Annual Report 2010

Security where it matters.

Closeness creates understanding.

Contents

Karl Fink, Chairman of the Supervisory Board and Peter Hagen, Chairman of the Management Board, discussing the Annual Report

Peter Hagen
Chairman of the Management Board

Karl Fink
Chairman of the Supervisory Board

Fink: "Well, Peter, looking back at this eventful business year, it does seem to have been a success for VIG Re and I am wondering what your plans are now, to keep the ball rolling. I see further challenges and developments ahead in our business this year."

Hagen: "Yes, despite a challenging market environment, our premium income and profits once again exceeded our expectations. We shared a significant amount of risk with our cedents and provided them with the coverage and confidence they required amidst the continuing uncertainty of recovering economies.
To keep the ball rolling, as you say, we have increased our life portfolio, we are continuing to acquire new clients for health reinsurance and we now also offer facultative business, all of which translates into growth. Which major development expectations would you stress on behalf of the Supervisory Board?"

Fink: "Our primary concern is for the company to be able to sustain its growth over the long term, and continue to deliver positive results for VIG Re and its stakeholders. Overall we want you to maintain our reliability for our cedents and business partners while delivering sustainable results. How do you regard the longevity aspect of your strategy and the sustainability of the long-term growth?"

Hagen: “Sustainability and long term stability are preconditions to any targets the Management Board of VIG Re commits to and this is reflected in the overall company steering and performance reviews. As much as we aim at taking every hurdle with a flourish, the finish line remains our main focus. In any case, our fresh approach seems to have struck a chord with clients and established us as a significant new player and an attractive choice on the CEE reinsurance market. Our aim is to grow VIG Re at a reasonable rate, moving forward dynamically, without compromising on our solid security standards. We are expanding along with our management capacity, placing emphasis on security, and not overextending ourselves to achieve short-term results. Each of our expansion efforts is carefully considered and the same applies to our investment strategy.”

Fink: “Expanding into the CEE health insurance markets is a commendable effort, however, in light of the legislative and economic limitations at this point, do you think this is a worthwhile course to dedicate our energies to? Health insurance in CEE is a multi-faceted issue, with each country differing from the other in its regulations. Shouldn’t we instead focus on developing more immediately profitable ventures at this point?”

Hagen: “We harbour hopes that CEE legislative and economic developments will alter the health reinsurance landscape in the near future and this has great long-term potential. Companies entering this market will need a partner to provide protection as well as guidance, and that is where we come in, capitalizing on our experience and flexibility. For VIG Re, becoming an integral part of the CEE health insurance infrastructure will be another aspect securing our success for the long term.”

Fink: “Plans for long-term growth and entering new markets are certainly valued by our stakeholders, as they would like to see their investment in our business grow. Nonetheless, I believe the primary factor they are looking for is something that differentiates VIG Re from the other reinsurance companies, all of which are also striving to build long-term success. We need to have a clear, identifiable edge that translates into intrinsic value in this challenging environment.”

Hagen: “Our entire raison d’être is to be close to the CEE countries and offer an alternative solution to clients’ coverage requirements. We could have selected an approach of applying old fashioned industry “Standards” established long time ago, we believe, however, that operating in the CEE is, above all, working with people and with a multitude of unique situations. And no singular, unified corporate policy can as effectively meet these varied needs and take full advantage of the business opportunities as a personal approach. This is our primary advantage. Our belief in efficiency over lengthy, complicated processes will secure our position on the CEE market and give us space for innovation. That is our strength and over the past year our clients have come to us primarily for this reason.”

Fink: “I agree with you on that point, and I would like to make sure a salient point of this Annual Report is to thank our business partners and the cedents of VIG Re, who have chosen partnership with us and will continue with us into a successful future. We are determined to reward their trust through ongoing performance.”

Hagen: “The Management Board is strongly committed to continue to deliver the superior performance we have to date. We firmly believe in providing our team the space and tools they need to develop their full potential: because only if you entrust your team with sufficient, knowledge-based authority to decide you can offer your clients the flexible solutions we want VIG Re to be known for.”

Fink: “Yes and I would like to thank the entire VIG Re team for their enthusiasm and the company culture they have created. They strive to understand their cedents and inspire confidence. I congratulate them all on their excellent performance this past year. Their dedication is something you can feel when you enter the offices of VIG Re and talk to each person working there.”

Hagen: “Thank you, too, Karl. The guidance of our Supervisory Board has been an integral part of our success. By the way, how do you like the design of our new Annual Report?”

Fink: “I am pleased with the report. We have a strong brand potential here, … but this carabiner, – I like the colours in the Annual Report, but are we going to keep the carabiner, or should we choose something more exciting?”

Hagen: “It is not just an arbitrary symbol. In mountaineering the carabiner symbolizes security – a secure connection to your lifeline. Close bonds are the core of our business – both with our clients and within our company, what is a more apt representation of this than a carabiner?”


Sometimes,...


...partnerships...


...just click.

Management Board

Dušan Bogdanović
Member of the Management Board

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

Claudia Stránský
Member of the Management Board

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

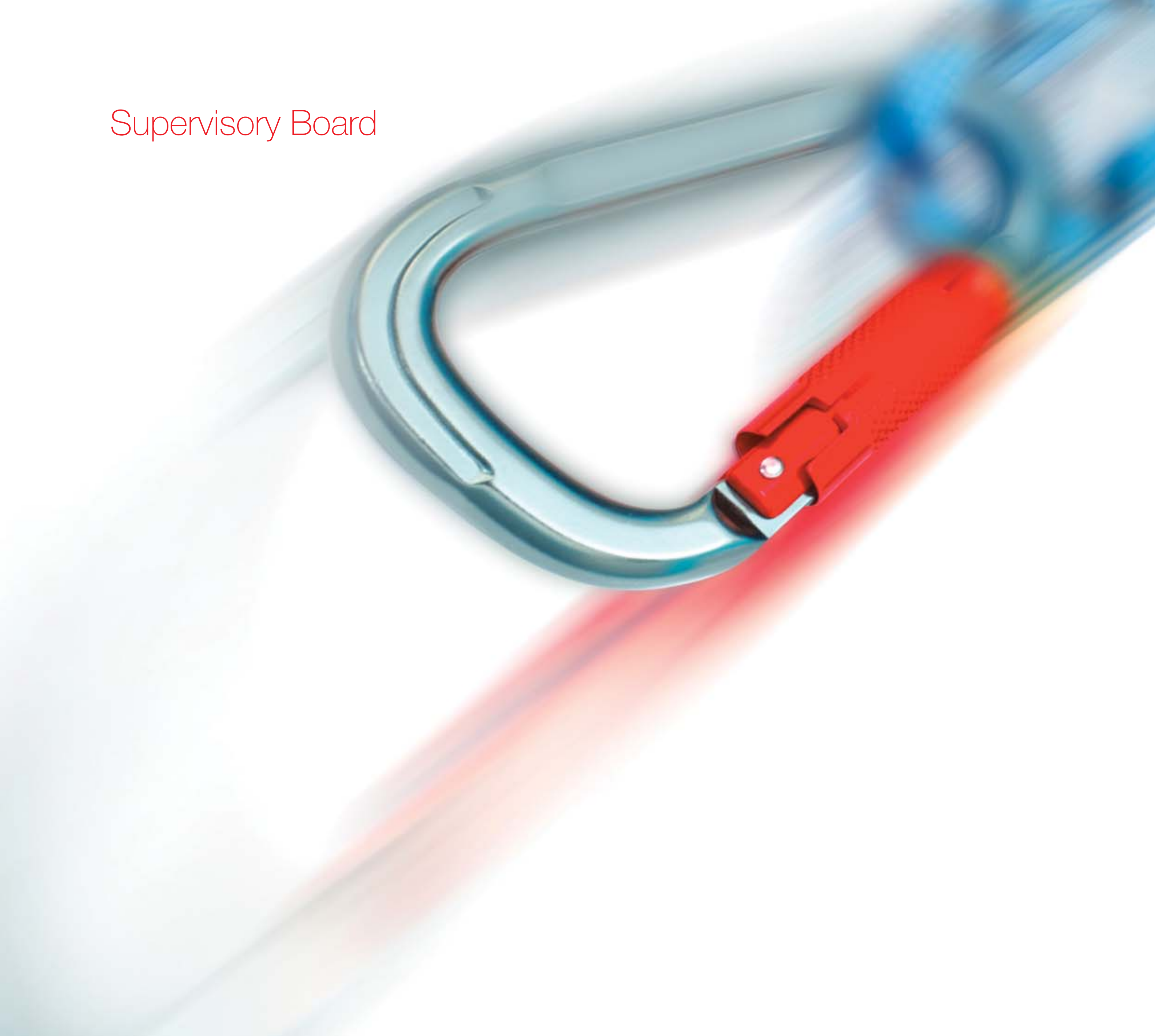
Peter Hagen
Chairman of the Management Board

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

Denis Pehar
Member of the Management Board

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

Supervisory Board



Karl Fink
Chairman of the
Supervisory Board

Peter Höfinger
Vice-Chairman 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 Lelkes
Member of the
Supervisory Board

Alternatives.
Not standards.

VIG Re Company Profile

Our Background

We are a solidly capitalized, CEE-based reinsurance company with a conservative investment strategy and a prudent underwriting and reserving policy. We have maintained an A+ rating with a stable outlook from Standard & Poor's since our establishment in 2008.

Being part of a group with a long-standing background, while at the same time having our very own strategy and approach, makes us a strong partner for your business. As a new company on the reinsurance market we are in a position to work closely with our partners on flexible solutions.

Our team is made up of reinsurance professionals with extensive experience in the CEE region.

At Home in CEE

Our headquarters are in Prague, a city long considered the heart and crossroads of Europe, where we are a part of the CEE and the countries we cover.

As an integral part of the CEE insurance infrastructure, we are committed to recognizing and meeting the varied requirements of the CEE markets and of our business partners. We are a team of professionals with backgrounds in insurance, reinsurance and CEE. We understand the challenges our partners face in managing their costs and protection. Our job is to ensure not only the distribution of risk but also to facilitate mutual prosperity and growth. We care about this region on a multitude of levels.

Reinsurance that works for you

Fast and effective service is our priority. We do not subordinate your unique reinsurance requirements to rigid general "Standards", preferring instead to work with each client individually, because we know that the best solutions will not only meet your needs but also move your business forward. We are a performance, not process, driven company.

In our approach to reinsurance underwriting solutions we look at your entire portfolio and create a comprehensive, finely tuned solution. This approach to underwriting gives both VIG Re and our partners strength as well as flexibility while ensuring mutually prosperous long-term cooperation.

We write long tail and short tail business, proportional and non-proportional, offer services in property and casualty, life and health, and also provide facultative reinsurance. This gives us the ability to tailor programmes to fit any particular case as well as provide expert advice on specific risks. We enjoy being a proactive partner for our clients and giving them the stability that enables them to grow their business securely.

VIG Re Key Figures
(Consolidated Financial Statements)

Income statement	2009	2010
in EUR '000		
Premiums written	257 241	280 612
Property/Casualty	194 194	215 656
Life	24 540	23 599
Health	38 507	41 357
Combined ratio	95.7%	96.1%
Result from investments	8 415	12 226
Profit before taxes	14 426	18 556
Profit for the period	11 755	15 459

Balance sheet		
in EUR '000		
Investments	376 867	403 749
Total assets	484 209	598 428
Shareholders' equity	106 232	116 261
Underwriting provisions	307 120	400 860

Secured.

Not tethered.

Management Report

Market Overview

Global market economies began to revive in 2010, translating into growth in CEE countries and a perceivable increase in confidence in the CEE business sector. Looking at the particular CEE markets clearly shows how the economic situation varies in each country. For example, the Czech Republic and Slovakia recovered from the financial crisis and recorded economic growth in 2010. At the same time, Romania and Croatia registered economic contraction but with better overall economic results than in 2009.

VIG Re 2010 Consolidated Results

VIG Re closed the 2010 financial year with a positive underwriting result, reflected in a combined ratio of 96.1%. Investments yielded 12.2 MIO EUR and VIG Re posted a consolidated, pre-tax profit of 18.6 MIO EUR, exceeding its profit target. VIG Re dealt with more than 70 clients from 25 countries in 2010.

Property and Casualty

VIG Re continued to pursue single-line targets with success as its portfolio approach to clients enabled it to secure a diverse range of business throughout the CEE region, as well as in Austria, Germany, Turkey and Italy.

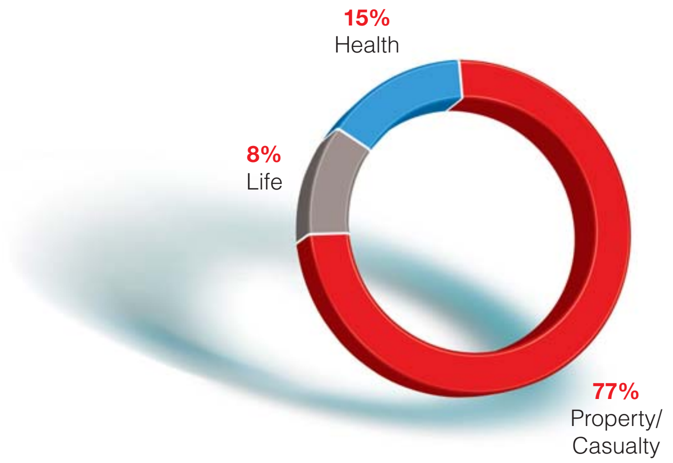
VIG Re further expanded this well-balanced portfolio by offering facultative cover in property and engineering.

Whether working with CEE market leaders or smaller, dynamic companies, VIG Re maintained its high standard of individual attention and dedication to each of its clients. VIG Re intensified its activities in liability reinsurance, registering a short to long tail ratio of 74:26.

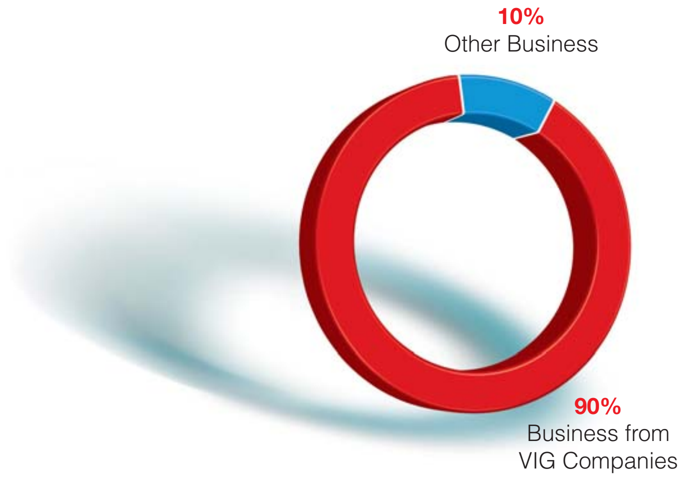
In 2010 VIG Re had a very unusual frequency of small and mid-sized losses in CEE (Poland, Czech Republic, Slovakia and Hungary). These incidents were primarily weather-related, resulting from snow pressure, spring flooding and an August hailstorm.

Treaty acquisition progressed throughout 2010 and is expected to increase as VIG Re solidifies its position in Central and Eastern Europe.

Premium Split 2010

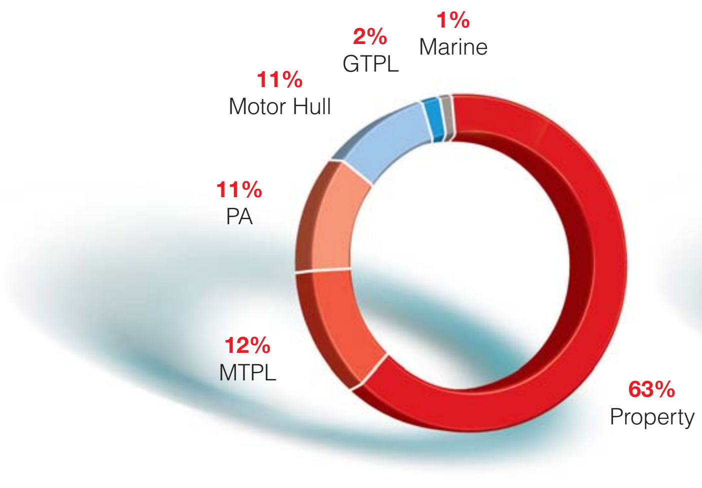


Gross Written Premium 2010*

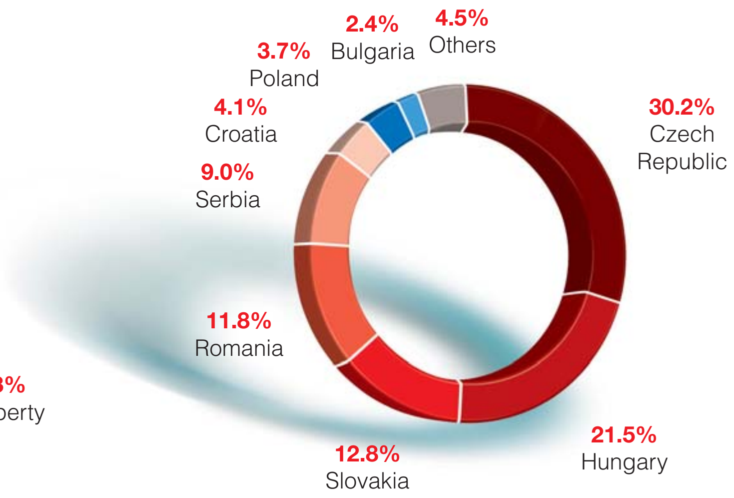


* without largely retroceded bundled reinsurance programmes for VIG companies

GWP Property/Casualty per LoB



GWP Property/Casualty CEE per Country



Life and Health

In 2010, the life reinsurance premium volume was 23.6 MIO EUR. VIG Re primarily underwrites death and disability risks and has a geographically diverse and well-balanced portfolio. The company maintained its core principles in 2011 renewals, focusing on providing service and protection to all of its existing cedents, while simultaneously improving and developing products, know-how and services to better meet the needs of all market participants. VIG Re's flexibility and innovation provide welcome alternatives in terms of solutions for a developing and changing market.

