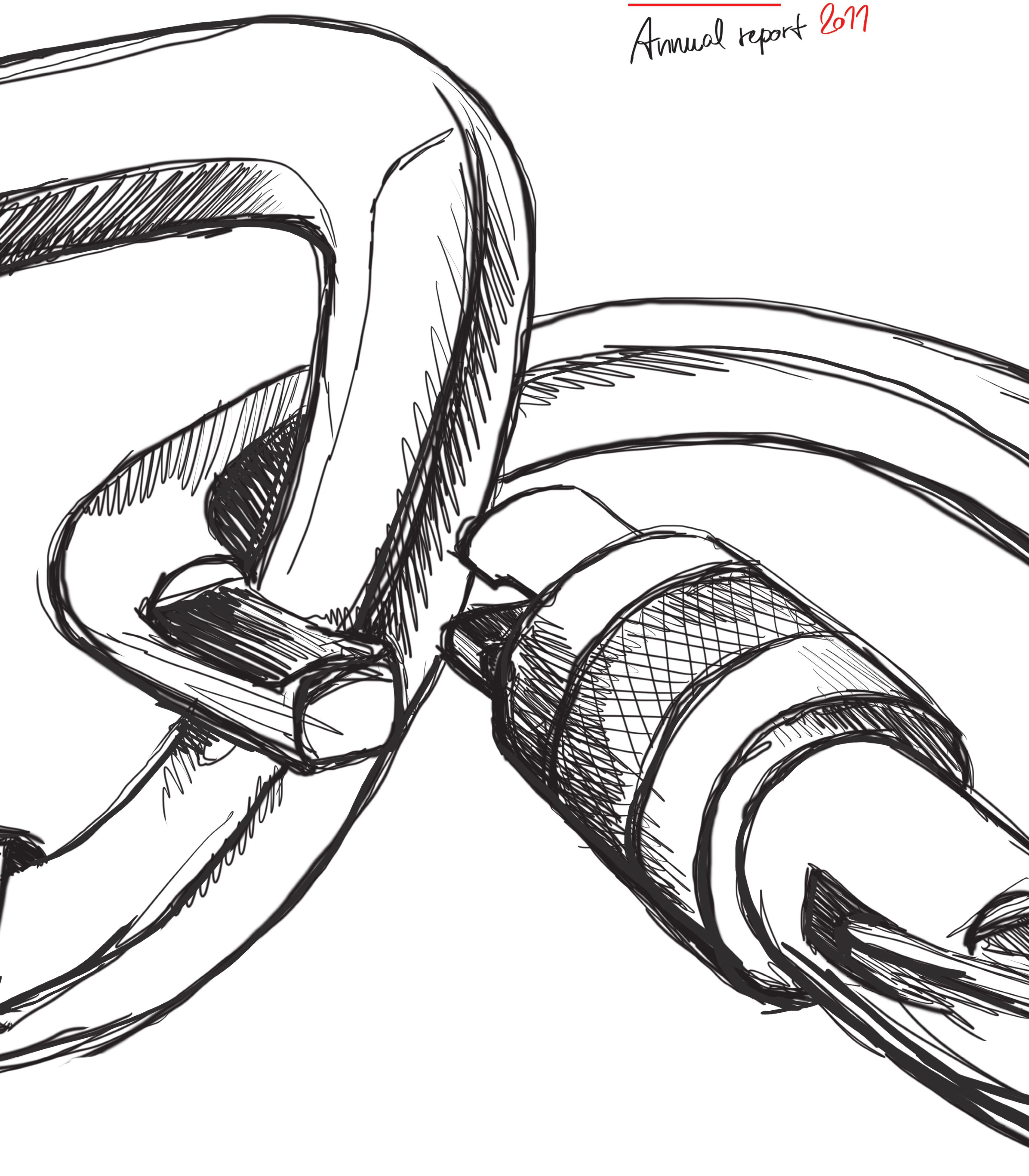
VIG Re

Annual report 2011



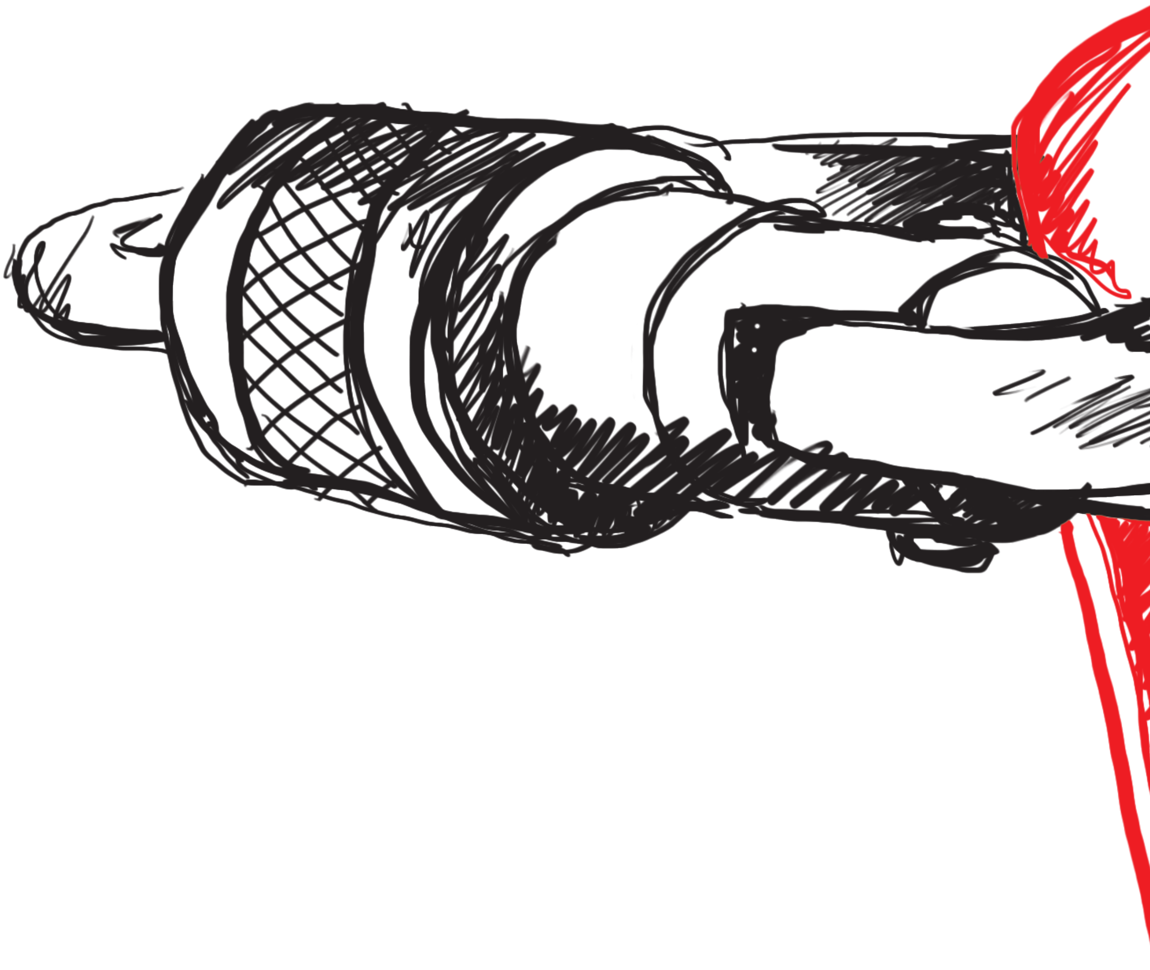
VIG Re

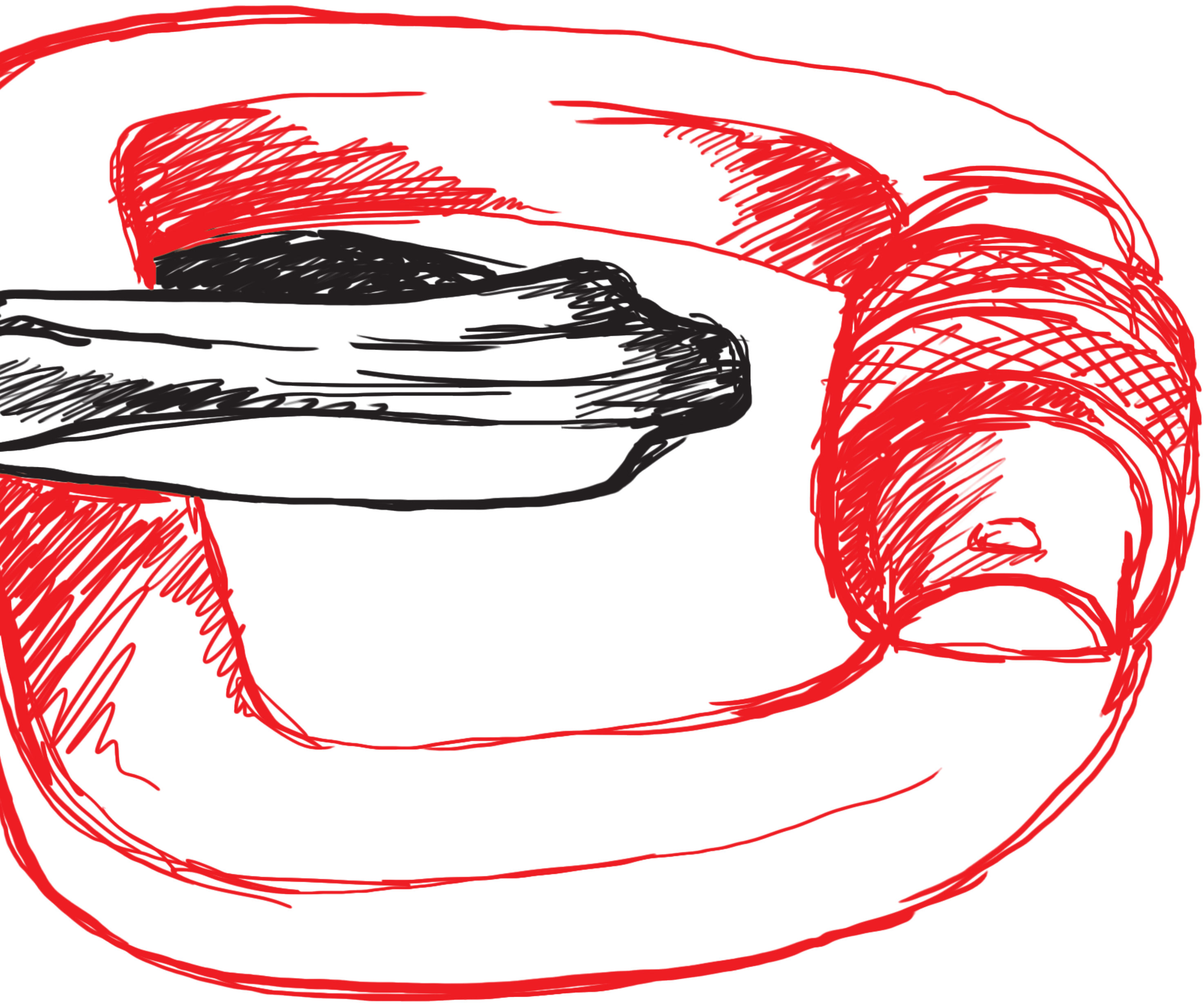
Annual report 2011

Content

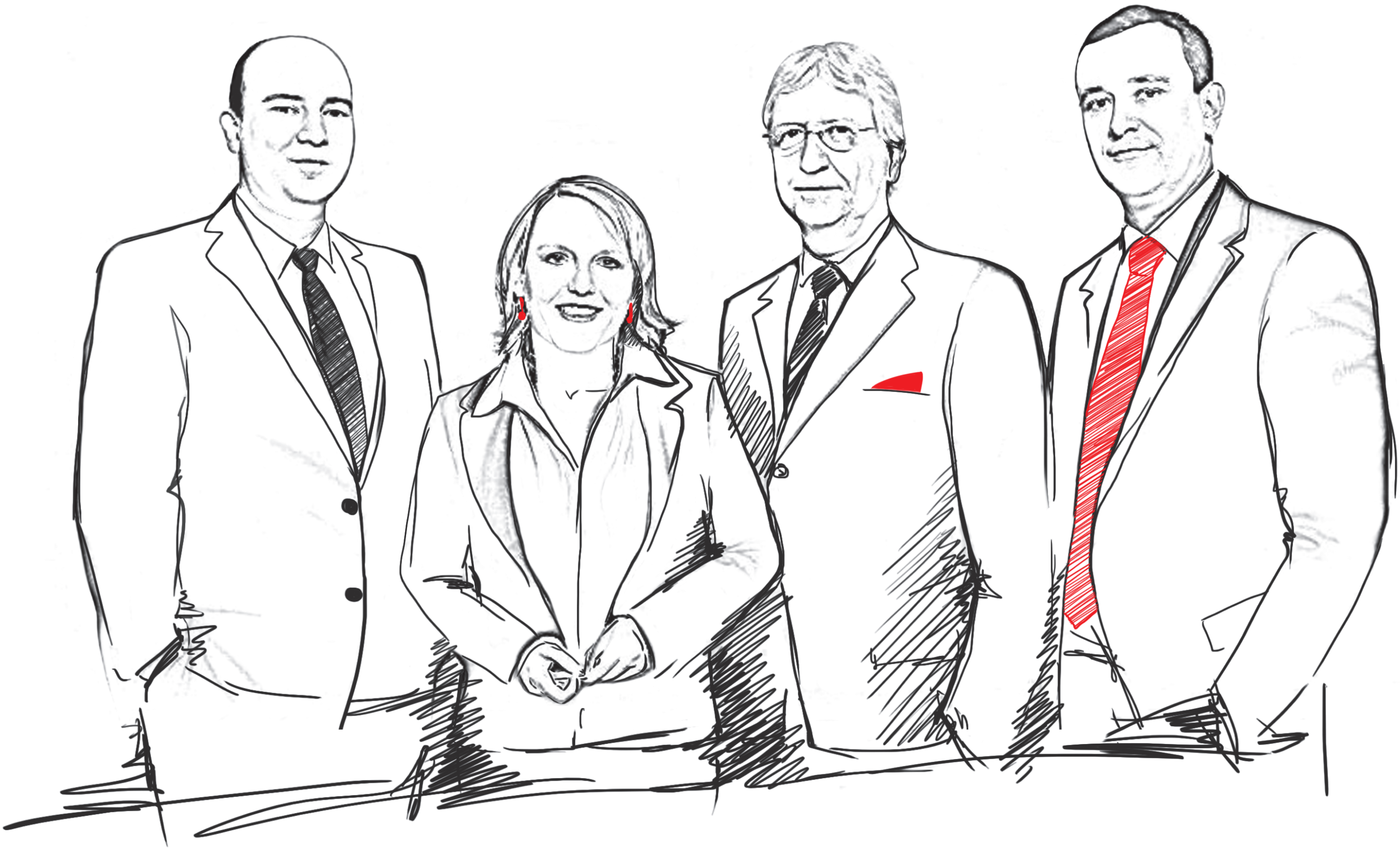
Drawing up

more than just contracts.





Board of Directors



Dušan Bogdanović Member of the Board	Claudia Strahský Member of the Board	Karl Fink Chairman of the Board	Denis Pohar Member of the Board
Main Responsibilities:	Main Responsibilities:	Main Responsibilities:	Main Responsibilities:
▸ Life and Health Reinsurance ▸ Finance ▸ Organization ▸ IT	▸ Property and Casualty Reinsurance – VIG Companies ▸ Reinsurance Accounting ▸ Human Resources	▸ Corporate Issues ▸ Public Relations ▸ Legal	▸ Property and Casualty Reinsurance ▸ Protection Programme ▸ Reinsurance Underwriting Systems

Discussing the Annual Report

Karl Fink

2011 again showed positive progress for VIG Re, marked by a pre-tax profit of 20.6 MIO EUR and a combined ratio of 95.8% – and we value this even more in the current environment, impacted by natural catastrophe events and a very exposed financial market.

Dušan Bogdanović

Yes Karl, indeed. Another point worth mentioning is the fact that we managed to maintain a stable position in our investment results, and managed our portfolio in a way that sovereign and corporate rating downgrades were not an issue we had to worry about.

Denis Pehar

Investment security is one area we were managing carefully, as in previous years we also followed a prudent risk transfer strategy. When I say 'prudent' I mean the protection programme on the one hand, while on the other hand I would also like to stress that we diversify and select carefully in order to minimize our counterparty credit risk.

Claudia Stránský

Yes. Protection of our retentions is one area of enterprise risk management, and I think it should also be stressed that we invested a lot of time and effort into our Solvency II project last year and we are right on track.

