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100,00	42 334	2009
SIGURIA E MAHDE VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	87,01	9 244	2009
Sparkassen Versicherung AG Vienna Insurance Group, Vienna	Austria	95,00	433 155	2009
TBI BULGARIA AD, Sofia	Bulgaria	100,00	37 529	2009
UNION Vienna Insurance Group Biztoító Zrt., Budapest	Hungary	100,00	37 226	2009
VERSA-Beteiligungs AG, Vienna	Austria	100,00	309 916	2009
Vienna-Life Lebensversicherungs AG Vienna Insurance Group, Bendern	Liechtenstein	100,00	9 679	2009
VIG RE zajišťovna, a.s., Prague	Czech Republic	100,00	4 007	2009
VLTAVA majetkovosprávní a podílová spol.s.r.o., Prague	Czech Republic	100,00	3 103	2009
Companies consolidated by the equity method				
AIS Servis, s.r.o., Brno	Czech Republic	100,00	1 407	2009
Benefita, a.s., Prague	Czech Republic	100,00	-172	2009
Česká Kooperativa Londýn Ltd., London	Great Britain	100,00	588	2009
ČPP Servis, s.r.o., Prague	Czech Republic	100,00	12	2009
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33,00	43 382	2009
Global Expert, s.r.o., Pardubice	Czech Republic	100,00	1 178	2009
HOTELY SRNÍ, a.s., Most	Czech Republic	72,43	8 865	2009
KÁMEN OSTROMĚŘ, s.r.o., Ostroměř	Czech Republic	100,00	341	2009
KIP, a.s., Prague	Czech Republic	86,62	3 964	2009
KOORDITA, a.s., Ostrava - Hrabová	Czech Republic	100,00	1 332	2009
Mělnická Zdravotní a.s., Prague	Czech Republic	100,00	5 079	2009
Sanatorium Astoria, a.s., Karlovy Vary	Czech Republic	75,06	3 177	2009
Sparkassen Immobilien AG, Vienna	Austria	10,04	532 206	2009
SURPMO a.s., Prague	Czech Republic	99,91	662	2009
UNIGEO, a.s., Ostrava-Hrabová	Czech Republic	100,00	5 722	2009

Non-consolidated companies				
CAPITOL Spolka z o.o., Warsaw	Poland	100,00	460	2008
Central Point IT-Solutions GmbH, Vienna	Austria	44,00	111	2008
Geschlossene Aktiengesellschaft “Strachowaja kompanija MSK-Life”, Moscow	Russia	25,01	2 987	2008
Polski Zwiazek Motorowy Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	95,83	17 349	2008
Private Joint-stock company “VAB Life”, Kiev	Ukraine	100,00	1 154	2008
RISK CONSULT Sicherheits- und Risiko-Managementberatung Gesellschaft m.b.H., Vienna	Austria	51,00	443	2008
TBIH Financial Services Group N.V., Amsterdam	the Netherlands	60,00	112 260	2008
Versicherungsaktiengesellschaft “Kupala”, Minsk	Belarus	96,76	1	2008
Vienna Insurance Group Polska Spolka z organiczona odpowiedzialnoscia, Warsaw	Poland	100,00	6 458	2008
Vienna International Underwriters GmbH, Vienna	Austria	100,00	62	2008
ZASO Victoria Non-Life, Minsk	Belarus	100,00	626	2008

Even when secured, you do your own climbing.

Everyone climbs for themselves, even when in trouble. Being clipped in by a carabiner gives you space and time to get back on your feet.

INFORMATION FOR INVESTORS

Characteristics of VIG group and its subsidiaries

The listed Vienna Insurance Group (VIG) is one of the leading insurance groups in CEE, headquartered in Vienna. Outside of its home base in Austria, Vienna Insurance Group is also active, through subsidiaries and insurance holdings, in Albania, Bulgaria, Germany, Estonia, Georgia, Croatia, Latvia, Liechtenstein, Lithuania, Macedonia, Poland, Romania, Russia, Serbia, Slovakia, the Czech Republic, Turkey, Hungary, Ukraine and Belarus. It also has branches in Italy and Slovenia.

VIG Re (hereinafter referred to as the Company) is the owner of 100% of MuVi Re S.A., with its registered seat at Rue de Merl 74, L-2146, Luxembourg, Grand Duchy of Luxembourg, which is established in accordance with the law and resides in the Grand Duchy of Luxembourg (hereinafter referred to "MuVi Re"). The sphere of business of MuVi Re is reinsurance.