Health reinsurance written premium was 41.4 MIO EUR in 2010. In 2010 VIG Re expanded its health reinsurance client base as it continued to develop this future growth area. Current socio-economic developments in the CEE countries may soon precipitate legislative changes to better address the changing needs of health care in the region. The health insurance and reinsurance markets are still limited in many of the CEE countries and these anticipated legislative and economic developments should create new opportunities. VIG Re is fully prepared to develop innovative, individual solutions in cooperation with the ceding companies for their respective markets.

Protection Programme

VIG Re maintains a strong, multi-level protection programme utilizing a large number of different international reinsurance companies of solid credit quality as part of its risk management strategy.

Together with VIG Re's careful underwriting practices, this multi-level programme forms a thorough and prudent protection policy, limiting the company's potential liability by passing some of the risks VIG Re assumes to the international reinsurance market. Its protection programme ensures the stability of the company regardless of short-term economic conditions.

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

Business Processes

VIG Re has continued to optimize its business processes to provide even better service as a full-value reinsurance partner.

In 2010 VIG Re continued building its team of skilled people along with its infrastructure, employing new underwriters and further developing and advancing its integrated IT system. VIG Re is continually striving to improve underwriting processes to reflect client needs and provide the best security.

Hand in hand with growth, improvement of services and solidifying the position of VIG Re on the reinsurance market is professional development, which VIG Re views as an ongoing process.

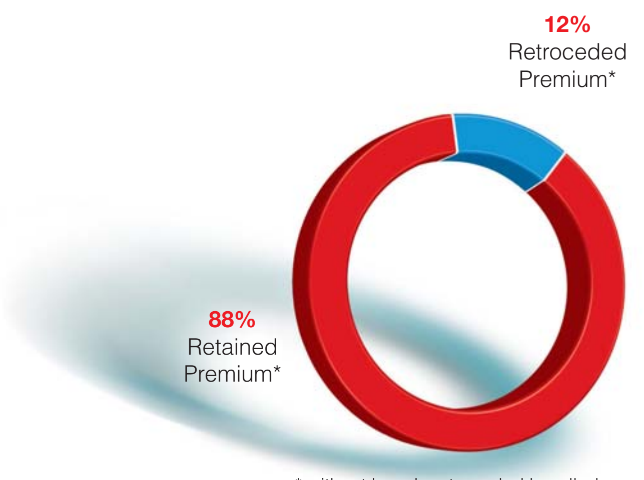
Financial Investments

In 2010 the company maintained its conservative investment strategy with the aim to protect invested capital in a still volatile market. VIG Re's fortuitous combination of the good timing of fixed income investments, the appreciation of the CZK and positive operational cash flow resulted in its exceeding the investment profit target by a significant amount.

Of the consolidated investment assets, 93% were invested by VIG Re, 4% by Wiener Re and 3% by MuVi Re. Nearly 90% of investment assets were invested in bonds, mainly Euro-denominated sovereigns and government-guaranteed bank bonds with the core being inside of the Central European area of reinsurance operations. 91% of bond portfolio volume was accounted as held to maturity. In order to catch the global recovery trends VIG Re started investing into a total return mixed fund. At the end of 2010, 99% of deposits were denominated in EUR determined to cover short-term needs of reinsurance operations and 1% of deposits in other currencies for operational purposes.

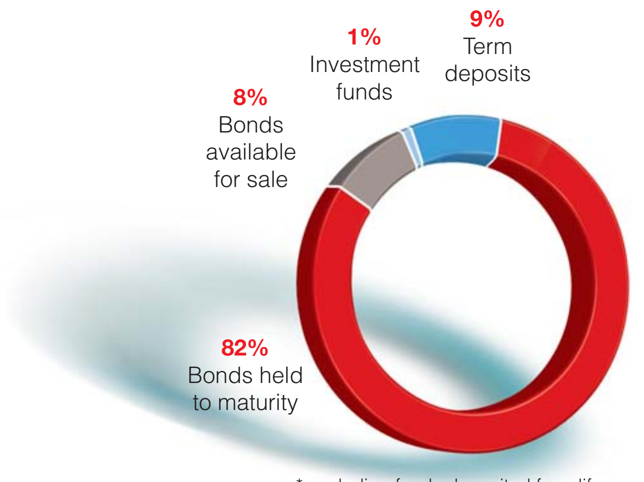
Apart from its financial investments, the company also holds 223.1 MIO EUR of funds deposited with cedents from life and health reinsurance.

Retroceded and Retained Premium



* without largely retroceded bundled reinsurance programmes for VIG companies

Financial Investments*



* excluding funds deposited from life and health reinsurance

Acquisition of Wiener Re

In 2010 VIG Re completed its acquisition of 99.2% of the shares of Wiener Re a.d.o. Beograd, a Serbian reinsurance company. This acquisition furthered the expansion of the reinsurance activities overseen by VIG Re in CEE.

Wiener Re will be providing reinsurance services for the markets of Serbia, Montenegro and the Republic of Macedonia. While expanding the VIG Re coverage area, this acquisition will enable VIG Re to concentrate its energies on other countries in Central and Eastern Europe.

Outlook for 2011

The global economy is expected to continue expanding, led by emerging market countries. Eastern Europe and the Middle East will soon achieve pre-crisis growth rates. Capital markets have recovered substantially and this improvement, along with the narrowing of credit spreads, is expected to continue. In the developed CEE economies, low interest rates have created a carry trade in emerging markets, which have higher interest rates. This has pushed up exchange rates in many emerging markets.

Economic growth in CEE is expected to accelerate to 2.6% in 2011 and 3.6% in 2012. In particular, positive growth is anticipated in Romania and Croatia and, while a slight decline in 2011 might affect Poland and Slovakia, these should achieve positive growth again in 2012.

Development in CEE is anticipated to follow the trends of 2010. As VIG Re has now fully established itself in the CEE reinsurance market, it will continue to meet the growing demand across the region for a secure and flexible reinsurance company. In addition to expanding its health reinsurance services, VIG Re plans to develop and strengthen its role regarding VIG Group programmes. Facultative business is expected to grow for VIG Re as the company grows its reputation for providing individual solutions for its existing clients as well as attracting new CEE clients that require tailored solutions to meet their specific needs in these rapidly changing economies.

VIG Re plans to actively focus on health reinsurance services in the coming years by offering the needed reinsurance protection and services so that advantage can be taken of opportunities presented by potential legislative changes in CEE countries.

A reinsurance company thrives when it has the opportunity to work with a multitude of partners across a variety of regions. Similarly, insurance companies profit and prosper from a larger number of reinsurers.
VIG Re provides CEE cedents with an alternative reinsurance solution, opening new pricing and placement options on the market, and will continue strengthening this role in the future.

Performance.
Not bureaucracy.

Supervisory Board Report

The Supervisory Board has received from the Management Board the Financial statements as at 31 December 2010, and the Report on business activities and the state of the Company dating to 31 December 2010, 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 explanation and evidence of the administration of the Company's business based on books and written documents.

In 2010, one ordinary shareholders' meeting, and four meetings of the Supervisory Board were held.

The Supervisory Board hereby informs the shareholders' meeting that the Financial statements for 2010 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 2011

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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Independent Auditor's Report to the Shareholders of VIG RE zajišťovna, a.s.

Financial statements

On the basis of our audit, on 15 March 2011 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 2010, 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 the company is set out in Note A.1. to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of VIG RE zajišťovna, a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 give a true and fair view of the assets and liabilities of VIG RE zajišťovna, a.s. as of 31 December 2010, of its expenses, revenues and net result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union."

On the basis of our audit, on 12 April 2011 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 2010, 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 the company is set out in Note A.1. to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of VIG RE zajišťovna, a.s. is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 give a true and fair view of the assets and liabilities of VIG RE zajišťovna, a.s. as of 31 December 2010, of its expenses, revenues and net result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union."

Report on relations between related parties

We have 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 2010. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of the Company's 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 performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of VIG RE zajišťovna, a.s. for the year ended 31 December 2010 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 the Company's statutory body. 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 are also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

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

Prague
20 April 2011

KPMG Česká republika Audit

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

Roger Gascoigne
Partner

Romana Benešová
Partner
Licence number 1834

VIG RE zajišťovna, a.s.
Separate Financial Statements
31 December 2010

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Statement of Financial Position as of 31 December 2010

Assets	Notes	2010	2009
In EUR '000			
Intangible assets	E.1.	1 590	1 410
Property, plant and equipment	E.2.	133	164
Investment in subsidiaries	E.3.	10 222	4 000
Financial investments	E.4.	391 994	372 266
Financial assets held to maturity		147 195	126 973
Financial assets available for sale		15 341	7 233
Loans – Term deposits		6 388	21 679
Deposits due from cedents		223 070	216 381
Trade and other receivables	E.5.	85 949	44 760
Ceded share of reinsurance liabilities	E.6.	89 708	59 225
Other assets	E.8.	358	2
Deferred acquisition costs	E.9.	2 687	989
Cash and cash equivalents	E.10.	365	83
Total Assets		583 006	482 899
Equity and Liabilities			
Shareholders' equity	E.11.		
Share capital		101 958	101 958
Other components of equity		847	154
Retained earnings		13 217	3 736
Total Equity		116 022	105 848
Reinsurance liabilities		395 621	306 641
Unearned premiums	E.12.	16 057	15 067
Outstanding claims	E.13.	168 458	87 191
Life reinsurance provision	E.14.	125 557	123 985
Other	E15.	85 549	80 398
Other liabilities – issued bonds	E.16.	173	166
Payables	E.17.	69 345	67 311
Deferred tax liabilities	E.7.	79	2
Current tax liabilities	E.26.	1 261	2 641
Other liabilities	E.18.	505	290
Total Liabilities		466 984	377 051
Total Equity and Liabilities		583 006	482 899

Income Statement
for the Year Ended 31 December 2010

Income Statement	Notes	2010	2009
in EUR '000			
Premiums	E.19.		
Premiums written – Gross		273 844	257 241
Premiums written – Ceded		-98 439	-93 483
Premiums written – Retention			
Change due to provision for premiums – Gross		-443	-6 830
Change due to provision for premiums – Ceded		1 325	982
Net earned premiums		176 287	157 910
Investment Result	E.20.		
Investment and interest income		12 724	8 549
Investment and interest expenses		-323	-166
Total investment result		12 402	8 383
Other income	E.21.	3	639
Claims and insurance benefits	E.22.		
Expenses for claims and insurance benefits – Gross		-178 567	-112 000
Expenses for claims and insurance benefits – Ceded		85 331	31 504
Claims and insurance benefits – Retention			
Change in claims and other reinsurance liabilities – Gross		-62 232	-95 088
Change in claims and other reinsurance liabilities – Ceded		29 272	57 732
Total expenses for claims and insurance benefits		-126 196	-117 852
Acquisition expenses	E.23.		
Commission expenses		-50 319	-38 294
Other acquisition expenses		-354	-459
Change in deferred acquisition expenses		1 698	989
Commission income from retrocessionaires		7 242	4 596
Total acquisition expenses		-41 733	-33 168
Other operating expenses	E.24.	-2 081	-1 409
Other expenses	E.25.	-114	-64
Profit before taxes		18 568	14 439
Tax expense	E.26.	-2 999	-2 660
Profit for the period		15 569	11 779
Attributable to owners of the Company		15 569	11 779
Attributable to owners of non-controlling interest			

Statement of Comprehensive Income for the Year Ended 31 December 2010

Statement of Comprehensive Income		2010			2009	
in EUR '000	Gross	Tax [1]	Net	Gross	Tax [1]	Net
Profit for the period	18 568	-2 999	15 569	14 439	-2 660	11 779
Other comprehensive income						
Gains (losses) recognized in equity – Available for sale financial assets	128	-24	104	-84	17	-67
Other comprehensive income for the year	128	-24	104	-84	17	-67
Comprehensive income for the period	18 696	-3 023	15 673	14 355	-2 643	11 712
Attributable to owners of the Company	18 696	-3 023	15 673	14 355	-2 643	11 712
Attributable to owners of non-controlling interest						

[1] Consists of both current tax and deferred tax directly recognized in the statement of comprehensive income.

Shareholders' Equity as of 31 December 2010

	Share capital	Available for sale *	Reserves **	Other reserves	Retained earnings	Share-holders' equity I***	Share-holders' equity II****
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

	Share capital	Available for sale *	Reserves **	Other reserves	Retained earnings	Share-holders' equity I***	Share-holders' equity II****
in EUR '000							
As of 1 January 2010	101 958	-67	221		3 736		105 848
Total comprehensive income for the period		104			15 569		15 673
Dividends					-5 500		-5 500
Allocation to legal and statutory reserves			589		-589		
Other changes (rounding adjustments)					1		1
As of 31 December 2010	101 958	37	810		13 217		116 022

* Available for sale financial assets
** Legal and statutory reserves
*** Shareholders equity attributable to owners of noncontrolling interest
**** Shareholders equity attributable to owners of the Company

Cash Flow Statement for the Year Ended 31 December 2010

Cash Flow Statement	Notes	2010	2009
in EUR ’000			
Profit for the period		**18 568**	**14 439**
Adjustments to profit for the period			
– interest and other investment income		-6 930	-8 549
– exchange differences		-986	-547
– depreciation		223	22
– change in deferred acquisition costs		-1 698	-989
– proceed from the issue of other liabilities evidenced by paper		7	166
Cash flows from operating activities			
Change in reinsurance liabilities		88 979	306 641
Change in ceded share of reinsurance liabilities		-30 482	-59 225
Change in receivables		-41 190	-44 725
Change in deposits due from cedents		-6 683	-216 319
Change in liabilities		2 034	66 993
Change in provisions			
Change in other assets and liabilities		-141	683
Income tax paid		-4 326	-296
Net cash flow from operating activities		**17 375**	**58 294**
Cash flows from investing activities			
Interest received		6 245	5 324
Payment for acquisition of subsidiary		-6 222	
Payment for acquisition of intangible assets and property, plant and equipment		-372	-1 596
Payment for acquisition of available for sale financial assets		-18 088	-7 306
Cash proceeds from the sale of available for sale financial assets		10 229	
Payment for acquisition of held to maturity financial assets		-22 295	-110 045
Cash proceeds from the sale of held to maturity financial assets		3 619	
Net cash flow from investing activities		**-26 884**	**-113 623**
Cash flows from financing activities			
Dividend payment		-5 500	
Net cash flow from financing activities		**-5 500**	
Net change in cash and cash equivalents		**-15 009**	**-55 329**
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at beginning of period		**21 762**	**76 929**
Foreign currency translation differences on cash balances			
Net change in cash and cash equivalents		-15 009	-55 329
Cash and cash equivalents at end of period		**6 753**	**21 762**

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 the information that internally is 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 may 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 mainly other income, other expenses and income tax expenses.