Dušan Bogdanović

Denis, you mentioned counterparty credit risk and the diversification of reinsurance panels. We request this when choosing our protection, and at the same time this is where we ourselves can give value to our clients, providing a rating also suitable for long tail lines of business.

Karl Fink

Yes. I think it is also worth mentioning here that in October 2011 Standard & Poor's reconfirmed our A+, outlook stable rating, while our total technical reserves were over double our shareholder's equity this past year.

Denis Pehar

The rating is indeed something very closely monitored by clients nowadays, and I am glad we can offer a stable and sound position in this area.

Claudia Stránský

Yes. We offer the flexibility of a small unit, yet are backed up with a strong financial base, and I feel that this is being perceived more and more by our clients.

Denis Pehar

What I value very much in this context is the fact that we expanded our client base, growing our total clients to more than 100 – in 2010 we had over 70 – an increase of over 40%. This is the result of our intensified activities on the CEE market. Yet at the same time our growth has been measured, and backed up with diligence in client service.

Dušan Bogdanović

It is important for us to respond quickly, as we understand very well the issues insurance companies have to face, out there where it matters. I think it would be good to point this out, along with the reasons behind it – the fact that we are easily accessible, our lean structure avoids lengthy escalation routines, and we are dedicated to fast and transparent feedback for our clients.

Claudia Stránský

In order to maintain response times while growing our client base we will be enlarging our team this year. Investment in training and the professional development of our team is a major focus of our company strategy.

Karl Fink

To sum up, I would like to stress that while VIG Re increasingly gains market presence, and business volume and complexity rise, we will never simply pursue growth for growth's sake. Our growth needs to be such that our high standards of service and innovation are continuously sustained and improved. This can only be guaranteed with a highly dedicated group of people. I would like to thank all of them for the good results and the high degree of personal engagement that lead to their achievement.

And most of all I would like to thank our clients. We highly value their trust and partnership, which is why we are committed to "drawing up more than just contracts", and chose this as the introductory line for our annual report.

Supervisory Board

Franz Kosyna
Chairman of the Supervisory Board

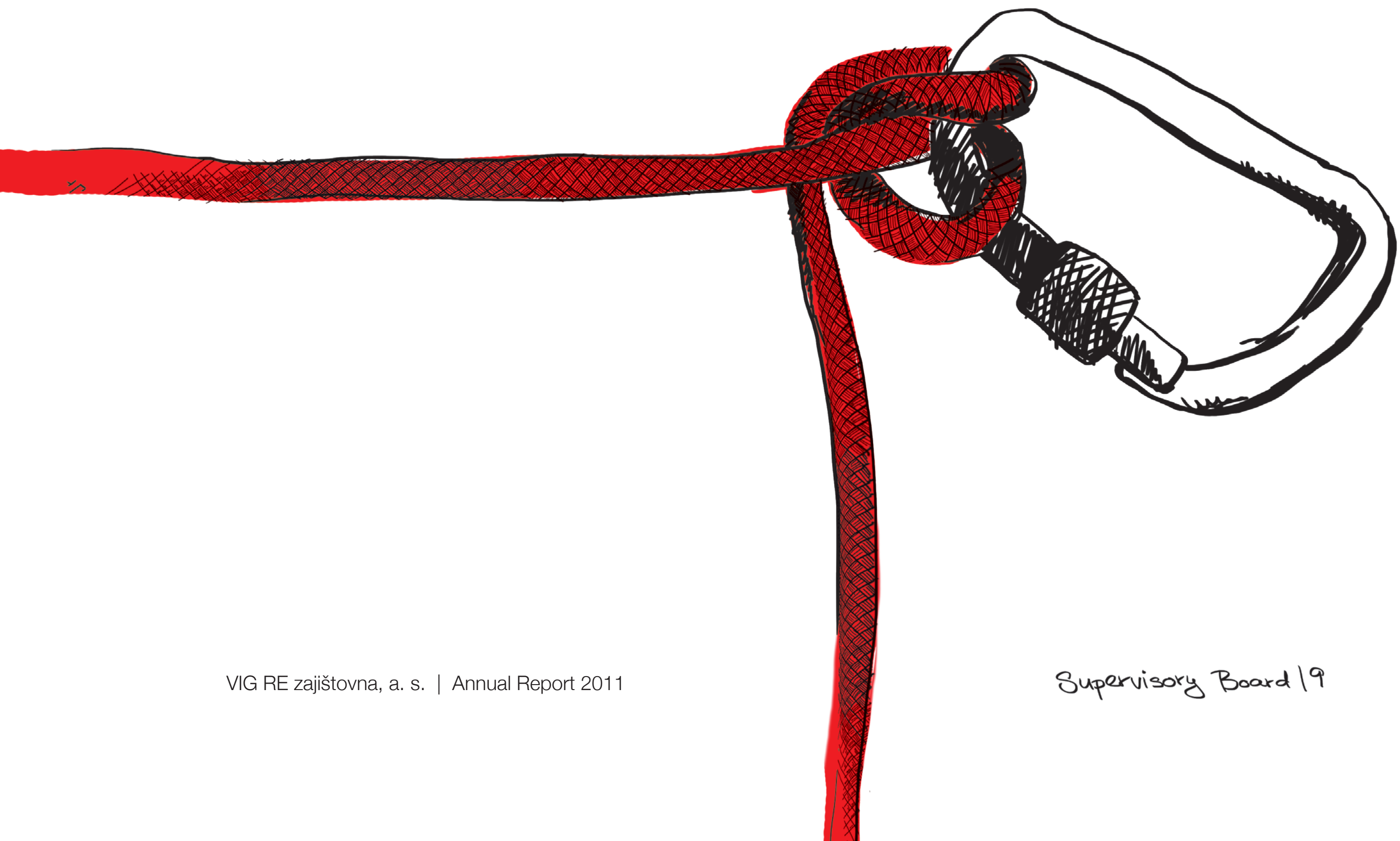
Peter Höfinger
Vice-Chairman of the Supervisory Board

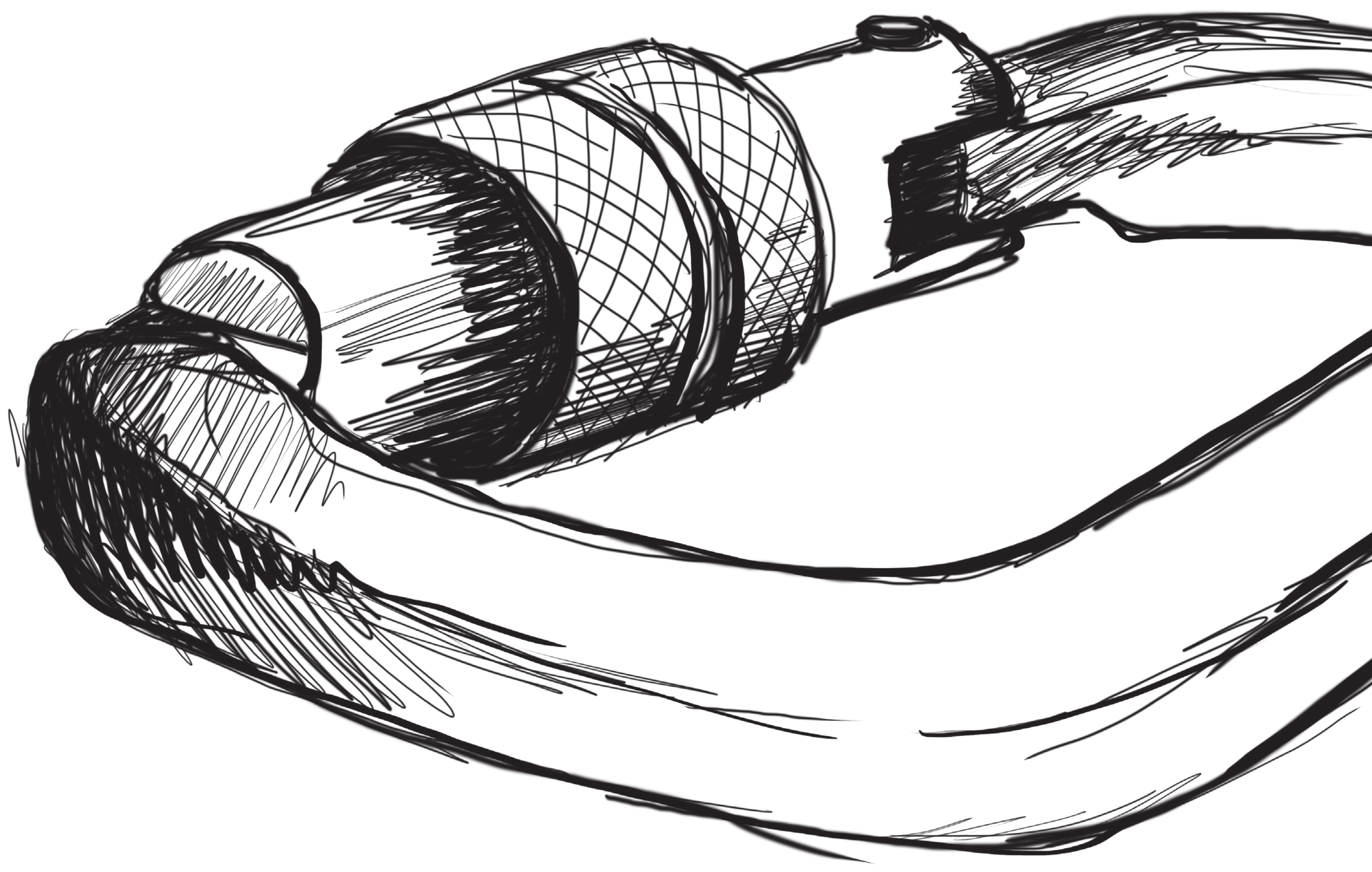
Martin Diviš
Member of the Supervisory Board