Corporate Governance

General Meeting

The General Meeting is the highest company body. Shareholders exercise their rights in company matters at the General Meeting. The General Meeting must be convened at least 1x per year, at the latest by 30 April of the calendar year. The General Meeting has a quorum if shareholders who hold shares with a total nominal value exceeding 60% of the registered equity of the company are in attendance. The General Meeting decides by a majority of the votes of the shareholders present, unless stipulated otherwise by the Commercial Code or Articles of Association.

Company Board of Directors

Chairman of the Board of Directors:	Dr. Peter Hagen, date of birth 12 December 1959 Vienna, Laudongasse 20/10, 1080 Republic of Austria date of commencement of function: 18 August 2008 date of commencement of membership of the Board of Directors: 18 August 2008
Member of the Board of Directors:	Mag. Claudia Stránský, date of birth 9 October 1970 1030 Vienna, Steingasse 7/5-2 Republic of Austria date of commencement of membership of the Board of Directors: 6 October 2008
Member of the Board of Directors:	Dušan Bogdanović, date of birth 19 September 1974 11101 Belgrade, Vlajkoviceva 23 Republic of Serbia date of commencement of membership of the Board of Directors: 1 October 2009
Member of the Board of Directors:	Dipl. Vw. Denis Pehar, date of birth 20 October 1976 815 43 Munich, Humboldtstrasse 40 Federal Republic of Germany date of commencement of function: 1 January 2009

As of 30 September 2009 Mrs Eva-Maria Stackl stepped down from her function on the Board of Directors and was replaced by Mr Dušan Bogdanović. This change was entered in the Commercial Register on 1 October 2009.

Supervisory Board

Chairman of the Supervisory Board:	Dkfm. Karl Fink, date of birth 22 August 1945 1020 Vienna, Kurzbauergasse 5 Republic of Austria date of commencement of function: 18 August 2009 date of commencement of membership of the Supervisory Board: 18 August 2009
Vice-Chairman of the Supervisory Board:	Mag. Peter Höfinger, date of birth 19 November 1971 1020 Vienna, Dammhaufengasse 58a Republic of Austria date of commencement of function: 18 August 2009 date of commencement of membership of the Supervisory Board: 18 August 2009
Member of the Supervisory Board:	Dr. Franz Kosyna, date of birth 29 September 1954 1190 Vienna, Weimarerstrasse 93/1 Republic of Austria date of commencement of membership of the Supervisory Board: 18 August 2009
Member of the Supervisory Board:	Ing. Juraj Lelkeš, birth registration no. 510827/192 Bratislava, Na spojke 2161/1, postcode 831 01 Slovak Republic date of commencement of membership of the Supervisory Board: 18 August 2009
Member of the Supervisory Board:	Dr. Wolfgang Eilers, date of birth 8 January 1949 20251 Hamburg, Falkenried 45 Federal Republic of Germany date of commencement of membership of the Supervisory Board: 18 August 2009
Member of the Supervisory Board:	Dr. Rudolf Ertl, date of birth 14 May 1946 1230 Vienna, Breitenfurterstrasse 396/9 Republic of Austria date of commencement of membership of the Supervisory Board: 18 August 2009

Audit Commission

Chairman of the Commission:	Dkfm. Karl Fink, date of birth 22 August 1945 1020 Vienna, Kurzbauergasse 5 Republic of Austria
Vice-Chairman of the Commission:	Dr. Rudolf Ertl, date of birth 14 May 1946 1230 Vienna, Breitenfurterstrasse 396/9 Republic of Austria
Member of the Commission:	Ing. Hynek Vodička, birth registration no. 431102/180 Prague 9, Stružky 646 Czech Republic

The Company declares that the legal restrictions contained within the provision of Section 196 of the Commercial Code relating to competition between members of the Board of Directors and the Company and between members of the Supervisory Board and the Company apply to the members of the Board of Directors and members of the Supervisory Board. Neither members of the Board of Directors and Members of the Supervisory Board may conduct business in a field identical or analogous to the field of business of the Company, or enter into commercial relationships with the Company, mediate or procure transactions of the Company for other parties, participate in the business of another company as a partner with limited liability or as a controlling party of another party with an identical or similar subject of business, perform activity as a statutory body or member of a statutory body of another legal entity with an identical or analogous subject of business, unless in the case of a concern.

The Company declares that the legal restrictions ensuing from the prohibition of conflict of interests, which is outlined in the provision of Section 10 of the currently valid insurance act, shall also relate to members of the Board of Directors and Supervisory Board.

The Company is not aware of any possible conflict of interests between the obligations of members of the Board of Directors and Supervisory Board towards the Company and their private interests or other obligations.