The Company has three reportable segments, as described below, which are the Company's strategic business units, and 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: car, property and liability, catastrophe and personal accident reinsurance
- Life
- Health

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

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

Segment Reporting

Income Statement by Lines of Business

Income Statement	Property/Casualty		Health		Life		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
In EUR ’000								
Premiums written – Gross	208 890	194 194	41 357	38 507	23 597	24 540	273 844	257 241
Premiums written – Ceded	-97 640	-92 727	0	0	-799	-756	-98 439	-93 483
Change due to provision for premiums – Net	235	-6 932	-15	-26	662	1 110	882	-5 848
1. Net earned premiums	111 485	94 535	41 342	38 481	23 460	24 894	176 287	157 910
Interest revenue	4 274	1 720	2 256	1 668	5 122	4 750	11 652	8 138
Other income and expense from investments	495	158	261	153	-6	-66	750	245
2. Investment result	4 769	1 878	2 517	1 821	5 116	4 684	12 402	8 383
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Gross	-192 447	-157 388	-27 791	-26 816	-20 561	-22 884	-240 799	-207 088
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	115 001	89 240	0	0	-398	-4	114 603	89 236
3. Claims and insurance benefits	-77 446	-68 148	-27 791	-26 816	-20 959	-22 888	-126 196	-117 852
Commission expenses including change in deferred acquisition expenses	-41 258	-30 306	-4 862	-4 464	-2 501	-2 535	-48 621	-37 305
Other acquisition expenses	-258	-287	-51	-71	-45	-101	-354	-459
Commission income from retrocessionaires	6 677	4 280	0	0	565	316	7 242	4 596
4. Acquisition expenses	-34 839	-26 313	-4 913	-4 535	-1 981	-2 320	-41 733	-33 168
Operating profit measured on the segment basis	3 969	1 952	11 155	8 951	5 636	4 370	20 760	15 273
5. Administrative expenses	- 1 047	-985	-678	-244	-356	-180	-2 081	-1 409
Operating profit	2 922	967	10 477	8 707	5 280	4 190	18 679	13 864
6. Other income							3	639
7. Other expenses							-114	-64
Profit before tax							18 568	14 439
Income tax							-2 999	-2 660
Profit after tax							15 569	11 779

Investment result was allocated among individual segments based on the balance of reinsurance liabilities as of 31 December 2010.

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 No. 28445589) and has its registered office at Klimentská 1216/46, Prague 1, ZIP 110 02. 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 2 500 MIO CZK (102 MIO EUR) (the booked value per share is 100 000 CZK (4 078 EUR). As at 31 December 2009, 100% of the registered capital was paid.

Shareholders as at 31 December 2010:

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	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 2010 as follows:

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

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 2010 as follows:

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

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 C.

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 amortized 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 judgements, 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 judgements 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 recognized 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.
Judgements 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.

B. Significant Accounting Policies

B.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.

B.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 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 depreciation 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 recognized net within "Other income" or "Other expense" in profit or loss.

B.3. Investment in subsidiaries

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

B.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 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 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 amortized 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 recognized directly in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Loans – Term deposits

Loans consist mainly of deposits with financial institutions. Loans and receivables (B.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 amortized cost using the effective interest method and are reported net of allowances for loan losses to reflect the estimated recoverable amounts.

Deposits due from cedents

Deposits due from cedents are receivables from cedents for cash deposits that have been retained under the terms of reinsurance agreements. Deposits due from cedents are accounted for at amortized cost less impairment.

B.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.

B.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.

B.7. Taxes

The income tax expense comprises current tax and deferred tax. The income tax associated with transactions recognized directly in Other comprehensive income (unrealized gains and losses from available for sale financial instruments) is also recognized directly in Other comprehensive income.
The current tax is calculated using the Company's taxable income and the tax rate enacted or substantially enacted by the end of reporting period.
Deferred tax is calculated using the balance sheet liability method for all temporary differences between the asset and liability values recognized 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 recognized if it is not probable that the tax benefits they contain can be realized.

B.8. Other assets

Other assets are valued at acquisition cost less impairment losses.

B.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 B.11. Life reinsurance provision.

B.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.

B.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 as assessed by individual cedents.
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 D.). 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 recognized 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 are calculated according to reinsurance contracts. The assumptions used for the calculation of the provisions are very conservative so that they are sufficient and include enough safety margins. Furthermore, in health insurance business it is usually contractually agreed with policyholders to make yearly premium indexations in case of increase of claims expenses.

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 recognized 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 situation, the reduction of the premium reflects the expected lower future claims, rather than distribution of past surpluses.

B.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 effective interest method.

B.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.

B.14. Liabilities

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

B.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.

B.16. Investment result

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 realized gain/loss represents the difference between the carrying value of financial asset and the sale price adjusted for any cumulative gain or loss that had been recognized directly in the other comprehensive income.

B.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 inter¬nal 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.

B.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 B.9.

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

B.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.

B.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.

B.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 the 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 other comprehensive income 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.

B.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 are treated as insurance policies 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.

B.23. Novation

Where the Company assumes the rights and obligations relating to a portfolio of insurance and co-reinsurance 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.

C. New Standards, Interpretations and Amendments to Published Standards

The following published amendments and interpretations to existing standards are mandatory and relevant for the VIG Re accounting periods and have been applied by VIG Re since 1 January 2010:

Standards in force

Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010) requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

Standards not in force yet

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2010, 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.

Revised IAS 24 Related Party Disclosure (effective for annual periods beginning on or after 1 January 2011). The revised Standard amends the definition of a related party, which resulted in new relations being included in the definition, such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel.
Revised IAS 24 is not relevant to the Company's financial statements as the Company is not a government-related entity and the revised definition of a related party is not expected to result in new relations requiring disclosure in the financial statements.

Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011)
The amendment of IFRIC 14 addresses the accounting treatment for prepayments made when there are also minimum funding requirements (MFR). Under the amendments, an entity is required to recognize certain prepayments as an asset on the basis that the entity has a future economic benefit from the prepayment in the form of reduced cash outflows in future years in which MFR payments would otherwise be required.
The amendments to IFRIC 14 is not relevant to the Company's financial statements as the Company does not have any defined benefit plans with minimum funding requirements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)
The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a "debt for equity swap" are consideration paid in accordance with IAS 39.41.
The initial measurement of equity instruments issued to extinguish a financial liability is at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instrument should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of equity instruments issued should be recognized in profit or loss.

The Company did not issue equity to extinguish any financial liability during the current period. Therefore, the Interpretation will have no impact on the comparative amounts in the Company's financial statements for the year ending 31 December 2010.

D. 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.
IBNR calculations are chosen with respect to known information e.g. values accepted if insurer's calculation provided, Incremental Loss Ratio methodology (ILR), chain ladder triangles or loss ratio methodology. ILR method is based on historical data extrapolation to estimate ultimate claims (methodology was developed by prof. Mack).

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 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, 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 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.

D.1. Risk management

D.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 variety of insurance packages, part of the risk is subsequently transferred to reinsurance company (VIG Re). The reinsurance business of the Company and the insurance business of 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.

D.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 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.
- 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.

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 at VIG and VIG Re is governed by 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) due to 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 that might be caused by deficiencies or errors in business processes, controls and projects and changes in the business environment are also monitored continuously.

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

Actuarial department: Underwriting risks are managed by internal ressources of VIG Re supported 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 appointed actuary.

Risk management department: VIG Re, with the support of the risk management department of of Kooperativa pojišťovna, a.s., Vienna Insurance Group, 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 financial accounting and claims 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 VIG Holding Internal 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.

D.2. Reinsurance risk

D.2.1. Introduction

VIG Re assumes both reinsurance from Group companies and reinsurance from non-Group companies. In 2010 the majority of reinsurance assumed is from Group companies. VIG Re writes long tail as well as short tail business, and writes both proportional and non-proportional reinsurance business. In 2010 the Company started to write facultative reinsurance business. 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.

D.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 about 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

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.

Health

For contracts where health is the insured risks, the most significant factors that could increase the overall frequency of claims are epidemics or wide spread 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 wide spread 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.
Life reserves are principally stated to cover maturity and surrender benefits. In life portfolio, there are in fact no annuities with current payments included and therefore the risk of increase of longevity is not evident. Concerning the insured death risks there can be stated that the used risk rates are sufficient, due to these margins in reinsurance treaties are generally included profit commission rules to share and repay parts of the expected positive risk results to the cedent.

D.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 being unable 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 1 January 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 4 MIO EUR. 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 to retain. The maximum percentage of shares underwritten in any one treaty takes also into account the respective local Group company's need to comply with the arm's length principle.

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.

D.2.4. Concentration risk

In general, the Company writes business only in the CEE region, Austria and Germany. For geographical concentration measured by premium written see E.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.

D.3. Credit risk

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

D.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 recognized 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 rating the higher 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 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.

D.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.

D.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 D.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.

D.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	
Collectively impaired – carrying amount	2010	2009	2010	2009
In EUR '000				
Gross amount				
Up to 30 days after maturity	80 325	41 078		
31 days to 90 days after maturity	1 402	127		
91 days to 180 days after maturity	2 619	1 138		
181 days to 1 year after maturity	1 587	2 417		
Neither past due nor impaired – carrying amount	16		482 067	431 574
Total carrying amount	85 949	44 760	482 067	431 574

The credit quality of neither past due nor impaired financial assets is monitored per individual cases. The Company closely monitors each counterparty and evaluate its credit quality. Majority of counterparties are the Companies within the VIG (see related party disclosures E.27.) therefore the Company have enough information to evaluate the quality of counterparty. Cash and cash equivalents are neither individually nor collectively impaired.

Credit risk exposure 2010 Standard & Poor's rating	AAA	AA	A	B / BB / BBB	No Rating	Carrying value in balance sheet
in EUR '000						
Financial investments[1]	21 586	10 494	134 704		2 140	168 924
Deposits due from cedents			85 759		137 311	223 070
Cash and cash equivalents					365	365
Receivables from reinsurance and ceded share of reinsurance liabilities		55 510	99 260	5 847	14 600	175 217
Other receivables					440	440
Total	21 586	66 004	319 723	5 847	154 856	568 016
In %	3.8	11.6	56.4	1	27.2	100

[1] Except for deposits due from cedents

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[1]	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

[1] Except for deposits due from cedents

D.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 their 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:

2010 Expected remaining contractual maturities of assets	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					
Financial assets held to maturity	4 073	66 766	58 903	17 453	147 195
Financial assets available for sale	2 140	9 402		3 799	15 341
Loans – Term deposits	6 388				6 388
Deposit due from cedents[1]	21 420	25 664	31 906	144 080	223 070
Receivables	85 509				85 509
Ceded share of reinsurance liabilities[1]	67 830	12 546	5 369	3 963	89 708
Cash and cash equivalents	365				365
Other receivables	440				440
Total	188 165	114 378	96 178	169 295	568 016

[1] Expected timing of cash flows

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

2010 Expected remaining contractual maturities of assets	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[1]					
Unearned premiums	16 057				16 057
Outstanding claims	84 554	50 515	19 445	13 944	168 458
Life reinsurance provision	9 417	25 111	31 389	59 640	125 557
Other	1 496			84 053	85 549
Other liabilities – issued bonds		173			173
Payables	69 345				69 345
Tax liabilities	1 261	79			1 340
Other Liabilities	505				505
Total	182 635	75 878	50 834	157 637	466 984

[1] Expected timing of cash flows

2009 Expected contractual maturities of assets	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[1]	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

[1] Expected timing of cash flows

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

2009 Expected contractual maturities of liabilities	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[1]	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 – issued bonds		166			166
Payables	67 311				67 311
Other Liabilities	290				290
Total	152 395	41 460	37 876	142 677	374 408

[1] Expected timing of cash flows

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 recognized assets and liabilities denominated in other currency than 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:

2010 Currency	Total Assets	Total Liabilities	Net Amount
in EUR '000			
EUR	558 077	453 357	104 720
CZK	17 480	4 068	13 412
HUF	6 559	8 562	-2 003
Other	890	997	-107
Total	583 006	466 984	116 022

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

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 Euro. As a result, interest rate fluctuations in the Euro zone 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.

2010	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	2.48%	3 262	6 140			3 799		13 201
Financial assets available for sale – investment funds							2 140	2 140
Financial assets held to maturity – debt securities	4.34%		10 591	4 205	62 562	69 837		147 195
Loans – Term deposits	0.21%	6 388						6 388
Deposit due from cedents	3.15%		21 420	25 664		175 986		223 070
Cash and cash equivalents		365						365
Total financial assets		10 015	38 151	29 869	62 562	249 622	2 140	392 359
Other liabilities evidenced by paper	3.80%				173			173
Total financial liabilities					173			173

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

Sensitivity analysis:

The market risk of the Company's financial assets is monitored and measured on a continuing 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 historical method. 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 was as follows:

VAR to 31 December	2010	2009
in EUR ’000		
Total portfolio size	170 096	134 206
Historical VaR 60d; 1%	7 926	1 106
Relative VaR (%)	4.66	0.8

The VaR figure can be interpreted that there is a 1% probability that the portfolio will fall in value by more than TEUR 7 926 over a 60 day period, assuming markets are normal and there is no trading. The accuracy of the VaR model is regularly monitored. The Company’s liabilities were not exposed to any significant interest risk at the balance sheet date. The exposure to currency risk is limited – a 10% movement in the Hungarian Forint: Euro exchange rate would have resulted in a TEUR 778 change in the provisions.

D.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. 277/2009 Coll. and the regulation no. 434/2004 Coll., including the prudential rules relating to capital. The prudential rules set the method for calculating the required solvency margin and available solvency elements. Available solvency elements are calculated for life and non-life together and required solvency margin is calculated for life and non-life separately.

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		2010	2009
in EUR ’000			
Required solvency margin	Life and non-life reinsurance	25 131	25 100
Available solvency elements	Life and non-life reinsurance	104 209	105 557

The Company closely monitors its compliance with the regulatory capital requirements. The current base of calculation with respect to capital the 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.

E. Notes to the Financial Statements

E.1. Intagible assets

Intangible assets	2010	2009
in EUR ’000		
Software and license	1 590	1 410
Total intangible assets	**1 590**	**1 410**

2010	Software	License	Total
in EUR ’000			
Balance as at 1 January	81	1 334	1 415
Additions		371	
Balance as at 31 December	81	1 705	1 786
Balance as at 1 January	5		5
Amortization	20	171	191
Balance as at 31 December	25	171	196
Book value as of 1 January	**76**	**1 334**	**1 410**
Book value as of 31 December	**56**	**1 534**	**1 590**

2009	Software	License	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			
Amortization	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**

E.2. Property, plant and equipment

Property, plant and equipment – 2010	Vehicles	Other	Total
in EUR ’000			
Balance as at 1 January	79	102	181
Additions		55	55
Disposals		54	54
Balance as at 31 December	79	103	182
Balance as at 1 January	8	9	17
Depreciation	19	13	32
Balance as at 31 December	27	22	49
Book value as of 1 January	**71**	**93**	**164**
Book value as of 31 December	**52**	**81**	**133**

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				
Depreciation	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

E.3. Investment in subsidiaries

Investment in subsidiaries	31. 12. 2010	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%
Wiener Re a.d.o. Serbia	6 222	Serbia	6 222		6 222	99%	99%
Total	10 222		10 222		10 222		

Investment in subsidiaries	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 subsidiaries	Date of acquisition	Assets acquired	Liabilities acquired
in EUR ’000			
MuVi Re S.A.	24.10.2008	5 263	855
Wiener Re a.d.o. Serbia	22.7.2010	20 445	14 137
Total		25 708	14 992

Wiener Re a.d.o. Serbia was acquired from WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group.

E.4. Financial instruments

Financial instruments	2010	2009
in EUR '000		
Financial assets available for sale	15 341	7 233
Financial assets held to maturity	147 195	126 973
Loans – Term deposits	6 388	21 679
Deposits due from cedents	223 070	216 381
Total	391 994	372 266

E.4.1. Financial assets available for sale

Financial assets available for sale	2010	2009
in EUR '000		
Debt securities		
Government bonds	13 200	7 233
Investment funds	2 141	
Total	15 341	7 233

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

Amortized value	Amortized value/ Purchase price	FX differences	Unrealized gains or losses	Impairment	Fair value
Debt securities	13 295		-95		13 200
Investment funds	2 000		141		2 141
Fair value hierarchy		Level 1	Level 2	Level 3	Total
Financial assets available for sale		13 329	2 012		15 341

Level 1 represents quoted prices in active markets for identical assets or liabilities.
Level 2 represents marked-to-market the comparable financial instrument is calculated by using valuation techniques for which all significant inputs are based on observable market data.

E.4.2. Financial assets held to maturity

Financial assets held to maturity	2010	2009
in EUR '000		
Debt securities		
Government bonds	138 224	102 924
Other public sector bonds	9	18 241
Corporate bonds	8 962	5 808
Total	147 195	126 973

Financial assets held to maturity	Carrying amount	Fair value
in EUR '000		
Debt securities		
Government bonds	138 224	143 208
Other public sector bonds	9	516
Corporate bonds	8 962	9 113
Total	147 195	152 836

E.4.3. Loans and Deposits

Loans and Deposits	2010	2009
in EUR '000		
Loans – Term deposits	6 388	21 679
Deposits due from cedents	223 070	216 381
Total	229 458	238 060

Loans and term deposits	Carrying amount	Fair value
in EUR '000		
Loans – Term deposits	6 388	6 388
Total	6 388	6 388

Deposits due from cedents in relation to reinsurance liabilities

Assets		Liabilities	
in EUR '000			
Deposits due from cedents	223 070	Unearned premiums	7 654
		Outstanding claims	4 306
		Life reinsurance provision	125 562
		Other – Aging reserves	84 053
		Other – Provision for bonuses and rebates	1 495
Total gross	223 070		223 070

Deposits due from cedents 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 due from cedents thus do not have a fixed maturity date, their release generally being dependent on the run-off of the corresponding provisions.