Wolfgang Eilers
Member of the Supervisory Board

Roland Gröll
Member of the Supervisory Board

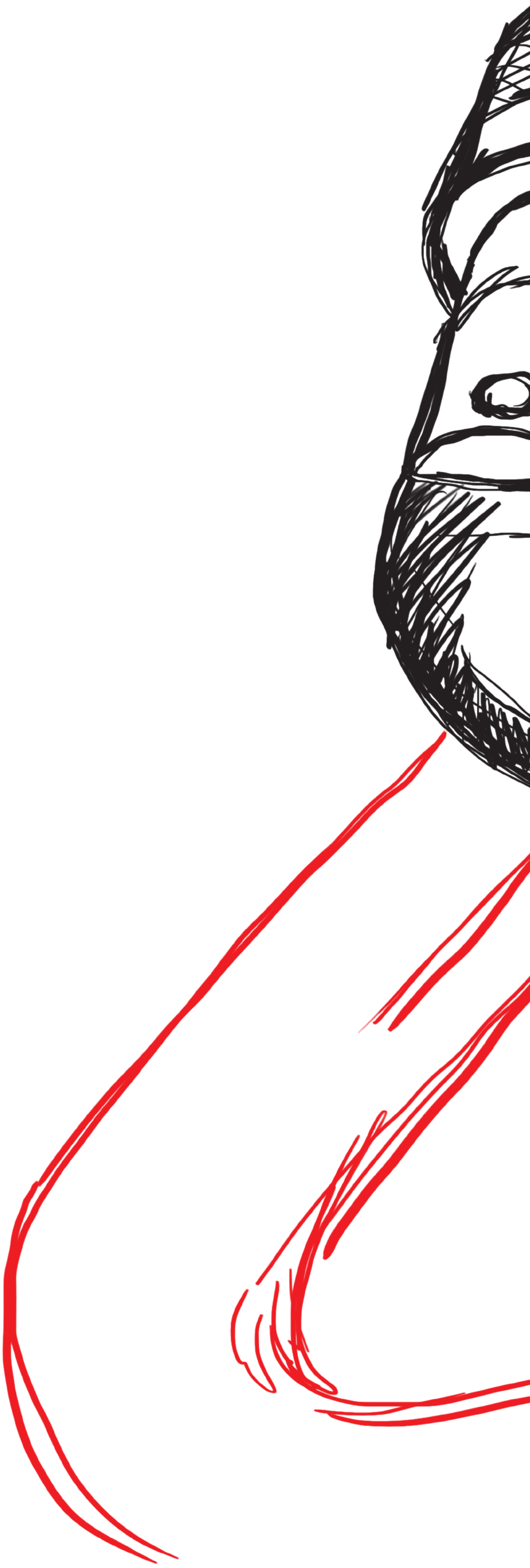
Juraj Lelkes
Member of the Supervisory Board

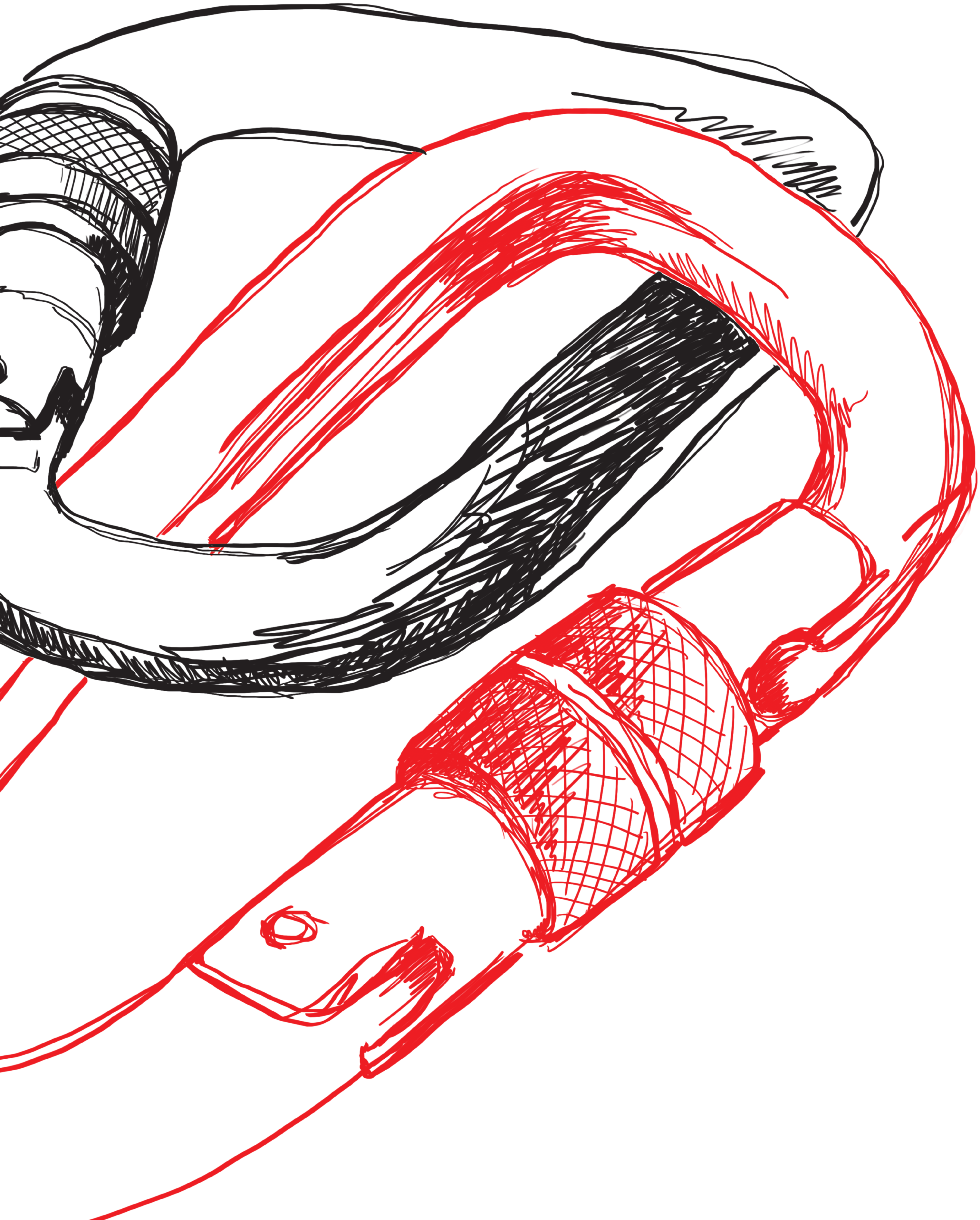




Portraying
your business needs.

Fineliving
what we offer.