The Supervisory Board may request the Board of Directors at any time for information about Company matters, including its relationship towards companies belonging to the same concern. The Supervisory Board may consult and inspect all accounting and other documents relating to the activity of the Company, as well as the asset values, nominally the treasury and information about the status of securities and goods. The Supervisory Board may entrust this activity to individual members or for specific tasks to a special expert. The Supervisory Board may check in particular whether the accounting records are kept in a regular manner in accordance with the actual situation, and whether commercial activity takes place in accordance with the legal prescriptions, Articles of Association and instructions of the General Meeting.

The authorities of the Supervisory Board are outlined in particular by the provisions of Section 197 and subsequent of the Commercial Code and the provision of Section 27 of the Articles of Association. The Company was established on the day of 7 April 2008 by a Memorandum of Foundation, on which the notary's record NZ 110/2008 N 122/2008 was compiled. The Company Articles of Association are also a component of the Memorandum of Foundation.

As of the day of compilation of this annual report the statutes which were a component of the Memorandum of Foundation apply, in the wording amended by the notary's record NZ 433/2008 N 464/2008 dated 12 December 2008 and the notary's record NZ 335/2009 N 355/2009 dated 22 October 2009.

Information about remunerations paid to auditors

Costs for remunerations paid to auditors for auditing services in 2009 constituted EUR 73 thousand for the consolidated Company, EUR 63 thousand of which was for the non-consolidated Company. Costs for remunerations paid to auditors for consultancy services in connection with the general application of international standards of financial reporting constituted a total of EUR 28 thousand in 2009 and were provided only to the Parent Company.

Description of control and measures to ensure that the main shareholder is unable to abuse control over the Company

In accordance with the relevant provisions of the Commercial Code, WIENER STÄDTISCHE (main shareholder) may influence the running of VIG Re only by means of its voting rights at the General Meeting of VIG Re.

With regard to the fact that no control contract is concluded between the Company and the main shareholder, the Company compiles a Report on Relationships, which must contain in particular the following:

- which contracts have been concluded within the last accounting period between interconnected subjects,
- other legal functions effected in the interest of these subjects,
- all other measures taken or effected in the interest or on the initiative of these subjects by a controlled party.

If any harm ensues to the Company on the basis of the above-indicated contracts, the Report on Relationships must contain information on whether this harm was covered within the accounting period or whether a contract was concluded on payment for this harm.

In the opinion of the Company the above-stated measures are intended to ensure that the company WIENER STÄDTISCHE is unable to abuse its control are sufficient.

Company business in 2009

Status of Company assets

The consolidated balance sheet amount as of 31 December 2009 reached the amount of EUR 484 million. The Company has at its disposal its own consolidated capital in the amount of EUR 106 million and registered equity in the amount of almost EUR 102 million. The details on the status of the company assets are provided in the financial section.

Own shares

During the course of the accounting period of 2009, VIG Re did not hold any of its own shares.

Financial results of the Company

Profit

According to the International Financial Reporting Standards, the Company recorded a consolidated pre-tax profit of EUR 14 426 thousand for the year 2009.

Proposal for distribution of profit from individual statement of accounts

The net profit of EUR 11 779 thousand was distributed as follows. The allocation to the legal reserve fund constituted EUR 589 thousand and dividends EUR 5 500 thousand. The remainder of the profit for 2009 of the amount of EUR 5 690 thousand was used to cover the outstanding accounting losses from previous years caused upon transfer of financial reporting from the Czech accounting standards to the IFRS and the connected change of functional currency.

Organisation and contacts

Trade name:	VIG RE zajišťovna, a.s.
Registered seat:	Praha 1, Klimentská 1216/46, postcode 110 02
IČ (Business Identification no.):	28445589
Legal form:	joint stock company
Entry in Commercial Register:	company entered in the Commercial Register kept by the Municipal Court in Prague, section B, insert 14560
Telephone number to the Company seat:	+420 221 715 505.

The company secures the majority of its activities beyond the performance of the major reinsurance activity in the form of outsourcing, securing the non reinsurance-related back office by using resources from VIG.

Additional information concerning the financial situation

The Issuer hereby declares that no fundamental negative change to the expectations of the Issuer has occurred since the date of the last published certified statement of accounts.

The Issuer is not aware of any trends, insecurities, liabilities or events which could with a reasonable degree of probability have a significant effect on the expectations of the Issuer for the current financial year.

Because the company VIG Re operates and shall continue to operate the predominant proportion of its activity in euros, its functional currency for the IFRS in 2009 is the euro. Despite the fact that reinsurance activity was not yet implemented in 2008, within the framework of continuity the same functional currency was selected also for the transfer of data from CAS to IFRS for the year 2008.