E.5. Receivables

Receivables	2010	2009
in EUR '000		
Receivables arising out of assumed reinsurance – cedents	40 630	15 520
Receivables arising out of reinsurance operations – retrocession	44 879	29 130
Trade and other receivables	440	85
Prepayments		25
Total gross	85 949	44 760
Impairment		
Total net	85 949	44 760

E.6. Ceded share of reinsurance liabilities

Ceded share of reinsurance liabilities	2010	2009
in EUR '000		
Unearned premiums	2 238	1 026
Outstanding claims	87 470	58 199
Total	89 708	59 225

E.7. Deferred tax

The deferred tax credits and liabilities recognized 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	2010		2009	
Balance sheet position	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment		2		2
Intangible assets		77		
Total		79		2
Net Balance				2

Movement in deferred tax	2010	2009
Net deferred tax assets/(liability) – opening balance	2	
Deferred tax (expense)/income for the period	77	2
Net deferred tax asset/(liability) – closing balance	79	2

In accordance with the accounting method described in B.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% (2009: 19%).

E.8. Other assets

Other Assets	2010	2009
in EUR '000		
Prepaid expenses	358	2
Total	358	2

E.9. Deferred acquisition costs

Development of DAC	2010	2009
in EUR '000		
Book value – opening balance	989	
Costs deferred during the current year	2 593	989
DAC released during the current year	895	
Book value – closing balance	2 687	989

The deferred acquisition costs relate to health and property/casualty business.

E.10. Cash and cash equivalents

Cash and cash equivalents	2010	2009
in EUR '000		
Cash and cash equivalents	6	1
Cash at bank	359	82
Total	365	83

E.11. Shareholders' equity

Share capital	2010	2009
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.

E.12. Unearned premiums

Unearned premium provision – 2010	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	15 067	1 026	14 041
Premium written during the current year	273 844	98 439	175 405
Less premium earned during the current year	-273 402	-97 114	-176 288
Novation			
Clean cut system	552	-113	439
FX translation	-3		-3
Book value – closing balance	16 057	2 238	13 594

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

Unearned premium provision – 2009	Gross	Reinsurance	Net
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

E.13. Outstanding claims

RBNS – 2010	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	73 409	53 455	19 954
Claims incurred and reported	220 772	113 059	107 713
Less claims paid	-178 567	-85 331	-93 236
Novation	32 926		32 926
Release of reserves	1 126		1 126
Clean cut system	-6 026		-6 026
FX translation	-17		-17
Book value – closing balance	141 372	81 182	60 189

IBNR – 2010	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	13 782	4 744	9 038
Claims incurred	81 267	29 271	51 996
Less transfer to RBNS	-67 962	-27 727	-40 235
FX translation			
Book value – closing balance	27 086	6 287	20 799

Claims development table – Property/Casualty on a gross basis	UY 2010	UY 2009	Total
in EUR '000			
Estimate of total cumulative claims at the end of the underwriting year	206 227	155 120	361 347
One year later		175 798	175 798
Estimate of cumulative claims	206 227	175 798	382 025
Cumulative payment	105 200	114 643	219 843
Value recognized in balance sheet	101 027	61 155	162 182

The Company booked portfolio entries of provisions as explained in B.23. Existing portfolio transfers from novation are considered to be the underwriting year in which they come into the Company's portfolio.

Outstanding claims relating to health (4.8 MIO EUR) and life (1.5 MIO EUR) are not included in the above table due to their relative insignificance.

RBNS – 2009	Gross	Reinsurance	Net
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
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
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 recognized in balance sheet	87 191	

E.14. Life reinsurance provision

Life Reinsurance Provision	2010	2009
in EUR ’000		
Gross	125 557	123 985
Retrocession		
Net	125 557	123 985

Development in 2010	Gross	Reinsurance	Net
in EUR ’000			
Book value – opening balance	123 985		123 985
Additions	1 572		1 572
Book value – closing balance	125 557		125 557

Development in 2009	Gross	Reinsurance	Net
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 B.23.

E.15. Other

Ageing reserves	2010	2009
in EUR '000		
Gross	84 053	78 903
Retrocession		
Net	84 053	78 903

Development in 2010	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	78 903		78 903
Additions	5 150		5 150
Book value – closing balance	84 053		84 053

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 B.23.

Reserves for premium and rebates	2010	2009
in EUR '000		
Gross	1 496	1 495
Retrocession		
Net	1 496	1 495

Development in 2010	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	1 495		1 495
Additions	1		1
Book value – closing balance	1 496		1 496

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

E.16. Other liabilities – Issued bonds

Other liabilities evidenced by paper	2010	2009
in EUR '000		
Zero Bond	173	166
Total	173	166

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

E.17. Payables

Payables	2010	2009
in EUR '000		
Payables arising out of reinsurance operations – cedents	61 603	60 657
Payables arising out of reinsurance operations – retrocession	6 952	5 471
Trade payables		1 088
Wages and salaries	82	29
Social security and health insurance	13	7
Other payables	695	59
Total	69 345	67 311

E.18. Other liabilities

Other liabilities	2010	2009
in EUR '000		
Accruals	505	290
Total	505	290

E.19. Premium

2010 Premium written – Reinsurance premium	Property/Casualty	Health	Life	Total
in EUR ’000				
Gross				
Austria	66 852	40 079	14 758	121 689
Germany	28 034	174	53	28 261
Czech Republic	37 261		72	37 333
Slovakia	15 827		448	16 275
Poland	4 528		189	4 717
Romania	14 503		125	14 628
Croatia	5 108		7 814	12 922
Hungary	26 454		102	26 556
Turkey	1 315	1 104		2 419
Other CEE[1]	9 008		36	9 044
Premium written	**208 890**	**41 357**	**23 597**	**273 844**
Retroceded premium	**-97 640**		**-799**	**-98 439**
Premium written – Retained	**111 250**	**41 357**	**22 798**	**175 405**

[1] Other CEE represents following countries: Albania, Bosna, Bulgaria, Georgia, Lithuania, Macedonia, Moldavia, Russia, Serbia, Slovenia.

2009 Premium written – Reinsurance premium	Property/Casualty	Health	Life	Total
in EUR ’000				
Gross				
Austria	74 583	38 507	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[1]	15 224		7 925	23 149
Premium written	**194 194**	**38 507**	**24 540**	**257 241**
Retroceded premium	**-92 727**		**-756**	**-93 483**
Premium written – Retained	**101 467**	**38 507**	**23 784**	**163 758**

[1] Other CEE represents following countries: Albania, Bulgaria, Belarus, Georgia, Croatia, Hungary, Macedonia, Serbia, Turkey, Ukraine.

In 2010 the Company wrote premium of 256.1 MIO EUR from Group companies and 17.7 MIO EUR from external parties (in 2009 240.9 MIO EUR from Group companies and 16.3 MIO EUR from external parties).

2010 Premium written – Reinsurance premium	Property/Casualty	Property/Casualty	Property/Casualty
in EUR ’000	Gross	Ceded	Net
Property/Casualty			
MTPL	25 668	-9 909	15 759
Other motor vehicle reinsurance	21 303	-254	21 049
Casualty	22 435	-6 232	16 203
Liability	3 718	-966	2 752
Property	133 391	-80 201	53 190
Marine	2 373	-77	2 296
Premium written	208 890	-97 640	111 250

2009 Premium written – Reinsurance premium	Property/Casualty	Property/Casualty	Property/Casualty
in EUR ’000	Gross	Ceded	Net
Property/Casualty			
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
Premium written	194 194	-92 727	101 467

E.20. Investment result

Investment income	2010	2009
in EUR ’000		
Interest income		
Loans and term deposits	44	552
Deposits due from cedents	5 130	4 599
Financial investments held to maturity	5 843	2 974
Financial investments available for sale	638	26
FX gains	981	398
Total current income	12 637	8 549
Gains from the disposal of financial investments		
Financial investments held to maturity	28	
Financial investments available for sale	59	
Total gains from the disposals of investments	87	
Total	12 724	8 549

Investment expense	2010	2009
in EUR ’000		
Management fees	148	166
FX losses	14	
Total current expenses	162	166
FX Derivative	162	
Total losses from the disposals of investments	324	

E.21. Other income

Other income	2010	2009
in EUR ’000		
Foreign currency gains	3	639
Total	3	639

E.22. Claims and insurance benefits

Expenses for claims and insurance benefits – 2010	Gross	Retrocession	Net
in EUR ’000			
Property/casualty/health			
Expenses for insurance claims			
Claims and benefits	172 293	85 312	86 981
Changes in provision for outstanding claims	47 945	29 688	18 257
Subtotal	220 238	115 000	105 238
Changes in other insurance liabilities			
Total non-life expenses for claims and insurance benefits	220 238	115 000	105 238

Expenses for claims and insurance benefits – 2010	Gross	Retrocession	Net
in EUR ’000			
Life			
Expenses for insurance claims			
Claims and benefits	12 550	19	12 531
Changes in provision for outstanding claims	-1 135	-416	-719
Subtotal	11 415	-397	11 812
Changes in mathematical reserve	9 146		9 146
Changes in other insurance liabilities			
Total life expenses for claims and insurance benefits	20 561	-397	20 958
Total	240 799	114 603	126 196

Expenses for claims and insurance benefits – 2009	Gross	Retrocession	Net
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
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

E.23. Acquisition expenses

Commission expenses		2010			2009	
	Property/ Casualty	Health	Life	Property/ Casualty	Health	Life
in EUR '000						
Reinsurance commission – Fix	17 596	3 846	-54	19 002	2 842	
Reinsurance commission – Sliding Scale	22 973			12 293		
Reinsurance commission – Profit commission	1 969		2 555			2 535
Reinsurance commission – Health (administration)		1 434			1 622	
Total	42 538	5 280	2 501	31 295	4 464	2 535

E.24. Other operating expenses

Other operating expenses	2010	2009
in EUR '000		
Personnel expenses	820	625
Mandatory social security contributions and expenses	119	54
Depreciation of property, plant and equipment	32	22
Amortisation of intangible assets	191	
Rental expenses	113	107
IT expenses	319	467
Services	59	117
Other administrative expenses	427	17
Total	2 081	1 409

Management and employee statistics	2010	2009
in EUR '000		
Management – BoD	4	4
Other employees	12	7
Total	16	11

Personal expenses	2010	2009
in EUR '000		
Wages and salaries	815	622
Mandatory social security contribution expenses	119	54
Other social security expenses	5	3
Total	939	679

Board of Directors and Supervisory Board compensation	2010	2009
in EUR '000		
Management Board compensation	563	303
Supervisory Board compensation	27	22
Total	590	325

E.25. Other expenses

Other expenses	2010	2009
in EUR '000		
Foreign currency losses	96	49
Interests from retrocession operations	18	15
Total	114	64

E.26. Tax expense

Tax expense	2010	2009
in EUR '000		
Current taxes		
– Actual taxes current period	2 831	2 658
– Actual taxes related to other periods	91	
Total current taxes	2 922	2 658
Deferred taxes	77	2
Total taxes	2 999	2 660

Tax rate reconciliation	2010	2009
in EUR '000		
Expected tax rate in %	19	20
Profit before tax	18 568	14 439
Expected tax expense	3 528	2 888
Adjusted for tax effects due to:		
– Non-deductible expenses – other	667	282
– Non-deductible expenses – FX differences[1]	-1 265	-510
– Income exempted from tax	-21	
– Taxes from previous years	91	
– Changes in tax rates	-1	
Income Tax Expense	2 999	2 660
Effective tax rate in %	16.15	18.42

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

E.27. Related parties

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

E.27.1. Shareholders

Shareholders as at 31 December 2010:

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	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 VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (VIG).

Transactions with the Parent company	2010	2009
in EUR '000		
Balance sheet		
Deposits due from cedents	0	84 969
Receivables	619	10 715
Unearned premiums		196
Premium reserve		78 903
Outstanding claims	1 062	31 863
Income statement		
Premiums written	4 481	38 507
Change due to provision for premiums		-26
Investment and interest income		91
Expenses for claims and insurance benefits		-21 394
Change in claims and other reinsurance liabilities	-1 062	-25 666
Commission expenses		-4 464

Transactions with other entities with joint control or significant influence	2010	2009
in EUR '000		
Balance sheet		
Deposits due from cedents	362	
Receivables	2 286	4 231
Unearned premiums	1 393	2 299
Premium reserve	362	
Outstanding claims	41 175	19 939
Liabilities	23 363	26 266
Income statement		
Premiums written	55 136	59 314
Change due to provision for premiums	505	-2 251
Investment and interest income		91
Expenses for claims and insurance benefits	-59 742	-27 108
Change in claims and other reinsurance liabilities	-20 881	-20 960
Commission expenses	-2 278	-2 046
Intergroup outsourcing	-550	492

E.27.2. Subsidiaries

The Company has two subsidiaries MuVi Re S.A. and Wiener Re a.d.o. Serbia (for details see B.3.).

Transactions with subsidiaries	2010	2009
in EUR '000		
Balance sheet		
Receivables	300	22
Unearned premiums	128	
Outstanding claims	509	
Liabilities	198	
Income statement		
Premiums written	2 934	320
Change due to provision for premiums	-128	
Investment and interest income	399	
Expenses for claims and insurance benefits	-1 471	-116
Change in claims and other reinsurance liabilities	-205	-124
Commission expenses	-772	-93

Transactions between the Company and its parent and its subsidiaries relate to reinsurance/retrocession contracts and servicing contracts related to backoffice.

E.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. The Company has no transactions with family members of key management personnel.

E.27.4. Other related parties

Other related parties represent fellow subsidiaries, associates and joint ventures of the ultimate parent company. Transactions between the Company and other related parties are based on only to reinsurance contracts.

Transactions with other related parties	2010	2009
in EUR '000		
Balance sheet		
Deposits due from cedents	120 193	24 813
Receivables	33 200	15 254
Unearned premiums	7 611	4 556
Premium reserve	113 107	24 643
Outstanding claims	98 794	19 383
Liabilities	68 371	54 609
Income statement		
Premiums written	198 699	136 819
Change due to provision for premiums	-3 451	-3 805
Miscellaneous earnings of investment	676	
Expenses for claims and insurance benefits	-105 114	-44 310
Change in claims and other reinsurance liabilities	-4 372	-9 531
Commission expenses	-43 857	-32 055
Intergroup outsourcing	-788	

Transactions between the Company and other related parties relate to reinsurance/retrocession contracts and actuarial services.

E.28. Fair value of financial assets and liabilities

	31. 12. 2010		31. 12. 2009	
Financial assets	Fair value	Carrying amount	Fair value	Carrying amount
in EUR '000				
Financial investments	397 635	391 994	376 739	372 266
Financial assets held to maturity	152 836	147 195	131 446	126 973
Financial assets available for sale	15 341	15 341	7 233	7 233
Loans and deposits	229 458	229 458	238 060	238 060
Receivables	85 949	85 949	44 760	44 760
Cash and cash equivalents	365	365	83	83
Total financial assets	483 949	478 308	421 582	417 109
Financial Liabilities				
Other liabilities evidenced by paper	173	173	166	166
Payables	69 345	69 345	67 311	67 311
Other liabilities	505	505	290	290
Total financial liabilities	70 023	70 023	67 767	67 767

E.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 to the actual results. Significant estimates and assumptions are summarized below.

E.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 recognized amounts, are discussed in part D.

E.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 receivables are grouped on the basis of similar credit risk characteristics.

E.29.3. Income taxes

Judgement 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 impacts the income tax and deferred tax in the period in which such determination is made.

E.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.

E.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 15 March 2011.