VIG Re Company Profile

Where we come from

A+ rating

Established in 2008, we meet the unique needs of CEE partners with tailor-made solutions for their reinsurance requirements. We consistently apply a prudent underwriting and reserving policy, and a conservative investment strategy. This approach has served our partners and our company well, and ever since our establishment we have maintained an A+ rating with a stable outlook from Standard and Poor's.

Based in Prague, and being part of a strong group with a long-standing history, we can be relied upon as a secure and readily accessible partner for your business. We now have more than 100 clients in CEE as we steadily continue to build our reputation as a reinsurer offering a consistent and transparent approach.

Where we are

Our headquarters are in Prague, a city rich in varied and diverse traditions, and one which has been an integral part of the cultural history of the European region through the ages. This location reflects our values as well as placing us close to our partners, both strategically and culturally.

CEE Focus

We are focused on the CEE market, intensifying our activities in this region every year, and are committed to recognizing and meeting the varied requirements of our CEE business partners. We represent a new feature in the reinsurance landscape, providing additional A+ capacity and presenting the possibility for clients to further diversify their reinsurance panel.

What we do

Our "close to the market" principle means that even as we grow, we strive to remain accessible and continue to provide fast and transparent feedback to our clients.

Fast and Precise

Our team consists of reinsurance professionals with extensive experience in the CEE region, and our lean structure means we avoid lengthy escalation routines. Based on close, open communication, our approach to underwriting provides both VIG Re and our partners with strength and flexibility while ensuring mutually beneficial long-term cooperation. We are fast and precise.

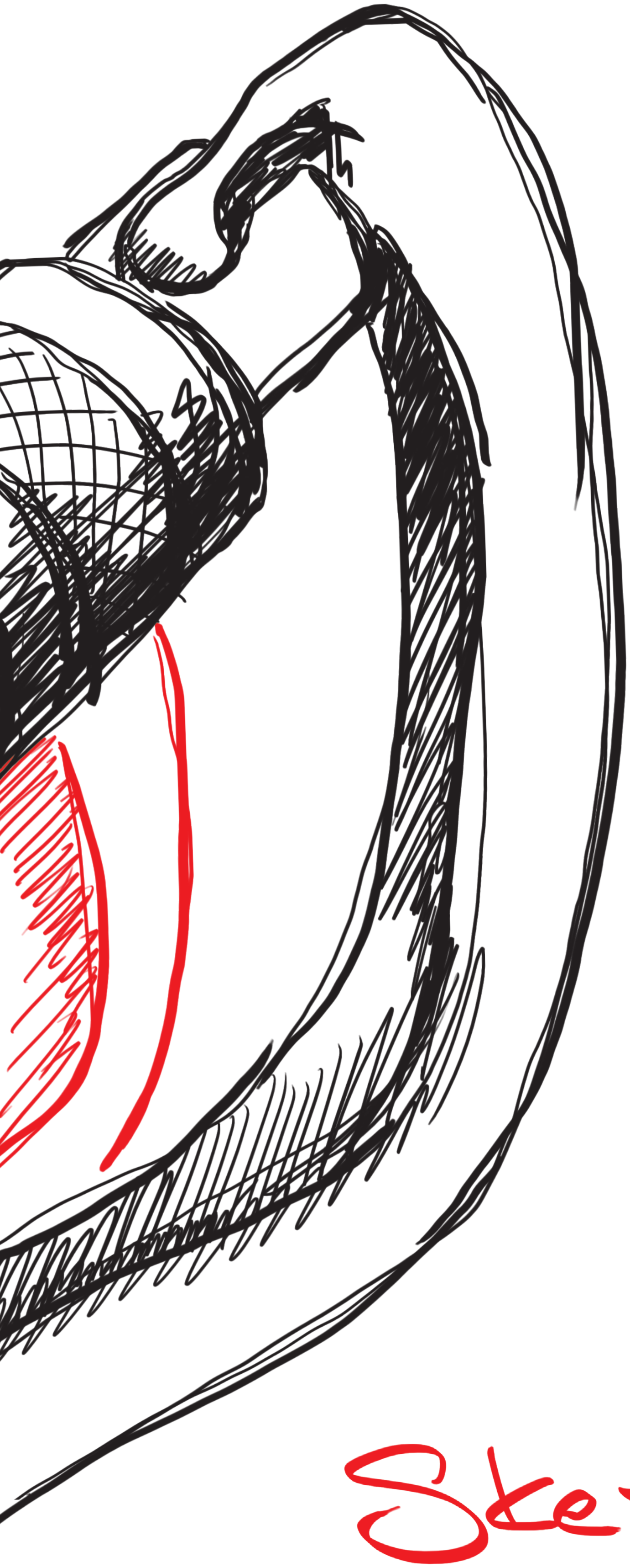
We write long tail and short tail business, proportional and non-proportional, offer services in property and casualty, life and health, and also provide facultative reinsurance. We have the flexibility and responsiveness to work closely with our partners in designing programmes on a case-by-case basis, looking at their entire portfolio and creating a comprehensive, fine-lined offering. Most importantly, we enjoy what we do.

VIG Re Key Figures (Consolidated Financial Statements)

Income statement	2009	2010	2011
in EUR ’000			
Premiums written	257 241	280 612	292 287
Property/Casualty	194 194	215 656	228 844
Life	24 540	23 599	22 344
Health	38 507	41 357	41 099
Combined ratio	95.7%	96.1%	95.8%
Result from investments	8 415	12 226	14 841
Profit before taxes	14 426	18 556	20 618
Profit for the period	11 755	15 459	16 263

ROE 2011
17.2%

Balance sheet			
in EUR ’000			
Investments	376 867	403 749	473 318
Total assets	484 209	598 428	591 864
Shareholders’ equity	106 232	116 261	119 706
Underwriting provisions	307 120	400 860	407 082



Sketching

our business landscape.

Management Report

Market Snapshot

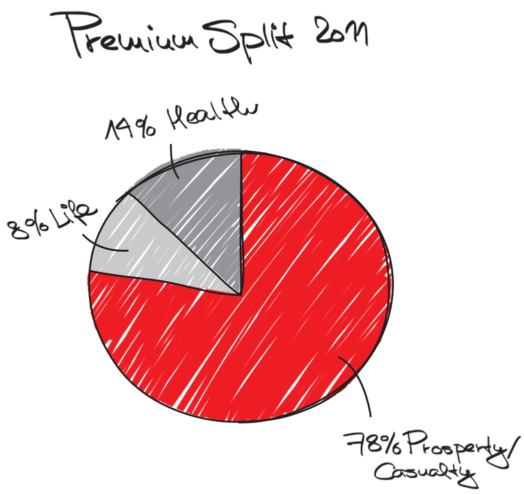
Economies around the world were impacted by volatile market fluctuations in 2011, as the European debt crisis took centre stage. The ECB decreased its basic rate to 1.00%, the prices of nearly all European government bonds collapsed, and the economies of individual European states came under intense scrutiny.

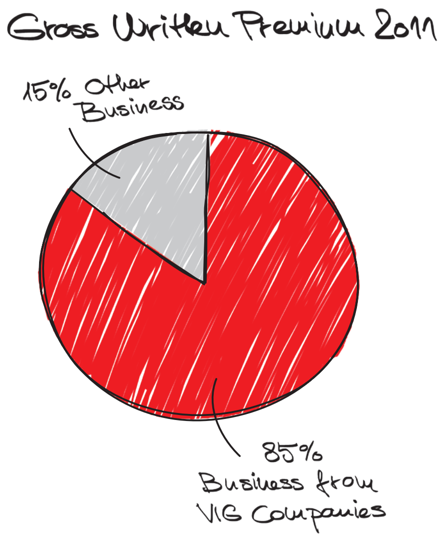
VIG Re holds no sovereign debt of any high-risk countries, thus minimizing its exposure to euro zone crises. This in part helped VIG Re maintain a more stable position and achieve more consistent results compared with the overall performance of the markets. The VIG Re bond portfolio was not hit by any sovereign or corporate rating downgrades. Yields-to-maturity rose markedly higher, and VIG Re preparations for Solvency II remained on track.

Despite the recent market fluctuations, the CEE region has great potential for organic growth, particularly in its emerging markets, and in emerging sectors such as health care.

VIG Re 2011 Consolidated Results

VIG Re closed its 2011 books recording a positive underwriting result for the financial year. The combined ratio came in at 95.8%, and investments yielded 14.8 MIO EUR. VIG Re posted a consolidated pre-tax profit of 20.6 MIO EUR. The number of CEE clients already exceeded 100 in 2011.