The sole adjustment between CAS and IFRS ensuing from the different methods of financial reporting was the cancellation of the revaluation of securities (bonds held before maturity date) and investments in the subsidiary company, which according to CAS are revalued as of the date of the statement of accounts to the actual (market) value and the determined revaluation differences are accounted in the balance sheet into other capital funds. According to IFRS bonds held before the maturity date and investments in the subsidiary company are recorded in the depreciated acquisition cost. This adjustment had no influence on the reported profit.

Issued securities

Bonds were issued as zero-bonds. The income of their owner resides in the difference between the nominal value stated on the bond and the lower price for which the investor purchased the bond at the time of issue (issue rate).

A booked registered bond (ISIN: CZ 0003501678) with a nominal value of EUR 2 000.00 is traded on the free market of the Securities Stock Exchange in Prague and was accepted for trading on the day of 30 November 2009. The currency of issue is the euro and bonds are due in a single payment on the day of 30 November 2014, unless they are re-purchased by the Issuer and cancelled.

The manager of the issue was the company Česká spořitelna, a.s., with its registered seat at Prague 4, Olbrachtova 1929/62, 140 00, IČ: 45244782, entered in the Commercial Register kept by the Municipal Court in Prague, section B, insert 1171 (hereinafter referred to as "Česká spořitelna").

Human resources

The physical number of employees as of 31 December 2009 was 8.

There were 4 members of the Board of Directors and 6 members of the Supervisory Board.

Within the framework of developing the professional qualification of employees, professional internships continued, including soft skills training.

Employees are provided with the benefits which are usual for companies in the banking and insurance sector.

Principles of remuneration

The principles of remuneration are stipulated by the internal document of the Wage Schedule and reflect the endeavour to provide a simple, transparent and maximally motivating method of remuneration.

Employees are remunerated by a basic monthly wage, the amount of which is determined by the individual Wage Assessment, ensuing from the complexity of the work performed and from wages surveys of companies in the banking and insurance sector in the Czech Republic.

A motivating component of the wages is stipulated by a personal annual pledge of remuneration and is fully dependent on the business results of the Company.

Members of the Board of Directors are remunerated on the basis of a Contract of Employment for managers by the basic monthly wage stipulated in the contract and a pledge of annual remuneration entirely dependent on the business success of the company. The average amount of the pledge of annual remuneration is 4 times the basic monthly wage and in principle copies the usual amount of the annual remuneration in the given sector.

Members of the Supervisory Board are remunerated on the basis of a Contract on Performance for a member of the Supervisory Board.

Monetary and non-monetary incomes of statutory bodies and members of the Supervisory Board in 2009.

	Pecuniary from the Company	Pecuniary from subjects controlled by the Company	Non-pecuniary from the Company	Non-pecuniary from subjects controlled by the Company
thousand CZK				
Board of Directors:				
From employment relationship	1 995	0	0	0
For performance of function	6 094	0	86	0
Supervisory Board:				
For performance of function	592	0	83	0

Two members of the Board of Directors are provided with company vehicles in a managerial regime, their use governed by the valid tax legislation.

In 2009 the company did not record any loans or deposits to members of the Board of Directors or Supervisory Board.

No conflict of interests arises in the case of any member of the Board of Directors or Supervisory Board in functions in bodies of other companies.

No member of the Board of Directors or Supervisory Board has been convicted of a criminal offence.

Disputes conducted by company

The Company is not a party in any administrative, court or arbitration proceedings which could in its opinion have a fundamental influence on the economic situation of the Company, and is not aware that any such proceedings may be threatening.

Addition to section 118 of Act no. 256/2004 Coll., on trading on capital market in the sense of Act no. 104/2008 Coll.

Paragraph 4, point j)

- The Company is governed by the internal work regulations, which are available for consultation at the Company seat.

Paragraph 5, point i)

- In addition to the standard active and passive reinsurance contracts and contracts on outsourcing which are listed in the report on interconnected subjects, the company does not have any significant contracts which could mean any liability or claim.

Paragraph 5, Section 118 of Act no 256/2004 Coll. does not relate to the company

Information about persons responsible for annual report

Declaration

We declare that the information stated in this annual report corresponds to the actual situation and that no fundamental information which could influence the correct and precise assessment of the issue and the securities issued thereby has been omitted.

Peter Hagen
Chairman of the Board of Directors and Managing Director

Dušan Bogdanović
Member of the Board of Directors

NOTES