VIG RE zajišťovna, a.s.
Consolidated Financial Statements
31 December 2010

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Consolidated Statement of Financial Position as of 31 December 2010

Assets	Notes	2010	2009
In EUR '000			
Intangible assets	G.1.	1 591	1 410
Property, plant and equipment	G.2.	188	164
Financial investments	G.3.	403 749	376 867
Financial assets held to maturity		147 642	126 973
Financial assets available for sale		16 104	7 233
Loans – Term deposits		16 857	26 280
Deposits due from cedents		223 146	216 381
Receivables	G.4.	94 547	45 001
Ceded share of reinsurance liabilities	G.5.	93 983	59 460
Current tax assets		51	0
Other assets	G.7.	1 082	2
Deferred acquisition costs	G.8.	2 641	989
Cash and cash equivalents	G.9.	596	316
Total Assets		598 428	484 209
Equity and Liabilities			
Shareholders' equity	G.10.		
Shareholders' equity attributable to the Group		116 213	101 958
Share capital		101 958	101 958
Other components of equity		765	154
Retained earnings		13 137	3 736
Equalization reserve		353	384
Shareholders' equity attributable to minority interests		48	
Total Equity		116 261	106 232
Reinsurance liabilities		400 860	307 120
Unearned premiums	G.11.	19 991	15 067
Outstanding claims	G.12.	169 763	87 670
Life reinsurance provision	G.13.	125 557	123 985
Other	G.14.	85 549	80 398
Other liabilities – issued bonds	G.15.	173	166
Payables	G.16.	78 338	67 640
Provisions	G.17.	1	
Deferred tax liabilities	G.6.	171	98
Current tax liabilities		1 339	2 641
Other liabilities	G.17.	1 285	312
Total Liabilities		482 167	377 977
Total Equity and Liabilities		598 428	484 209

Consolidated Income Statement for the Year Ended 31 December 2010

Consolidated Income Statement	Notes	2010	2009
in EUR '000			
Premiums	G.18.		
Premiums written – Gross		280 612	257 241
Premiums written – Ceded		-103 290	-93 163
Premiums written – Retention			
Change due to provision for premiums – Gross		-116	-6 830
Change due to provision for premiums – Ceded		991	982
Net earned premiums		178 197	158 230
Investment Result	G.19.		
Investment and interest income		12 574	8 581
Investment and interest expenses		-348	-166
Total investment result		12 226	8 415
Other income	G.20.	336	639
Claims and insurance benefits	G.21.		
Expenses for claims and insurance benefits – Gross		-181 680	-112 004
Expenses for claims and insurance benefits – Ceded		87 561	31 392
Claims and insurance benefits – retention			
Change in claims and other reinsurance liabilities – Gross		-61 604	-95 155
Change in claims and other reinsurance liabilities – Ceded		28 486	57 676
Total expenses for claims and insurance benefits		-127 237	-118 091
Acquisition expenses	G.22.		
Commission expenses		-52 337	-38 294
Other acquisition expenses		-354	-459
Change in deferred acquisition expenses		1 630	989
Commission income from retrocessionaires		8 644	4 503
Total acquisition expenses		-42 417	-33 261
Other operating expenses	G.23.	-2 371	-1 442
Other expenses	G.24.	-178	-64
Profit before taxes		18 556	14 426
Tax expense	G.25.	-3 097	-2 671
Profit for the period		15 459	11 755
Profit for the period attributable to owners of the Group		15 459	11 755
Profit for the period attributable to owners of non-controlling interest		0	0

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2010

Consolidated Statement of Comprehensive Income		2010			2009	
in EUR '000	Gross	Tax [1]	Net	Gross	Tax [1]	Net
Profit for the period	18 556	-3 097	15 459	14 426	-2 671	11 755
Other comprehensive income						
Gains (losses) recognized in equity						
– Available for sale financial assets	110	-22	88	-84	17	-67
Translation reserve	-66		-66			
Other comprehensive income for the year	44	-22	22	-84	17	-67
Total comprehensive income for the period	18 600	-3 119	15 481	14 342	-2 654	11 688
Attributable to owners of the Group	18 600	-3 119	15 481	14 342	-2 654	11 688
Attributable to owners of non-controlling interest						

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

Consolidated Shareholders' Equity as of 31 December 2010

in EUR '000	Share capital	Available for sale*	Reserves**	Equalization reserve	Retained earnings	Shareholders' equity
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

* Available for sale financial assets

** Legal and statutory reserves

in EUR '000	Share capital	Available for sale*	Reserves**	Equalization reserve [2]	Retained earnings	Translation reserve	Shareholders' equity I***	Shareholders' equity II****	Total
As of 1 January 2010	101 958	-67	221	384	3 736		106 232	0	106 232
Effect of acquisition							0	51 [1]	51
Total comprehensive income for the period		88			15 459	-66	15 481		15 481
Dividends					-5 500		-5 500	-3	-5 503
Allocation to legal and statutory reserve			589		-589		0		0
Change of equalization reserve				-31	31		0		0
As of 31 December 2010	101 958	21	810	353	13 137	-66	116 213	48	116 261

1 The balance represents non-controlling interest incurred at the acquisition date.

2 The balance represents the equalization 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.

* Available for sale financial assets

** Legal and statutory reserves

*** Atributable to equity holders of Parent Company

**** Atributable to non-controlling interest

Consolidated Cash Flow Statement for the Year Ended 31 December 2010

Consolidated Cash Flow Statement	Notes	2010	2009
in EUR ’000			
Profit for the period		18 556	14 426
Adjustments to profit for the period			
– interest and other investment income		-7 109	-8 581
– exchange differences		-1 056	-547
– depreciation		226	22
– change in deferred acquisition costs		-1 630	-989
– proceed from the issue of other liabilities (issued bonds)		7	166
– revenues of badwill		-244	
Cash flows from operating activities			
Change in reinsurance liabilities		87 540	306 708
Change in ceded share of reinsurance liabilities		-28 883	-59 170
Change in receivables		-42 064	-44 684
Change in deposits due from cedents		-6 691	-216 319
Change in liabilities		2 775	67 001
Change in other assets and liabilities		-190	678
Income tax paid		-4 348	-296
Net cash flow from operating activities		16 889	58 415
Cash flows from investing activities			
Interest received		6 403	5 356
Payment for acquisition of subsidiary net of cash received		329	
Payment for acquisition of intangible assets and property, plant and equipment		-429	-1 596
Payment for acquisition of available for sale financial assets		-18 150	-7 306
Cash proceeds from the sale of available for sale assets		10 229	
Payment for acquisition of held to maturity financial assets		-22 586	-110 045
Cash proceeds from the sale of held to maturity financial assets		3 619	
Net cash flow from investing activities		-20 585	-113 591
Cash flows from financing activities			
Dividend payments		-5 504	
Net cash flow from financing activities		-5 504	
Net change in cash and cash equivalents		-9 200	-55 176
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at beginning of period		21 995	77 009
Foreign currency translation differences on cash balances		60	162
Net change in cash and cash equivalents		-9 200	-55 176
Cash and cash equivalents at end of period		12 855	21 995

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

Effect of acquisition as at 30 June 2010	
in EUR '000	
Total amount paid for acquisition	6 012
There of paid by cash and cash equivalents	6 012
Acquired net assets excluding cash and cash equivalents	329
Intangible and other assets	730
Financial investments	966
Receivables	7 495
Net reinsurance liabilities	-559
Liabilities	-7 938
Other liabilities	-728
Non-controlling interests	-51
Badwill	-244
Total amount of acquired cash and cash equivalents	6 341

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-maker. 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 other income, other expenses and income tax expenses.

The Group has three reportable segments, as described below, which are the Group's strategic business units and 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 Group's reportable segments:

- Property/Casualty: car, property and liability, catastrophe and personal accident reinsurance
- Life
- Health

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

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

Consolidated Segment Reporting

Consolidated Income Statement by Lines of Business

Consolidated Income Statement	Property/Casualty		Health		Life		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
In EUR '000								
Premiums written – Gross	215 656	194 194	41 357	38 507	23 599	24 540	280 612	257 241
Premiums written – Ceded	-102 491	-92 407			-799	-756	-103 290	-93 163
Change due to provision for premiums – Net	228	-6 932	-15	-26	662	1 110	875	-5 848
1. Net earned premiums	113 393	94 855	41 342	38 481	23 462	24 894	178 197	158 230
Interest revenue	4 452	1 753	2 256	1 668	5 122	4 750	11 830	8 171
Other income and expense from investments	141	157	261	153	-6	-66	396	244
2. Investment result	4 593	1 910	2 517	1 821	5 116	4 684	12 226	8 415
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Gross	-194 930	-157 454	-27 791	-26 817	-20 563	-22 884	-243 284	-207 155
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	116 445	89 068			-398	-4	116 047	89 064
3. Claims and insurance benefits	-78 485	-68 386	-27 791	-26 817	-20 961	-22 888	-127 237	-118 091
Commission expenses including change in deferred acquisition expenses	-43 276	-30 306	-4 862	-4 464	-2 501	-2 535	-50 639	-37 305
Other acquisition expenses	-258	-287	-51	-71	-45	-101	-354	-459
Commission income from retrocessionaires	8 011	4 187			565	316	8 576	4 503
4. Acquisition expenses	-35 523	-26 406	-4 913	-4 535	-1 981	-2 320	-42 417	-33 261
Operating profit measured on the segment basis	3 978	1 973	11 155	8 950	5 636	4 370	20 769	15 293
5. Administrative expenses	-1 336	-1 018	-678	-244	-357	-180	-2 371	-1 442
Operating profit	2 642	955	10 477	8 706	5 279	4 190	18 398	13 851
6. Other income							336	639
7. Other expenses							-178	-64
Profit before tax							18 556	14 426
Income tax							-3 097	-2 671
Profit after tax attributable to owners of the Group							15 459	11 755
Profit after tax attributable to owners of non-controlling interest							0	0
Profit after tax							15 459	11 755

Investment result was allocated among individual segments based on the balance of reinsurance liabilities as of 31 December 2010.

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 No. 28445589) and has its registered office at Klimentská 1216/46, Prague 1, ZIP 110 02. 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).
The consolidated financial statements of the Parent Company for the year ended 31 December 2010 comprise the Parent Company and its subsidiaries (together referred as “the Group”).
See Section B of these financial statements for a listing of significant Group entities and changes to the Group in 2010 and 2009.

Structure of shareholders

The registered capital consists of 25 000 shares in booked form with a nominal value of 2 500 MIO CZK (102 MIO EUR) (the booked value per share is 100 000 CZK (4 078 EUR). As at 31 December 2010, 100% of the registered capital was paid.
Shareholders as at 31 December 2010:

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	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 2010 as follows:

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

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 2010 as follows:

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

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 D.

A.3. Basis of preparation

The 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.
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 amortized 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 judgements, 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 judgements 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 recognized 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.
Judgements 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.

B. Consolidation

B.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 unrealized 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 B.2.

B.2. Companies within the Group

The companies as at 31 December 2010 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%
Wiener Re a.d.o. Serbia	Serbia	99.20%	99.20%

B.3. Acquisitions

The following table shows the companies acquired by the Parent Company:

Acquired company	Description of entity	Date of first consolidation	Percentage of ownership interest
MuVi Re S.A.	Reinsurance company	31 December 2008	100.00%
Wiener Re a.d.o. Serbia	Reinsurance company	31 December 2010	99.20%

MuVi Re was acquired from another company within the VIG Group 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 B.1. As the subsidiary is not material to the Group it has been consolidated from 31 December 2008 as it was acquired at 31 December 2008.
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 4 000. The excess of TEUR 408 was represented by the equalization reserve of MuVi Re.
Wiener Re was acquired from another company within the VIG Group on 16 July 2010. The acquisition thus represented a common control transaction. For more details on accounting of transactions concerning companies under common control see section B.1.
The acquired company's net book value as of the date of acquisition amounted to TEUR 6 341 and the acquisition cost amounted to TEUR 6 012. The excess of TEUR 244 was represented by the badwill of Wiener Re.

C. Significant Accounting Policies

C.1. Intangible assets

Purchased intangible assets are recognized on 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 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 depreciation 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 recognized net within "Other income" or "Other expense" in profit or loss.

C.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 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 amortized 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 recognized directly in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Loans – Term deposits

Loans consist mainly of deposits with financial institutions. Loans and receivables (C.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 amortized cost using the effective interest method and are reported net of allowances for loan losses to reflect the estimated recoverable amounts.

Deposits due from cedents

Deposits due from cedents are receivables from cedents for cash deposits that have been retained under the terms of reinsurance agreements. Deposits due from cedents are accounted for at amortized cost less impairment.

C.4. Receivables

The receivables shown on 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.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.

C.6. Taxes

The income tax expense comprises current tax and deferred tax. The income tax associated with transactions recognized directly in Other comprehensive income (unrealized gains and losses from available for sale financial instruments) is also recognized directly in Other comprehensive income.

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 asset and liability values recognized in the IFRS separate financial statements and 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 recognized if it is not probable that the tax benefits they contain can be realized.

C.7. Other assets

Other assets are valued at acquisition cost less impairment losses.

C.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 C.10. Life reinsurance provision.

C.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.

C.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 as assessed by individual cedents. 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 recognized 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 are calculated according to reinsurance contracts. The assumptions used for the calculation of the provisions are very conservative so that they are sufficient and include enough safety margins. Furthermore, in health insurance business there is usually contractually agreed with policyholders to make yearly premium indexations in case of increase of claims expenses.

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 a result of the past performance. This provision is not recognized 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 situation, the reduction of the premium reflects the expected lower future claims, rather than distribution of past surpluses.

C.11. Other liabilities – Issued bonds

Liabilities – issued bonds 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 effective interest method.

C.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.

C.13. Liabilities

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

C.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.

C.15. Investment result

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 realized gain/loss represents the difference between the carrying value of financial asset and the sale price adjusted for any cumulative gain or loss that had been recognized directly in the other comprehensive income.

C.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.

C.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 C.8.
Reinsurance commissions and profit participations include commissions paid and payable to cedents and profit participations based on reinsurance contracts.

C.18. Other operating expenses (Administrative expenses)

Administrative expenses include expenses relating to the administration of the Group. 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.19. 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 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.

C.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 other comprehensive income 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.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 are treated as insurance policies 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.22. Novation

Where the company assumes the rights and obligations relating to a portfolio of insurance and co-reinsurance 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 the VIG Re accounting periods and have been applied by VIG Re since 1 January 2010:

Standards in force

Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (effective for annual periods beginning on or after 1 February 2010) requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

Standards not in force yet

A number of new Standards and amendments to Standards and Interpretations are not yet effective as at 31 December 2010, 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.

Revised IAS 24 *Related Party Disclosure* (effective for annual periods beginning on or after 1 January 2011). The revised Standard amends the definition of a related party which resulted in new relations being included in the definition, such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel.
Revised IAS 24 is not relevant to the Group's financial statements as the Group is not a government-related entity and the revised definition of a related party is not expected to result in new relations requiring disclosure in the financial statements.

Amendment to IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2011)
The amendment of IFRIC 14 addresses the accounting treatment for prepayments made when there are also minimum funding requirements (MFR). Under the amendments, an entity is required to recognize certain prepayments as an asset on the basis that the entity has a future economic benefit from the prepayment in the form of reduced cash outflows in future years in which MFR payments would otherwise be required.
The amendments to IFRIC 14 is not relevant to the Group's financial statements as the Group does not have any defined benefit plans with minimum funding requirements

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after 1 July 2010)

The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a "debt for equity swap" are consideration paid in accordance with IAS 39.41.
The initial measurement of equity instruments issued to extinguish a financial liability is at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instrument should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of equity instruments issued should be recognized in profit or loss.

The Group did not issue equity to extinguish any financial liability during the current period. Therefore, the Interpretation will have no impact on the comparative amounts in the Group's financial statements for the year ending 31 December 2010.

E. Principal Assumptions

For reported claims (RBNS) the consolidated 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 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.
IBNR calculations are chosen with respect to known information e.g. values accepted if insurer's calculation provided, Incremental Loss Ratio methodology (ILR), chain ladder triangles or loss ratio methodology. ILR method is based on historical data extrapolation to estimate ultimate claims (methodology was developed by prof. Mack).
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 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, 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 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.

F. Risk Reporting

F.1. Risk management

F.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 reinsurance Group (VIG Re). The reinsurance business of the Group and the insurance business of 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 obli¬gations 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 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, 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.
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, there have been formed reserves 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.

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

Actuarial department: Underwriting risks are managed by internal resources of VIG Re supported 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 management department: VIG Re, with the support of the risk management department of Kooperativa pojišťovna, a.s., Vienna Insurance Group, 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 financial accounting and claims 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. The Group monitors and controls regularly its business development by comparison with plans and reinsurance contracts signed.

Audit: The VIG Holding Internal 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.

F.2. Reinsurance risk

F.2.1. Introduction

The Group assumes both reinsurance from VIG companies and reinsurance from non-group companies. In 2010 the majority of reinsurance assumed is from group companies. The Group writes long tail as well as short tail business, and writes both proportional and non-proportional reinsurance business. In 2010 the Group started to write facultative reinsurance business.
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.

F.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 about 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

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 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.

Health

For contracts where health is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or wide spread 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 wide spread 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. 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.

Life reserves are principally stated to cover maturity and surrender benefits. In life portfolio, there are in fact no annuities with current payments included and therefore the risk of increase of longevity is not evident. Concerning the insured death risks there can be stated that the used risk rates are sufficient, due to these margins in reinsurance treaties are generally included profit commission rules to share and repay parts of the expected positive risk results to the cedent.

F.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 20 MIO EUR per event of loss due to natural catastrophe can be placed at risk on a PML (probable maximum loss) basis. The maximum Group retention per individual loss is less than 4 MIO EUR.
- 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 being unable 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, 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 4 MIO EUR. 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 takes also into account the respective local VIG company' need to comply with the arm's length principle.