* Without largely retroceded bundled reinsurance programmes for VIG companies

Property and Casualty

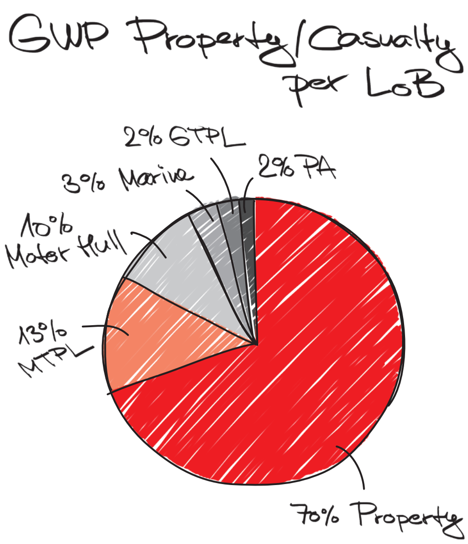
VIG Re continued to refine its “close to the market” policy, working assiduously with its clients to address their needs. In 2011, VIG Re added to its territorial scope by entering new markets in Kazakhstan, Azerbaijan, and Armenia.

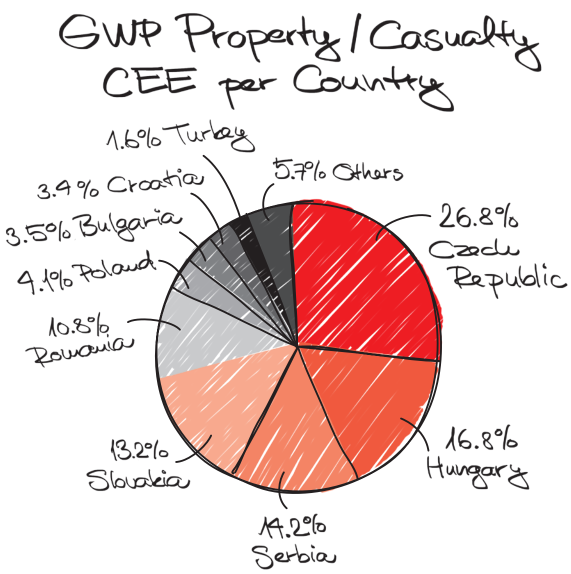
Throughout 2011, VIG Re persisted in expanding and intensifying its activities in liability reinsurance, both in new markets and within its existing client base. The short to long tail ratio this year was 80:20.

In 2011, VIG Re further increased its activities in the provision of facultative cover in property and engineering in the CEE region.

Despite the fact that, globally, 2011 closed as the second costliest year on record for natural catastrophe losses, VIG Re was not directly affected by any of those natural catastrophes. This is mainly due to the focus on CEE markets, while VIG Re also employs a prudent underwriting and protection programme.

VIG Re enjoyed a solid level of treaty acquisition throughout 2011, and saw its position in the CEE region reflect its vision with ever more clarity.





Life and Health

VIG Re primarily underwrites biometric risks. The life reinsurance premium volume in 2011 was 22.3 MIO EUR. VIG Re actively maintains and continues to expand a geographically diverse portfolio, while adhering to the principle of balance.

Despite a decreased UW result for the health business due to the higher change in ageing reserves in 2011, the premium volume remained constant in comparison with the previous year. The 2011 health reinsurance written premium was 41.1 MIO EUR.

The intersection of emerging markets and health insurance with new policies and consumer interest will open a unique opportunity mix for insurers and reinsurers in the CEE region. VIG Re is ready to engage in business activities in this area, providing cutting-edge, legislation-attuned service for ceding companies in their respective countries.

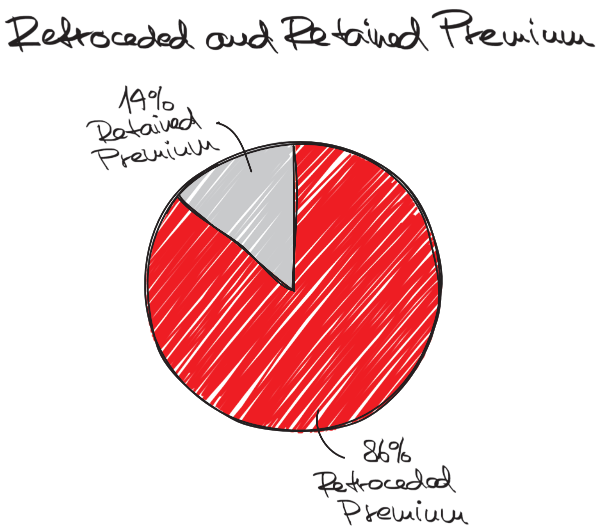
With its expansion into Kazakhstan, Azerbaijan, and Armenia this year, VIG Re is now truly at home in all the CEE region countries, and the company's infrastructure is keeping pace with its expanding market position.

Protection

While VIG Re's business activities are concentrated on operations in the CEE region, its protection programme is borderless, utilizing carefully selected and thoroughly vetted international reinsurance companies as part of its risk management strategy.

Its cautious underwriting practices also fortify this multi-level protection policy, which limits the potential liability of VIG Re, and distributes part of the risks assumed to the global reinsurance market. This prudent form of protection assures the stability of VIG Re and helps to make it impervious to short-term economic patterns.

Since its establishment, VIG Re has maintained an excellent capital position, reinforced by its strong equity base and conservative investment strategy, and aims to continue on this course over the long term.



* Without largely retroceded bundled reinsurance programmes for VIG companies

Process Lines

VIG Re further streamlined its business processes and increased the efficiency and power of its IT and back office systems with the aim of creating the best possible reinsurance experience for its clients.

2011 saw the addition of skilled back office staff, along with increased manpower for reinsurance related activities. Streamlining and perfecting underwriting processes to reflect client requirements and provide the best possible security is a core commitment of VIG Re.

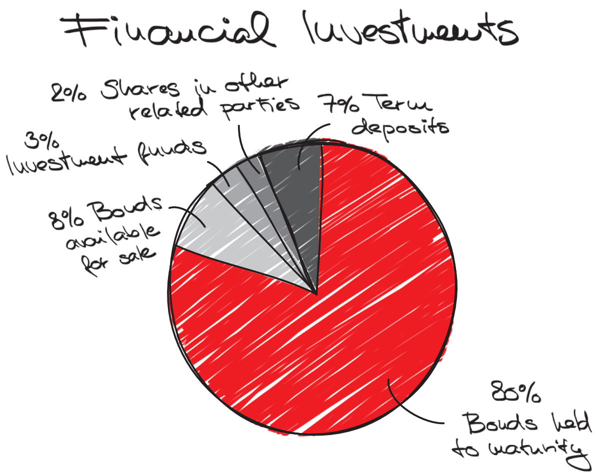
VIG Re approaches the training and development of its team with dedication, following the conviction that only continuously supported growth can ensure the professional quality the company identifies with.

Financial Investments

Despite the significant market volatility, the company once again exceed its annual investment plan. Similarly to 2010, in 2011 the main sources of the elevated profit included positive operational cash flow, CZK/EUR exchange rate appreciation, and the good timing of fixed income investments.

Of the consolidated investment assets, 95% was invested by VIG Re, 3% by Wiener Re and 2% by MuViRe. More than 88% of investment assets were invested in bonds, mainly euro-denominated sovereigns and government-guaranteed bank bonds with the core inside the Central European reinsurance operations area. 91% of the bond portfolio volume was posted as held to maturity. With the aim of increasing asset diversification, a small part of assets was invested into a real estate company and equity funds. Nearly all deposits were euro-denominated to cover the short-term needs of reinsurance operations.

Apart from the financial investments, the company also holds 232 MIO EUR of funds deposited with cedents from Life and Health Reinsurance.