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.

F.2.4. Concentration risk

In general, the Group writes business only 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 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 counterparty will fail to discharge an obligation and cause the Group to incur a financial loss.

F.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 recognized 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 rating the higher 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 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 on 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 Group. The majority of the cedents consist 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)

The Group 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). The Group is therefore exposed to the risk of insolvency on the part of reinsurers. The Group follows a strict policy on reinsurer selection.

F.3.4. Credit risk exposure

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

Collectively impaired – carrying amount	Reinsurance receivables		Other financial assets	
	2010	2009	2010	2009
In EUR '000				
Gross amount				
Up to 30 days after maturity	79 972	41 078		
31 days to 90 days after maturity	9 424	127		
91 days to 180 days after maturity	3 525	1 138		
181 days to 1 year after maturity	1 609	2 658		
Neither past due nor impaired – carrying amount	17		498 328	376 867
Total carrying amount	94 547	45 001	498 328	376 867

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. Majority of counterparties are the Companies within the VIG (see related party disclosures G.26.) therefore the Group have enough information to evaluate the quality of counterparty.

Cash and cash equivalents are neither individually nor collectively impaired.

Credit risk exposure 2010 Standard & Poor's rating	AAA	AA	A	B / BB / BBB	No Rating	Carrying value in balance sheet
In EUR '000						
Financial investments[1]	21 586	15 094	134 704	7 079	2 140	180 603
Deposits due from cedents			85 759		137 387	223 146
Cash and cash equivalents				22	574	596
Receivables and ceded share of reinsurance liabilities		55 510	98 269	5 847	28 438	188 064
Other receivables			26		440	466
Total	21 586	70 604	318 712	12 948	168 979	592 875
In %	3.6	11.9	53.8	2.2	28.5	100

[1] Except for deposits due from cedents

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[1]	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

[1] Except for deposits due from cedents

F.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.
- Majority of the debt securities are held 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:

2010 Expected contractual maturities of assets	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					
Financial assets held to maturity	4 221	67 065	58 903	17 453	147 642
Financial assets available for sale	2 140	10 156	9	3 799	16 104
Loans – Term deposits	16 857				16 857
Deposit due from cedents[1]	21 420	25 664	31 982	144 080	223 146
Receivables	93 925	1			93 926
Ceded share of reinsurance liabilities[1]	71 754	12 897	5 369	3 963	93 983
Cash and cash equivalents	596				596
Other receivables	621				621
Total	211 534	115 783	96 263	169 295	592 875

[1] Expected timing and cash flows

2010 Expected contractual maturities of liabilities	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[1]					
Unearned premiums	19 650	341			19 991
Outstanding claims	85 859	50 515	19 445	13 944	169 763
Life reinsurance provision	9 417	25 111	31 389	59 640	125 557
Other	1 496			84 053	85 549
Provisions				1	1
Other liabilities – issued bonds		173			173
Payables	78 338				78 338
Tax liabilities	1 339	83		88	1 510
Other Liabilities	1 285				1 285
Total	197 384	76 223	50 834	157 726	482 167

[1] Expected timing and cash flows

2009 Expected contractual maturities of assets	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
Deposit due from cedents[1]	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

[1] Expected timing and cash flows

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

2009 Expected contractual maturities of liabilities	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[1]	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 – issued bonds		166			166
Liabilities	67 640				67 640
Other Liabilities	312				312
Total	153 225	41 460	37 876	142 677	375 238

[1] Expected timing and cash flows

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 recognized assets and liabilities denominated in other currency than functional currency. The Group exposure to foreign currency risk within the investment portfolios supporting the Group's euro zone 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 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:

2010 Currency	Total Assets	Total Liabilities	Net Amount
in EUR '000			
EUR	560 218	458 139	102 079
CZK	17 480	4 068	13 412
HUF	6 559	8 562	-2 003
RSD	13 262	10 401	2 860
Other	909	997	-88
Total	598 428	482 167	116 261

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

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 Euro. As a result, interest rate fluctuations in the Euro zone 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.

2010	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	2.67%	3 262	6 140		754	3 808		13 963
Financial assets available for sale – investment funds							2 140	2 140
Financial assets held to maturity – debt securities	4.35%		10 739	4 205	62 861	69 837		147 642
Loans – Term deposits	2.86%	10 374	6 484					16 857
Deposit due from cedents	3.15%		21 420	25 664		176 062		223 146
Cash and cash equivalents	0.00%	596						596
Total financial assets		14 232	44 783	29 869	63 614	249 706	2 140	404 344
Other liabilities – issued bonds	3.80%				173			173
Total financial liabilities					173			173

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
Deposit 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 – issued bonds	3.80%				166			166
Total financial liabilities					166			166

Sensitivity analysis:

The market risk of the Group's financial assets and liabilities is monitored and measured on a continuing 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 historical method. 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 was as follows:

VAR to 31 December	2010	2009
in EUR '000		
Total portfolio size	171 173	134 206
Historical VaR 60d; 1%	9 003	1 106
Relative VaR (%)	5.26	0.8

Cash and deposits are excluded from the VaR positions as they bare negligible market risk.

The VaR figure can be interpreted that there is a 1% probability that the portfolio will fall in value by more than TEUR 9 003 over a 60 day period, assuming markets are normal and there is no trading. The accuracy of the VaR model is regularly monitored.

The Group's liabilities were not exposed to any significant interest risk at the balance sheet date. The exposure to currency risk is limited – a 10% movement in the Hungarian forint and Serbian dinar would result in a change in provisions TEUR 778 and TEUR 946 respectively.

F.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 Coll. and the regulation no. 303/2004 Coll., 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.

Regulatory capital as at 31 December		2010	2009
in EUR '000			
Required solvency margin	Life and non-life reinsurance	32 794	25 100
Available solvency elements	Life and non-life reinsurance	124 489	105 557

The Group closely monitors its compliance with the regulatory capital requirements. The current base of calculation with respect to capital the 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.

G. Notes to the Financial Statements

G.1. Intagible assets

Intangible assets	2010	2009
in EUR '000		
Software and license	1 591	1 410
Total intangible assets	**1 591**	**1 410**

2010	Software	License	Total
in EUR '000			
Balance as at 1 January	81	1 334	1 415
Additions		371	
Balance as at 31 December	81	1 705	1 786
Balance as at 1 January	5		5
Amortizations	20	170	190
Balance as at 31 December	25	170	195
Book value as of 1 January	**76**	**1 334**	**1 410**
Book value as of 31 December	**57**	**1 535**	**1 591**

2009	Software	License	Total
in EUR '000			
Balance as at 1 January	81	1 334	1 415
Additions			
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**

G.2. Property, plant and equipment

Property, plant and equipment – 2010	Vehicles	Other	Total
in EUR '000			
Balance as at 1 January	79	102	181
Additions		113	113
Disposals		54	54
Balance as at 31 December	79	161	240
Balance as at 1 January	8	9	17
Amortizations	19	16	35
Balance as at 31 December	27	25	52
Book value as of 1 January	**71**	**93**	**164**
Book value as of 31 December	**51**	**137**	**188**

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

G.3. Financial instruments

Financial instruments	2010	2009
in EUR ’000		
Financial assets available for sale	16 104	7 233
Financial assets held to maturity	147 642	126 973
Loans – Term deposits	16 857	26 280
Deposits due from cedents	223 146	216 381
Total	403 749	376 867

G.3.1. Financial assets available for sale

Financial assets available for sale	2010	2009
in EUR ’000		
Debt securities		
Government bonds	13 963	7 233
Investment funds	2 141	
Total	16 104	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
Debt securities	14 078		-115		13 963
Investment funds	2 000		141		2 141
Total	16 078		26		16 104

Fair value hierarchy	Level 1	Level 2	Level 3	Total
Financial assets available for sale	14 092	2 012		16 104

Level 1 represents quoted prices in active markets for identical assets or liabilities.
Level 2 represents marked-to-market the comparable financial instrument is calculated by using valuation techniques for which all significant inputs are based on observable market data.

G.3.2. Financial assets held to maturity

Financial assets held to maturity	2010	2009
in EUR '000		
Debt securities		
Government bonds	138 372	102 924
Other public sector bonds	10	18 241
Corporate bonds	9 260	5 808
Total	147 642	126 973

Financial assets held to maturity	Carrying amount	Fair value
in EUR '000		
Debt securities		
Government bonds	138 372	143 357
Other public sector bonds	10	516
Corporate bonds	9 260	9 412
Total	147 642	153 285

G.3.3. Loans and Deposits

Loans and Deposits	2010	2009
in EUR '000		
Loans – Term deposits	16 857	26 280
Deposits due from cedents	223 146	216 381
Total	240 003	242 661

Loans and term deposits	Carrying amount	Fair value
in EUR '000		
Loans – Term deposits	16 857	16 857
Total	16 857	16 857

Deposits due from cedents in relation to insurance liabilities

Assets		Liabilities	
in EUR '000			
Deposits due from cedents	223 146	Unearned premiums	7 654
		Outstanding claims	4 382
		Life reinsurance provision	125 562
		Other – Aging reserves	84 053
		Other – Provision for bonuses and rebates	1 495
Total gross	223 146		223 146

Deposits due from cedents 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 on the balance sheet year generally derive from the values for the changes in the related technical provisions for the reinsured business.
Deposits due from cedents thus do not have a fixed maturity date, their release generally being dependent on the run-off of the corresponding provisions.

G.4. Receivables

Receivables	2010	2009
in EUR '000		
Receivables arising out of assumed reinsurance – cedents	48 782	15 520
Receivables arising out of reinsurance operations – retrocession	45 148	29 377
Trade and other receivables	621	79
Prepayments		25
Total gross	**94 551**	**45 001**
Impairment	-4	
Total net	**94 547**	**45 001**

G.5. Ceded share of reinsurance liabilities

Ceded share of reinsurance liabilities	2010	2009
in EUR '000		
Unearned premiums	6 083	1 026
Outstanding claims	87 900	58 434
Total	**93 983**	**59 460**

G.6. Deferred tax

The deferred tax credits and liabilities recognized 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		2010		2009
Balance sheet position	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment		3		2
Intangible assets		73		
Available for sale securities		5		
Receivables		1		
Liabilities		1		
Equalization reserve		88		96
Total		171		98
Net Balance		**171**		**98**

Movement in deferred tax	2010	2009
Net deferred tax asset/(liability) – opening balance	**-98**	**-102**
Deferred tax (expense)/income for the period	-68	4
Deferred tax recognized directly in equity	-5	
Net deferred tax asset/(liability) – closing balance	**-171**	**-98**

In accordance with the accounting method described in C.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 19% for the year (2009: 19%).

G.7. Other assets

Other assets	2010	2009
in EUR '000		
Prepaid expenses	1 082	2
Total	1 082	2

G.8. Deferred acquisition costs

Development of DAC	2010	2009
in EUR '000		
Book value – opening balance	989	
Acquisition of subsidiary	-75	
Costs deferred during the current year	2 548	989
DAC released during the current year	821	
Book value – closing balance	2 641	989

G.9. Cash and cash equivalents

Cash and cash equivalents	2010	2009
in EUR '000		
Cash and cash equivalents	6	1
Cash at bank	590	315
Total	596	316

G.10. Shareholders' equity

Share capital	2010	2009
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.11. Unearned premiums

Unearned premium provision – 2010	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	15 931	1 867	14 064
Premium written during the current year	280 662	103 412	177 250
Less premium earned during the current year	-277 151	-99 083	-178 068
Novation			
Clean cut system	552	-113	665
FX translation	-3		-3
Book value – closing balance	19 991	6 083	13 908

The Group booked portfolio entries of provision as explained in C.22.

G.12. Outstanding claims

RBNS – 2010	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	73 409	53 690	19 719
Acquisition of subsidiary	2 079	1 372	707
Claims incurred and reported	223 013	114 465	108 548
Less claims paid	-182 048	-87 915	-94 133
Novation	32 926		32 926
Release of reserves	-1 126		-1 126
Clean cut system	-6 026		-6 026
FX translation	-17		-17
Book value – closing balance	142 210	81 613	60 597

IBNR – 2010	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	14 261	4 744	9 517
Acquisition of subsidiary	-239		-239
Claims incurred	80 738	29 605	51 133
Less transfer to RBNS	-67 207	-28 061	-39 146
FX translation			
Book value – closing balance	27 553	6 288	21 265

Claims development table – Property/Casualty on a gross basis	UY 2010	UY 2009	Total
in EUR '000			
Estimate of total cumulative claims at the end of the underwriting year	209 282	158 102	368 384
One year later		177 549	177 549
Estimate of cumulative claims	209 282	177 549	386 831
Cumulative payment	107 247	115 911	223 158
Value recognized on balance sheet	102 035	61 638	163 673

The Group booked portfolio entries of provision as explained in C.22. Existing portfolio transfers from novation are considered to be for the underwriting year in which they come into the Group's portfolio.

Outstanding claims related to health (4.8 MIO EUR) and life (1.5 MIO EUR) are not included in the above table due to their relative insignificance.

RBNS – 2009	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	412	290	122
Claims incurred and reported	181 974	84 437	97 537
Less claims paid	-112 005	-31 504	-80 501
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 – Property/Casualty on a gross basis	UY 2010	UY 2009	Total
in EUR '000			
Estimate of total cumulative claims at the end of the underwriting year	199 674		199 674
One year later			
Estimate of cumulative claims	199 674		199 674
Cumulative payment	112 004		112 004
Value recognized in balance sheet	87 670		87 670

G.13. Life reinsurance provision

Life reinsurance provision	2010	2009
in EUR '000		
Gross	125 557	123 985
Retrocession		
Net	125 557	123 985

Development in 2010	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	123 985		123 985
Additions	1 572		1 572
Book value – closing balance	125 557		125 557

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 Group booked portfolio entries of provision as explained in C.22.

G.14. Other

Ageing reserves	2010	2009
in EUR '000		
Gross	84 053	78 903
Retrocession		
Net	84 053	78 903

Development in 2010	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	78 903		78 903
Additions	5 150		5 150
Book value – closing balance	84 053		84 053

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 Group booked portfolio entries of provision as explained in C.22.

Reserves for premium and rebates	2010	2009
in EUR '000		
Gross	1 496	1 495
Retrocession		
Net	1 496	1 495

Development in 2010	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	1 495		1 495
Additions	1		1
Book value – closing balance	1 496		1 496

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.15. Other liabilities – Issued bonds

Other liabilities – issued bonds	2010	2009
in EUR '000		
Zero Bond	173	166
Total	173	166

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

G.16. Payables

Payables	2010	2009
in EUR '000		
Payables arising out of reinsurance operations – cedents	66 703	60 666
Payables arising out of reinsurance operations – retrocession	10 259	5 797
Deposits on ceded reinsurance business	68	
Trade payables	32	1 082
Wages and salaries	100	29
Social security and health insurance	18	7
Other payables	1 158	59
Total	78 338	67 640

G.17. Other liabilities

Other liabilities	2010	2009
in EUR '000		
Accruals	1 285	312
Total	1 285	312

G.18. Premium

2010 Premium written – Reinsurance premium	Property/Casualty	Health	Life	Total
in EUR ’000				
Gross				
Austria	66 867	40 079	14 758	121 704
Germany	28 034	174	53	28 261
Czech Republic	37 261		72	37 333
Slovakia	15 827		448	16 275
Poland	4 528		189	4 717
Romania	14 503		125	14 628
Croatia	5 108		7 814	12 922
Hungary	26 454		102	26 556
Turkey	1 315	1 104		2 419
Serbia	8 418			8 418
Other CEE[1]	7 341		38	7 379
Premium written	**215 656**	**41 357**	**23 599**	**280 612**
Retroceded premium	**-102 491**		**-799**	**-103 290**
Premium written – Retained	**113 165**	**41 357**	**22 800**	**177 322**

[1] Other CEE represents following countries: Albania, Belarus, Bosnia, Bulgaria, Georgia, Lithuania, Macedonia, Moldavia, Russia, Slovenia, Montenegro.

2009 Premium written – Reinsurance premium	Property/Casualty	Health	Life	Total
in EUR ’000				
Gross				
Austria	74 583	38 507	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[1]	15 224		7 925	23 149
Premium written	**194 194**	**38 507**	**24 540**	**257 241**
Retroceded premium	**-92 407**		**-756**	**-93 163**
Premium written – Retained	**101 787**	**38 507**	**23 784**	**164 078**

[1] Other CEE represents following countries: Albania, Bulgaria, Belarus, Georgia, Croatia, Hungary, Macedonia, Serbia, Turkey and Ukraine.

In 2010 the Group wrote premium of 261.6 MIO EUR from group companies and 19 MIO EUR from external parties (in 2009 240.9 MIO EUR from group companies and 16.3 MIO EUR from external parties).