* Excluding funds deposited from life and health reinsurance

Outlook

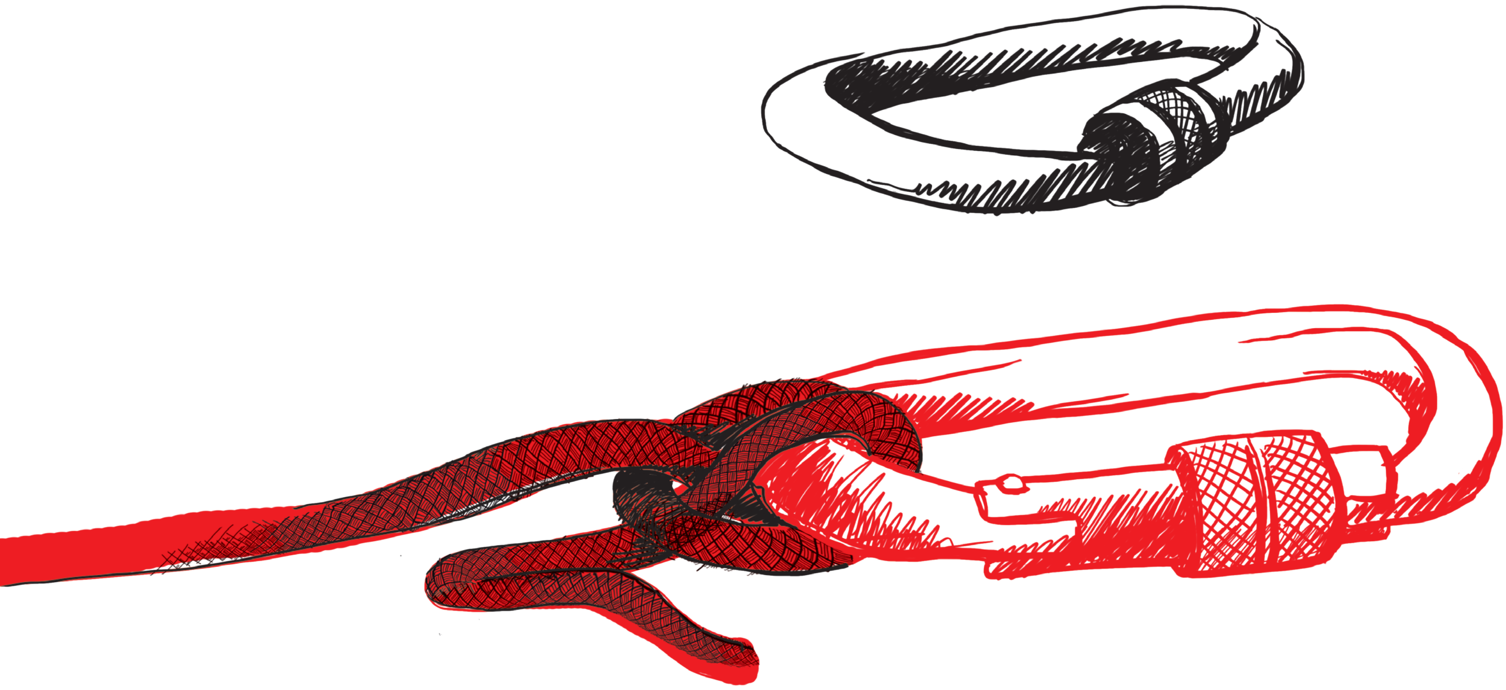
The rapidly changing European insurance environment, with its combination of economic pressures and regulatory changes, has increased pressure for quick responses, solid capitalization and operational flexibility. Effectively identifying strategic choices in a challenging environment and acting on these choices will be key to minimizing the downside impact from adverse market conditions. VIG Re is in a position to seize available opportunities in this newly emerging landscape, and to provide the flexibility and rapid response that will be crucial for insurers in the given environment.

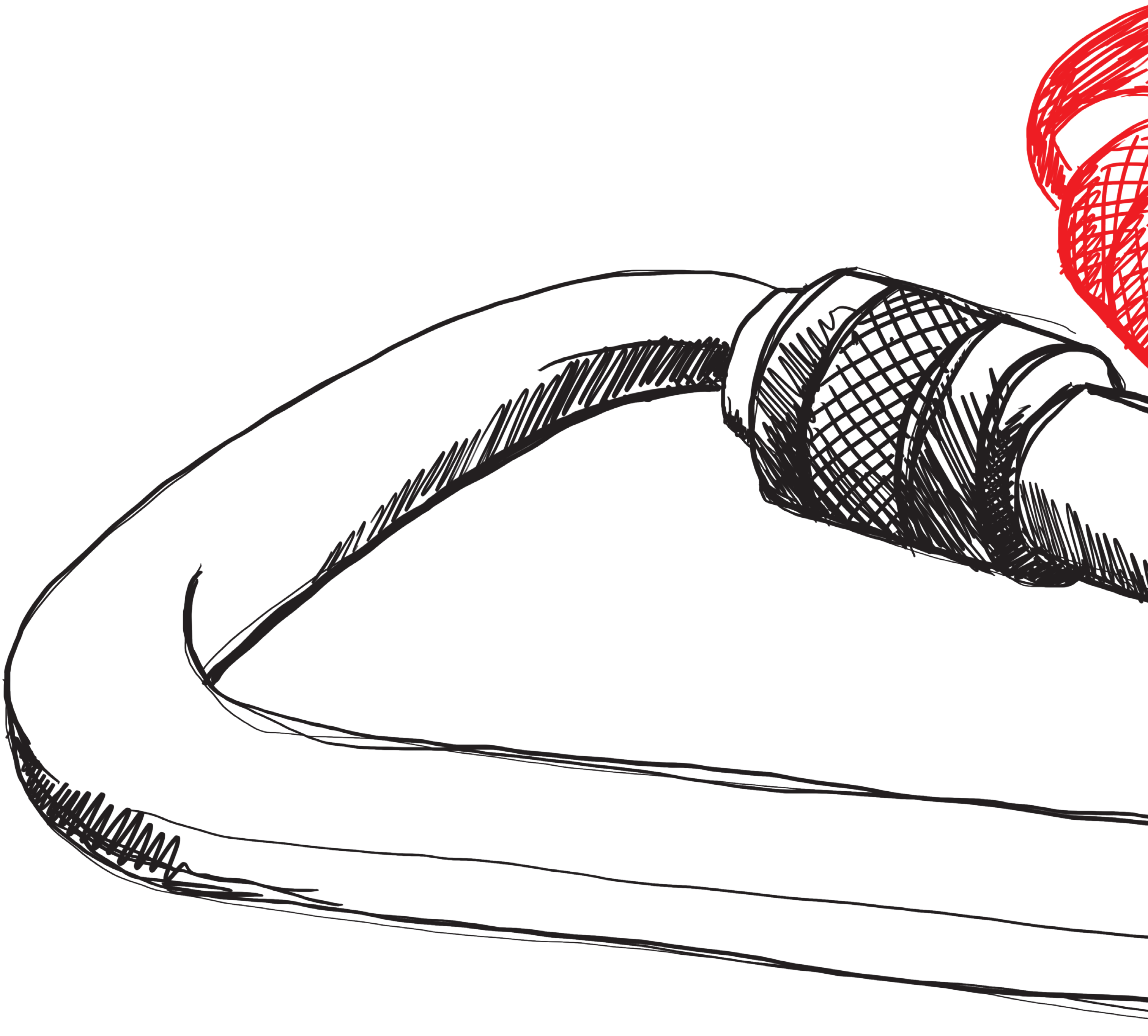
Despite the poor growth prospects for the European insurance industry, 2012 renewals are expected to be stable and the overall outlook for 2013 is more positive still, with strong premium growth expected in emerging markets. The low market penetration in Southern and Eastern Europe areas presents further opportunities for organic market growth.