2010 Premium written – Reinsurance premium	Property/Casualty Gross	Property/Casualty Ceded	Property/Casualty Net
in EUR ’000			
Property/Casualty			
MTPL	26 400	-10 484	15 916
Other motor vehicle reinsurance	23 129	-1 915	21 214
Casualty	22 878	-6 003	16 875
Liability	3 949	-1 176	2 773
Property	136 304	-82 233	54 071
Marine	2 996	-680	2 316
Premium written	215 656	-102 491	113 165

2009 Premium written – Reinsurance premium	Property/Casualty Gross	Property/Casualty Ceded	Property/Casualty Net
in EUR ’000			
Property/Casualty			
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	
Premium written	194 194	-92 407	101 787

G.19. Investment result

Investment income	2010	2009
in EUR ’000		
Interest income		
Loans and term deposits	191	584
Deposits due from cedents	5 130	4 599
Financial investments held to maturity	5 853	2 974
Financial investments available for sale	261	26
FX gains	1 052	398
Total current income	12 487	8 581
Gains from the disposal of financial investments		
Financial investments held to maturity	28	
Financial investments available for sale	59	
Total gains from the disposals of investments	87	
Total	12 574	8 581

Investment expense	2010	2009
in EUR '000		
Management fees	172	166
FX losses	14	
FX Derivative	162	
Total	348	166

G.20. Other income

Other income	2010	2009
in EUR '000		
Foreign currency gains	92	639
Badwill	244	
Total	336	639

G.21. Claims and insurance benefits

Expenses for claims and insurance benefits – 2010	Gross	Retrocession	Net
in EUR '000			
Property/casualty/health			
Expenses for insurance claims			
Claims and benefits	169 107	-87 520	81 587
Changes in provision for outstanding claims	53 575	-28 886	24 689
Subtotal	222 682	-116 406	106 276
Changes in other insurance liabilities			
Total non-life expenses for claims and insurance benefits	222 682	-116 406	106 276

Expenses for claims and insurance benefits – 2010	Gross	Retrocession	Net
in EUR '000			
Life			
Expenses for insurance claims			
Claims and benefits	12 573	-41	12 532
Changes in provision for outstanding claims	-1 117	400	-717
Subtotal	11 456	359	11 815
Changes in mathematical reserve	9 146		9 146
Changes in other insurance liabilities			
Total life expenses for claims and insurance benefits	20 602	359	20 961
Total	243 284	-116 047	127 237

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

G.22. Acquisition expenses

Commission expenses		2010			2009	
	Property/ Casualty	Health	Life	Property/ Casualty	Health	Life
in EUR '000						
Reinsurance commission – Fix	17 846	3 846	-54	19 002	2 842	
Reinsurance commission – Sliding scale	24 741			12 293		
Reinsurance commission – Profit commission	1 969		2 555			2 535
Reinsurance commission – Health (administration)		1 434			1 622	
Total	44 556	5 280	2 501	31 295	4 464	2 535

G.23. Other operating expenses

Other operating expenses	2010	2009
in EUR '000		
Personnel expenses	981	625
Mandatory social security contributions and expenses	134	54
Depreciation of property, plant and equipment	35	22
Amortization of intangible assets	191	
Rental expenses	147	107
IT expenses	320	467
Services	96	150
Other administrative expenses	467	17
Total	2 371	1 442

Employee statistics	2010	2009
Number of employees	17	7
Personal expenses		
Wages and salaries	977	622
Mandatory social security contribution expenses	133	54
Other social security expenses	5	3
Total	1 115	679
Board of Directors and Supervisory Board compensation		
Management Board compensation	592	303
Supervisory Board compensation	27	22
Total	619	325

G.24. Other expenses

Other expenses	2010	2009
in EUR '000		
Foreign currency losses	156	49
Interests from retrocession operations	18	15
Other	4	
Total	178	64

G.25. Tax expense

Tax expense	2010	2009
in EUR '000		
Current taxes		
– Actual taxes current period	2 935	2 667
– Actual taxes related to other periods	91	
Total current taxes	3 026	2 667
Deferred taxes	71	4
Total taxes	3 097	2 671

Tax rate reconciliation	2010	2009
in EUR '000		
Expected tax rate in %	19	20
Profit before tax	18 556	14 426
Income tax using the domestic corporation tax rate	3 526	2 885
Adjusted for tax effects due to:		
– Effects of tax rates in foreign jurisdictions	-14	
– Non-deductible expenses other	659	296
– Non-deductible expenses – FX differences[1]	-1 183	-510
– Income exempted from tax	-21	
– Under/over provided in prior years	131	
– Changes in tax rates	-1	
Income tax expense	3 097	2 671
Effective tax rate in %	16.70	18.51

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

Tax rates in foreign jurisdictions significantly differ from domestic corporation tax rate.

G.26. Related parties

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

G.26.1. Shareholders

Shareholders as at 31 December 2010:

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	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 VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (VIG).

Transactions with the parent company	2010	2009
in EUR '000		
Balance sheet		
Deposits due from cedents	68	84 969
Receivables	619	10 715
Technical provisions	996	110 962
Liabilities	12	
Income statement		
Premiums earned	3 835	38 481
Investment and other income/expenses		91
Claims	-829	-47 060
Commission expenses	383	-4 464

In 2010, the parent of the Group has transferred its Austrian operating business to a wholly own subsidiary Vienna Insurance Group Wiener Städtische Versicherung AG.

Transactions with other entities with joint control or significant influence	2010	2009
in EUR '000		
Balance sheet		
Deposits due from cedents	362	
Receivables	2 286	4 231
Technical provisions	42 930	22 238
Liabilities	23 363	26 266
Income statement		
Premiums earned	55 655	57 063
Investment and other income/expenses	-550	-583
Claims	-80 623	-48 068
Commission expenses	-2 277	-2 046

Transactions between the Group and entities with joint control relate to reinsurance/retrocession contracts and servicing contracts relate to back office.

G.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. The Group has no transactions with family members of key management personnel.

G.26.3. Other related parties

Other related parties represent fellow subsidiaries, associates and joint ventures of the ultimate parent Group.
Transactions between the Group and other related parties are based on only to reinsurance contracts.

Transactions with other related parties	2010	2009
in EUR '000		
Balance sheet		
Deposits due from cedents	120 269	24 813
Receivables	37 450	15 254
Technical provisions	220 704	48 582
Liabilities	71 784	54 609
Income statement		
Premiums earned	201 661	133 014
Investment and other income/expenses	-112	
Claims	-112 543	-53 841
Commission expenses	-43 800	-32 055

Transactions between the Group and other related parties relate to reinsurance/retrocession contracts and actuarial services.

G.27. Fair value of financial assets and liabilities

	31. 12. 2010		31. 12. 2009	
Financial assets	Fair value	Carrying amount	Fair value	Carrying amount
in EUR '000				
Financial investments	409 391	403 749	381 340	376 867
Financial assets held to maturity	153 284	147 642	131 446	126 973
Financial assets available for sale	16 104	16 104	7 233	7 233
Loans and deposits	240 003	240 003	242 661	242 661
Receivables	94 547	94 547	45 001	45 001
Cash and cash equivalents	596	596	316	316
Total financial assets	504 534	498 892	426 657	422 184
Financial liabilities				
Other liabilities – issued bonds	173	173	166	166
Payables	78 338	78 338	67 640	67 640
Other liabilities	1 285	1 285	312	312
Total financial liabilities	79 796	79 796	68 188	68 188

G.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 to the actual results. Significant estimates and assumptions are summarized below.

G.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 recognized amounts, are discussed in part E.

G.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 receivables are grouped on the basis of similar credit risk characteristics.

G.28.3. Income taxes

Judgement 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 impacts the income tax and deferred tax in the period in which such determination is made.

G.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.

G.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 31 March 2011.

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	Klimentská 1216/46, ZIP 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 re-insurance 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

The company	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe
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 "VIG AG").

The Company of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe with registered office at Schottenring 30, Vienna 1010, Austria, (hereinafter referred to as "VIG AG") carried the commercial name VIENNA INSURANCE GROUP AG Wiener Städtische Versicherung until August 8, 2010.
The line of business is specified in the by-laws of the company.

3. Related parties

The list of the affiliated companies of VIG AG including the business name and the share of VIG AG in the authorized capital represents an annex hereof.

Part II. Relationship Between the Holding Parties

1. Manner of Controlling

VIG AG 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. Relation Structure

The share of VIG AG in other affiliated companies expressed in percentage of the authorized capital is given in the annex hereof.

Part III. Period

This report is prepared for the last accounting period, i.e. from 1 January 2010 to 31 December 2010.

Part IV. Contracts and Agreements Concluded Between Holding Parties

1. Contracts and Agreements concluded between VIG AG and VIG Re

As at 31 December 2010 the cost sharing contract between VIG AG and VIG Re was in force.
As at 31 December 2010 re-insurance contracts between VIG AG and VIG Re were in force.

2. Contracts and Agreements concluded between VIG Re and other Controlled Parties, where the Controlling Party is VIG AG

As at 31 December 2010 the cost sharing contract between VIG Re and Kooperativa poisťovna, a.s., Vienna Insurance Group was in force.
As at 31 December 2010 re-insurance contracts between VIG Re and Wiener Städtische Versicherung AG Vienna Insurance Group were in force.
As at 31 December 2010 the insurance contract No. 4950050683 between VIG Re and Kooperativa poisťovna, a.s., Vienna Insurance Group was in force.
As at 31 December 2010 the Amendment No. 8 to Frame insurance contract No. 50 910533 – 51 based on tariff 3LC between VIG Re and Kooperativa pojišťovna , a.s., Vienna Insurance Group was in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A. were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company BCR Asigurari Vienna Insurance Group S.A. were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and company BENEFIA S.A. Vienna Insurance Group were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company Bulgarski Imoti Insurance Company AD were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company BULSTRAD LIFE VIENNA INSURANCE GROUP JSC were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company BULSTRAD VIENNA INSURANCE GROUP PLC were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company Compensa TU S.A. Vienna Insurance Group were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and company Compensa TU Na Życie Spolka Akcyjna Vienna Insurance Group were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company DONAU Versicherung AG Vienna Insurance Group were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company Helios Vienna Insurance Group d.d. were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company InterRisk Versicherungs-AG Vienna Insurance Group were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and company InterRisk Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and company Komunálna poisťovňa, a.s., Vienna Insurance Group were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company Kooperativa poisťovňa, a.s., Vienna Insurance Group were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company Kooperativa pojišťovna, a.s., Vienna Insurance Group were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company Kvarner Vienna Insurance Group d.d. were in force.

As at 31 December 2010 re-insurance contracts between VIG Re and the company Polski Zwiazek Motorowy TU S.A. Vienna Insurance Group were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company Union Vienna Insurance Group Biztosító Zrt were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and company ERSTE Vienna Insurance Group Biztosító Zrt. were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company Erste osiguranje Vienna Insurance Group d.d. were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company OMNIASIG VIENNA INSURANCE GROUP S.A. were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company Poisťovňa Slovenskej Sporiteĺne, a.s. Vienna Insurance Group were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company Sparkassen Versicherung AG Vienna Insurance Group were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company SIGURIA E MAHDE VIENNA INSURANCE GROUP Sh.A. were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company Joint Stock insurance company WINNER - Vienna Insurance Group were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company ZASO Victoria Non-Life were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and Company with additional liability Insurance Company with additional liability "Globus" were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company Private Joint-Stock Company Ukrainian Insurance Company "Kniazha Vienna Insurance Group" were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company GPI Holding JSC were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company International Insurance Company IRAO Ltd. were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company Ray Sigorta a.S. were in force.
As at 31 December 2010 re-insurance contracts between VIG Re and the company CJSC Insurance Company "Ukrainian Insurance Group"were in force.
No harm was suffered by VIG Re based on the contracts and agreements stated above.

Part V. Other Legal Acts and Other Measure Taken in the Interest or from the Initiative of Related Parties

In 2010 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 secrets of VIG AG, VIG Re and of other related parties are considered confidential; furthermore information is confidential, which was declared as such by any party, which is part of the holding and also information originating from business contact, which could cause harm – in and of themselves or in relation to 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 will be submitted for revision by the Supervisory Board and KPMG Audit, s.r.o., the auditor, who audited the statement of balances as of 31 December 2010. Pursuant to legal provisions, VIG Re is obliged to execute the Annual Report and 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 in Prague, 11 March 2011.

Signatures of the Chairman of the Management Board and the member of the Management Board of the controlled party, VIG RE zajišťovna, a.s.:

Peter Hagen
Chairman of Management Board and CEO

Dušan Bogdanović
Member of the Management Board

Related parties and equity of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe

Company	Country	Share %
Consolidated companies		
"Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Vienna	Austria	100.00
"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna	Austria	55.00
"WIENER RE" akcionarsko društvo za reosiguranje, Belgrade	Serbia	100.00
"WIENER STÄDTISCHE OSIGURANJE" akcionarsko drustvo za osiguranje, Belgrade	Serbia	100.00
Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.00
Andel Investment Praha s.r.o., Prague	Czech Republic	100.00
ARITHMETICA Versicherungs- und Finanzmathematische		
Beratungs-Gesellschaft m.b.H., Vienna	Austria	100.00
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A., Bukurest	Romania	99.10
BENEFIA Towarzystwo Ubezpieczen na Zycie S.A. Vienna Insurance Group, Warsaw	Poland	100.00
BENEFIA Towarzystwo Ubezpieczen S.A. Vienna Insurance Group, Warsaw	Poland	100.00
Blizzard Real Sp. z o.o., Warsaw	Poland	100.00
BML Versicherungsmakler GmbH, Vienna	Austria	100.00
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	99.91
Bulgarski Imoti Non-Life Insurance Company AD, Sofia	Bulgaria	99.91
BULSTRAD LIFE VIENNA INSURANCE GROUP Joint Stock Company, Sofia	Bulgaria	95.11
BULSTRAD VIENNA INSURANCE GROUP PUBLIC LIMITED COMPANY, Sofia	Bulgaria	97.08
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00
CAME Holding GmbH, Vienna	Austria	100.00
CENTER Hotelbetriebs GmbH, Vienna	Austria	80.00
CAPITOL, a.s., Bratislava	Slovakia	100.00
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	98.39
COMPENSA Holding GmbH, Wiesbaden	Germany	100.00
Compensa Life Vienna Insurance Group SE, Tallinn	Estonia	100.00
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.89
Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	100.00
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	100.00
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	99.24
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99.59
Erste osiguranje Vienna Insurance Group d.d., Zahreb	Croatia	95.00
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	95.00
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	55.00
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg	Austria	55.00
HELIOS Vienna Insurance Group d.d., Zahreb	Croatia	100.00
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00
IC Globus, Kiev	Ukraine	80.00
International Insurance Company IRAO Ltd., Tiflis	Georgia	90.00
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00
InterRisk Towarzystwo Ubezpieczen Spolka Skcyjna Vienna Insurance Group, Warsaw	Poland	99.97
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	Macedonia	100.00
JSC "GPI Insurance Company Holding", Tiflis	Georgia	72.00
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Hungary	100.00

Company	Country	Share %
Consolidated companies		
Kapitol pojišťovací a finanční poradenství, a.s., Prague	Czech Republic	100.00
Komunálna poistovna, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00
KOOPERATIVA poisťovna, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00
Kooperativa, pojisťovna, a.s. Vienna Insurance Group, Prague	Czech Republic	98.39
Kvarner Vienna Insurance Group dionicko drustvo za osiguranje, Rijeka	Croatia	98.75
Kvarner Wiener Städtische Nekretnine d.o.o., Zahreb	Croatia	98.75
LVP Holding GmbH, Vienna	Austria	100.00
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	100.00
NEUE HEIMAT Gemeinnützige Wohnungs-und SiedlungsgesmbH, Linz	Austria	99.81
Neue Heimat Oberösterreich Holding GmbH, Vienna	Austria	100.00
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	25.08
OMNIASIG VIENNA INSURANCE GROUP S.A., Bukurest	Romania	99.10
Passat Real Sp. z o.o., Warsaw	Poland	100.00
PFG Holding GmbH, Vienna	Austria	89.23
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	100.00
PJSC Insurance Company “Ukrainian Insurance Group”, Kiev	Ukraine	100.00
Poisťovna Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava	Slovakia	95.00
Pojišťovna České spořitelny, a.s. Vienna Insurance Group, Prague	Czech Republic	95.00
Polski Zwiazek Motorowy Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	96.22
PRIVATE JOINT-STOCK COMPANY UKRAINIAN INSURANCE COMPANY “KNIAZHA VIENNA INSURANCE GROUP”, Kiev	Ukraine	99.99
Private Joint-Stock Company “JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP”, Kiev	Ukraine	95.55
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	60.00
Projektbau GesmbH, Vienna	Austria	90.00
Projektbau Holding GmbH, Vienna	Austria	90.00
Ray Sigorta A.S., Istanbul	Turkey	94.26
S.C. BCR Asigurari de Viata Vienna Insurance Group S.A., Bukurest	Romania	91.31
S.C. BCR Asigurari Vienna Insurance Group S.A., Bukurest	Romania	95.93
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00
Senioren Residenz Fultererpark Errichtungs- und VerwaltungsGmbH, Innsbruck	Austria	100.00
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70
SIGURIA E MAHDE VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	87.01
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	25.08
Sparkassen Versicherung AG Vienna Insurance Group, Vienna	Austria	95.00
TBI BULGARIA EAD, Sofia	Bulgaria	100.00
TBIH Financial Services Group N.V., Amsterdam	Holland	100.00
UNION Vienna Insurance Group Biztositó Zrt., Budapest	Hungary	100.00
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungs-gesellschaft m.b.H., Vienna	Austria	25.08
Vienna-Life Lebensversicherung Aktiengesellschaft, Bendern	Liechtenstein	100.00
VIG RE zajišťovna, a.s., Prague	Czech Republic	100.00
VIG REAL ESTATE DOO, Belgrade	Serbia	100.00
VLTAVA majetkovosprávní a podílová spol.s.r.o., Prague	Czech Republic	100.00
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100.00
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	100.00
WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group, Vienna	Austria	100.00
Wiener Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100.00
WPWS Vermögensverwaltung GmbH, Vienna	Austria	100.00

Company	Country	Share %
Companies consolidated by equity method		
AIS Servis, s.r.o., Brno	Czech Republic	100.00
Benefita, a.s., Prague	Czech Republic	100.00
Ceska Kooperativa London Ltd., London	Great Britain	100.00
ČPP Servis, s.r.o., Prague	Czech Republic	100.00
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30.00
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00
Global Expert, s.r.o., Pardubice	Czech Republic	100.00
HOTELY SRNÍ, a.s., Prague	Czech Republic	72.43
Kámen Ostroměř, s.r.o., Ostroměř	Czech Republic	100.00
KIP, a.s., Prague	Czech Republic	86.65
KOORDITA, a.s., Ostrava-Hrabová	Czech Republic	100.00
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.97
Mělnická zdravotní, a.s., Prague	Czech Republic	100.00
Sanatorium Astoria a.s., Karlovy Vary	Czech Republic	75.06
Sparkassen Immobilien AG, Vienna	Austria	10.04
SURPMO, a.s., Prague	Czech Republic	100.00
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	Austria	60.00
UNIGEO, a.s., Ostrava-Hrabová	Czech Republic	100.00
Unconsolidated companies		
CAPITOL Spolka z o.o., Warsaw	Poland	100.00
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	44.00
Geschlossene Aktiengesellschaft Strachowaja kompanija “MSK- Life”, Moscow	Russia	25.00
Private Joint-stock company “VAB Life”, Kiev	Ukraine	100.00
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	Austria	35.00
Versicherungsaktiengesellschaft “Kupala”, Minsk	Belarus	98.26
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
Vienna International Underwriters GmbH, Vienna	Austria	100.00
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Podgorica	Montenegro	100.00
Interalbanian Sh.a., Tirana	Albania	75.00
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100.00
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	Austria	100.00
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00
Senioren Residenz gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	100.00
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	36.57
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	43.26
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	74.64
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	40.00
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	23.56
V.I.G. ND, uzavřený investični fond a.s., Prague	Czech Republic	100.00

Information for Investors

(According to section 118 of Act no. 256/2004 Coll., on Trading on Capital Market in the sense of Act no. 104/2008 Coll.)

Characteristic of VIG Re

The Czech National Bank granted VIG RE zajišťovna, a.s. a license to carry out reinsurance activities, valid from 8 August 2008. This made VIG RE zajišťovna, a.s. the first reinsurance company with a Czech license and in the beginning of September 2008 the Company commenced its business activities in Prague.

Characteristic of VIG

VIG RE zajišťovna, a.s. was founded by Vienna Insurance Group (VIG). Vienna Insurance Group is a listed international insurance group based in Vienna. With premium volume of over EUR 8 billion and approximately 24,000 employees, VIG is one of the largest players on the insurance market in Central and Eastern Europe. It offers its customers high-quality products and services in the life and non-life segments. Shares of the Vienna Insurance Group are listed on the Vienna and Prague stock exchanges.
VIG's focused and systematic strategy for expanding into the CEE region enabled it to leap from being a national insurance company to an international group with approximately 50 insurers in 24 countries. Standing for financial stability, VIG is able to offer customers, shareholders, partners and employees a high level of security. This is underscored by the "A+" rating, with a stable outlook, given to it by well-known rating agency Standard & Poor's.
In 1990, VIG was the first Western insurance company to move into Central and Eastern Europe – a region that today already accounts for around 50% of total group premiums. In this region VIG is represented in Albania, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Turkey and Ukraine. There is also a branch office in Slovenia. VIG is thus very well placed to take part in the CEE region's rising standard of living and hence in its rising need for insurance. In addition, VIG is also active in Germany, Liechtenstein and Italy.

Redesigned corporate structure
In 2010, as part of a reorganisation, Wiener Städtische's operating business in Austria was separated out from the international holding company activities, permitting VIG to focus on the task of managing the Group. This created transparent structures and processes within the Group and allowed for management to become more efficient.

All of the Group's companies have strong regional roots and in addition can build upon VIG's international background. The restructuring gives them a common umbrella and, hence, a strong identity that unites them above and beyond their respective markets.
Additional information regarding the Vienna Insurance Group can be found on the Internet at www.vig.com or in VIG's consolidated annual report.

Subsidiaries

VIG Re (hereinafter referred to as the Company) is the owner of 100% of the MuVi Re S.A., with 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 subject of business of the company MuVi Re is reinsurance activity.

The Company is also the owner of 99.2% of the Wiener RE a.d.o. Beograd, with registered seat at Trešnjinog cveta br. 1, 11070, Beograd-Novi Beograd, Republika Srbija, which is established in accordance with the Law of Republic of Serbia. Wiener RE a.d.o. Beograd is another reinsurance company within Vienna Insurance Group, which conducts its business on the Serbian market.

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 once a 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 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 Board of Directors: 18 August 2008
Member of 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 Board of Directors: 6 October 2008
Member of Board of Directors:	Mag. Dušan Bogdanović, date of birth 19 September 1974 11101 Belgrade, Vlajkoviceva 23 Republic of Serbia date of commencement of membership of Board of Directors: 1 October 2009
Member of 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

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 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 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 Supervisory Board: 18 August 2009

Member of the Supervisory Board:	Ing. Juraj Lelkes, birth registration no. 510827/192 Bratislava, Na spojke 2161/1, ZIP 831 01 Slovak Republic date of commencement of membership of 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 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 Supervisory Board: 18 August 2009

Audit Commission

Chairman of Commission:	Dkfm. Karl Fink, date of birth 22 August 1945 1020 Vienna, Kurzbauergasse 5 Republic of Austria
Vice-Chairman of Commission:	Dr. Rudolf Ertl, date of birth 14 May 1946 1230 Vienna, Breitenfurterstrasse 396/9 Republic of Austria
Member of 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 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 notary's record NZ 335/2009 N 355/2009 dated 22 October 2009.

Board of Directors – Areas of Competence

Joint Board Responsibilities

Actuarial Department
Internal Audit
Risk Management

Responsible Board Member	Alternate
Mr. Hagen, Chairman	
Representation of VIG Re Press, PR and related Issues	
Issues concerning the Supervisory Board	Mr. Bogdanović
Issues concerning Supervisory and other Authorities	Mrs. Stránský
Finance, Planning & Controlling Investment	Mr. Bogdanović
Legal issues	Mr. Bogdanović
Mr. Bogdanović	
Life, Health and Accident Reinsurance	Mrs. Stránský
Organization incl. preparation of Board meetings	Mr. Hagen
IT	Mr. Hagen / Mr. Pehar
Back office (Facility Management and Procurement)	Mrs. Stránský
Cost planning/controlling	Mr. Hagen
Mr. Pehar	
Reinsurance underwriting systems	Mrs. Stránský / Mr. Bogdanović
Reinsurance assumed from Non-VIG companies	Mr. Bogdanović / Mrs. Stránský
Retrocession	Mr. Hagen / Mrs. Stránský
Mrs. Stránský	
Human Resources	Mr. Pehar
Reinsurance assumed from VIG companies	Mr. Bogdanović / Mr. Pehar
Coordination with VIG Reinsurance Country Management	Mr. Bogdanović
Reinsurance Accounting	Mr. Bogdanović

Information about remunerations paid to auditors

Costs for remunerations paid to auditors for auditing services in 2010 constituted EUR 108 thousand for the consolidated Company, EUR 83 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 25 thousand in 2010 and were provided only to the non-consolidated Company.

Description of controls and measures in order to ensure that the main shareholder is unable to abuse control over the Company

In accordance with the relevant provisions of the Commercial Code, VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (main shareholder) may influence the running of the company VIG Re only by means of its voting rights at the General Meeting of the company 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 intended to ensure that the company VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe is unable to abuse its control are sufficient.

Company business in 2010

Status of Company assets

The consolidated balance sheet amount as of 31 December 2010 reached the amount of EUR 598 million. The Company has at its disposal consolidated own capital in the amount of EUR 116 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 2010, 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 18 556 thousand for the year 2010.

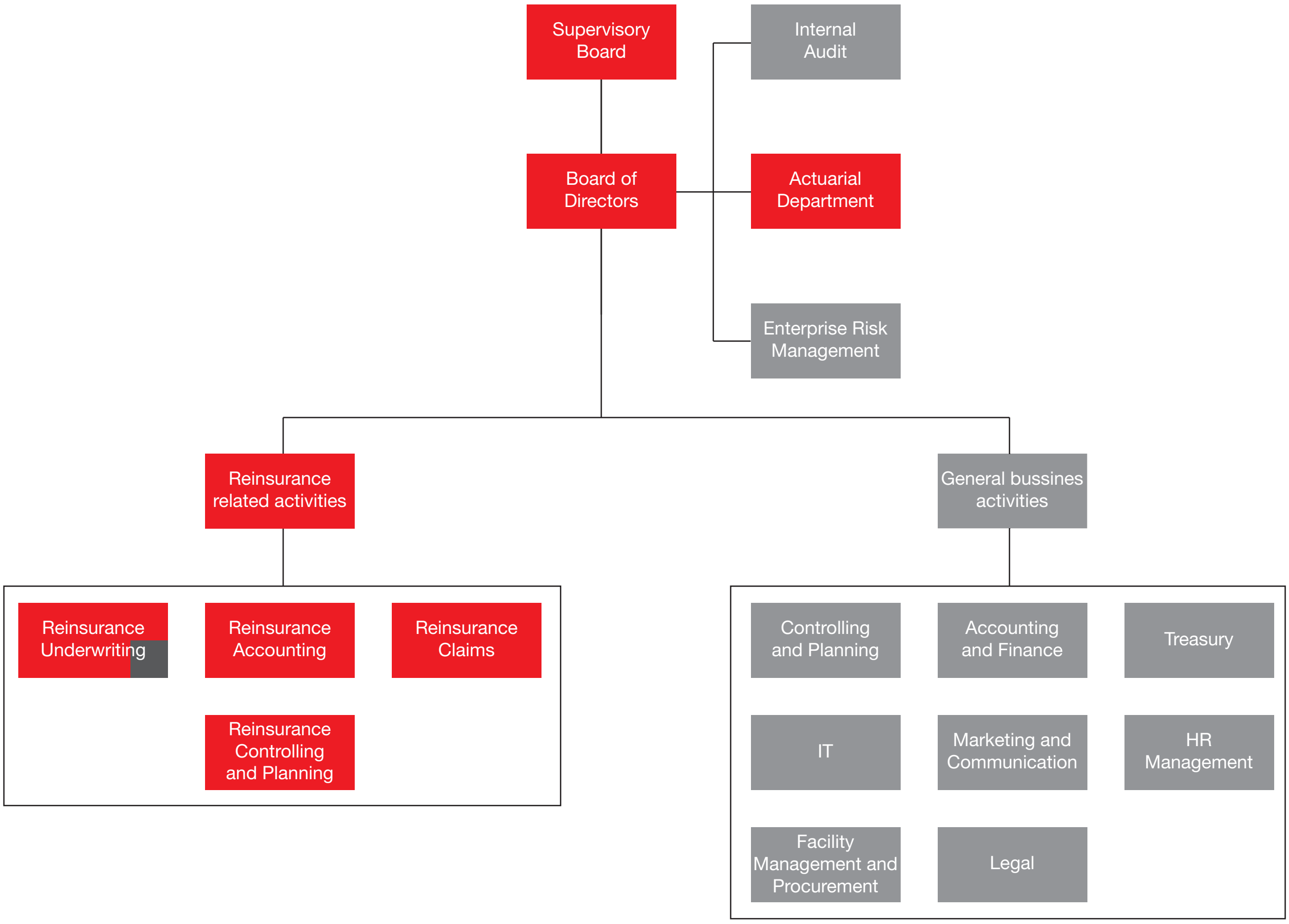
Proposal for distribution of profit from individual statement of accounts

The proposal for distribution of the net profit of EUR 15 569 thousand is following: the allocation to the legal reserve fund EUR 778 thousand, dividends EUR 12 400 thousand, the remainder of the profit for 2010 will be used to cover the outstanding accounting losses from previous years.

Organisation and contacts

Trade name:	VIG RE zajišťovna, a.s.
Registered seat:	Praha 1, Klimentská 1216/46, ZIP 110 02
IČ (Business registration number):	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:	+420 221 715 505
Webpage:	www.vig-re.com

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.



- Life/Health underwriting supported by VIG actuarial department
- outsourced to VIG

Additional information concerning 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 that could, with a reasonable degree of probability, have a significant effect on the expectations of the Issuer for the current financial year.

Issued securities

There were no securities issued in 2010.

The Bonds issued in 2009 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 (100 pieces) 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 repurchased by the Issuer and cancelled.

The manager of the issue was the company Česká spořitelna, a.s., with registered seat at Praha 4, Olbrachtova 1929/62, ZIP 140 00, IČ (Business registration number): 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 company structure is very flat, which reduces personnel costs and increases the level of informedness and the feeling of solidarity of all employees.
The physical number of employees as of 31 December 2010 was 12.
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 trainings continued, including soft skills.
Employees are provided with the benefits that are usual for companies in the sector of banks and insurance companies.

Principles of remuneration

The principles of remuneration are stipulated by the “Wage Schedule” (internal guideline) 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 individual wage assessment, ensuing from the complexity of the work performed and from wages surveys of companies in the sector of banks and insurance companies in the Czech Republic.
A motivating component of the wages is stipulated by a personal annual bonus payment, which depends on personal performance and on the business results of the Company.
The members of the Board of Directors are remunerated based on their mandate contract. The remuneration is payable in equal monthly amounts. Additionally a member of the Board of Directors can receive a yearly bonus payment that is determined by pre-agreed personal performance targets and the Company result. The maximum amount pertaining to such a bonus agreement is stated in the mandate contract.
The members of the Supervisory Board are remunerated based on 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 2010.

	Pecuniary from Company	Pecuniary from subjects controlled by Company	Non-pecuniary from Company	Non-pecuniary from subjects controlled by Company
in EUR				
Board of Directors:				
From employment relationship	9 058	–	–	–
For performance of function	558 659	–	–	–
Supervisory Board:				
For performance of function	26 895	–	–	–

In 2010 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 holding 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 the Company

The Company is not a party in any administrative, court or arbitration proceedings that 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.

Corporate Governance Codes

The reinsurance company VIG RE zajišťovna, a.s., which has the legal form of a joint-stock company, adheres to all statutory mechanisms of the statute law. In addition to the legislative obligations it also adheres to the stipulated mechanisms of self-regulation and self-discipline while emphasising an efficient frame of administration, shareholders' rights, transparency and the role of interested parties in corporate governance, as well as the impact on the microenvironment.
At present, VIG RE has no generally binding code in place and the implementation of a code based on OECD principles will depend on the growth of the Company and meeting its strategic goals. In addition to the regulations mentioned above, the Company also adheres to its working regulations code, which is available for inspection at the registered office of the Company.

Internal control principles and procedures (of the financial reporting process)

All accounting operations are in compliance with the Accounting Act and organisational standards are created with the aim of maximising checks and limiting the error rate.
In terms of financial reporting the Company uses the single automated SAP system, which integrates the financial accounting application with the reporting applications in the form of the so-called direct transcript. The sequence of applications is automatic and only an authorised person qualified for such interventions is allowed to perform a human intervention into data transfer – the changes are made by the accounting department manager and the data is subsequently verified by the controlling and reporting department manager.

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 that could represent 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

Dušan Bogdanović
Member of the Board of Directors
and Managing Director

Notes

Long and short tail.
Not tall tale.