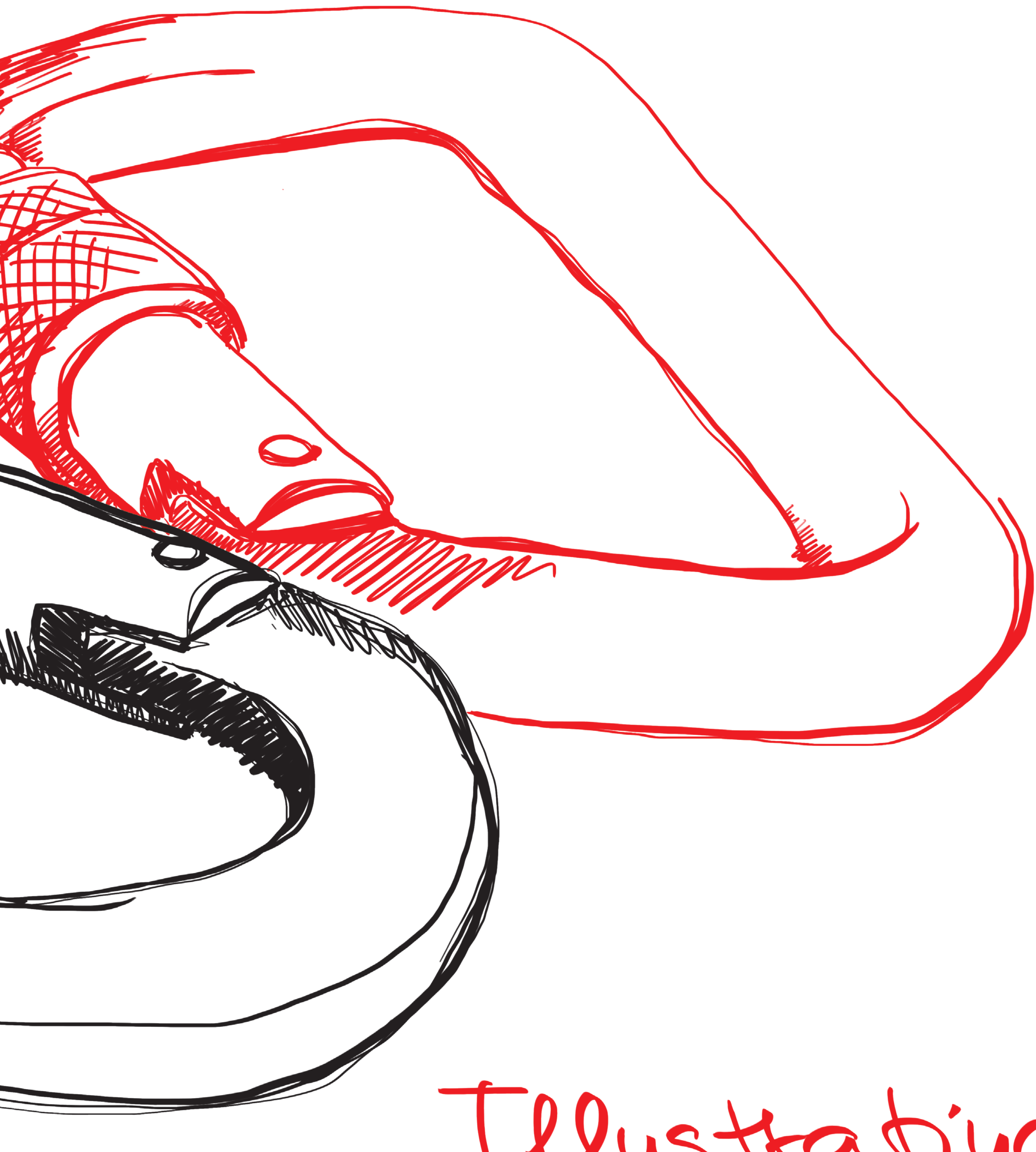
VIG is committed to expanding its facultative and health care business to offer reinsurance protection as it expects growing demand for these types of reinsurance protection in the coming years. Additional, top rated capacity and a strong financial background, all of which VIG Re offers its cedents, will be the most sought-after criteria by insurers facing the difficult choices ahead.

The health insurance and health reinsurance field is poised to be one of the most rapidly evolving segments in the CEE region in the very near future. VIG Re is ready to offer the reinsurance protection and services that will be most in demand, and to meet the anticipated legislative changes in CEE countries.

In 2012 and beyond, VIG Re will adhere to its conservative investment and protection policy in line with its A+ stable outlook rating, will further streamline its processes and pursue a targeted marketing strategy to become one of the leading CEE reinsurers, while remaining a company which is approachable and takes time for each and every client.







Illustrating

facts & figures.

Supervisory Board Report

The Supervisory Board has received from the Board of Directors the Financial statements as of 31 December 2011, and the Report on business activities and the state of the Company dating to 31 December 2011, 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 Board of Directors and also the Board of Directors' 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 Board of Directors, who provided sufficient explanation and evidence of the administration of the Company's business based on books and written documents.

In 2011, one ordinary and one extraordinary shareholders' meeting, and five meetings of the Supervisory Board were held.

The Supervisory Board hereby informs the shareholders' meeting that the Financial statements for 2011 have been 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 this review. The Supervisory Board hereby declares that it has nothing to append to the auditor's report.

Prague, 30 March 2012

Dr. Franz Kosyna
Chairman of the Supervisory Board

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

Financial statements

On the basis of our audit, on 8 March 2012 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 2011, and 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.

KPMG

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 2011, and 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 16 March 2012 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 consolidated statement of financial position as of 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the consolidated 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 consolidated 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 2011, and of its expenses, revenues and consolidated net result and its consolidated 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 2011. 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 2011 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
17 April 2012

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 2011

Table of contents:

Statement of Financial Position as of 31 December 2011

Assets	Notes	2011	2010
in EUR '000			
Intangible assets	F.1	1 403	1 590
Property, plant and equipment	F.2	108	133
Investment in subsidiaries	F.3	10 222	10 222
Financial investments	F.4	461 832	391 994
Financial assets held to maturity		188 000	147 195
Financial assets available for sale		28 319	15 341
Loans – Term deposits		7 967	6 388
Deposits due from cedents		237 546	223 070
Trade and other receivables	F.5	24 538	85 949
Ceded share of reinsurance liabilities	F.6	73 957	89 708
Other assets	F.8	271	358
Deferred acquisition costs	F.9	3 562	2 687
Cash and cash equivalents	F.10	349	365
Total ASSETS		576 242	583 006

Equity and Liabilities	Notes	2011	2010
in EUR '000			
Shareholders' equity	F.11		
Share capital		101 958	101 958
Other components of equity		1 146	847
Retained earnings		16 855	13 217
Total EQUITY		119 959	116 022
Reinsurance liabilities		401 525	395 621
Unearned premiums	F.12	17 462	16 057
Outstanding claims	F.13	158 739	168 458
Life reinsurance provision	F.14	133 763	125 557
Other	F.15	91 561	85 549
Other liabilities – issued bonds	F.16		173
Provisions	F.17	218	
Payables	F.18	52 536	69 345
Deferred tax liabilities	F.7	115	79
Current tax liabilities	F.27	1 400	1 261
Other liabilities	F.19	489	505
Total LIABILITIES		456 283	466 984
Total EQUITY AND LIABILITIES		576 242	583 006

Income Statement for the Year Ended 31 December 2011

Income Statement	Notes	2011	2010
in EUR '000			
Premiums	F.20		
Premiums written – Gross		274 807	273 844
Premiums written – Ceded		-103 026	-98 439
Premiums written – Retention			
Change due to provision for premiums – Gross		-1 976	-443
Change due to provision for premiums – Ceded		194	1 325
Net earned premiums		169 999	176 287
Investment Result	F.21		
Investment and interest income		15 882	12 724
Investment and interest expenses		-626	-323
Total investment result		15 256	12 402
Other income	F.22	330	3
Claims and insurance benefits	F.23		
Expenses for claims and insurance benefits – Gross		-124 234	-178 567
Expenses for claims and insurance benefits – Ceded		34 947	85 331
Claims and insurance benefits – retention			
Change in claims and other reinsurance liabilities – Gross		-4 347	-62 232
Change in claims and other reinsurance liabilities – Ceded		-16 044	29 272
Total expenses for claims and insurance benefits		-109 678	-126 196
Acquisition expenses	F.24		
Commission expenses		-57 256	-50 319
Other acquisition expenses		-460	-354
Change in deferred acquisition expenses		875	1 698
Commission income from retrocessionaires		4 867	7 242
Total acquisition expenses		-51 974	-41 733
Other operating expenses	F.25	-2 508	-2 081
Other expenses	F.26	-278	-114
Profit before taxes		21 147	18 568
Tax expense	F.27	-4 332	-2 999
Profit for the period		16 815	15 569
Attributable to owners of the Company		16 815	15 569
Attributable to owners of non-controlling interest			

Statement of Comprehensive Income for the Year Ended 31 December 2011

Statement of Comprehensive Income	2011			2010		
in EUR '000	Gross	Tax*	Net	Gross	Tax*	Net
Profit for the period	21 147	-4 332	16 815	18 568	-2 999	15 569
Other comprehensive income						
Gains (losses) recognized in equity – Available for sale financial assets	-592	113	-479	128	-24	104
Other comprehensive income for the year	-592	113	-479	128	-24	104
Comprehensive income for the period	20 555	-4 219	16 336	18 696	-3 023	15 673
Attributable to owners of the Company	20 555	-4 219	16 336	18 696	-3 023	15 673
Attributable to owners of non-controlling interest						

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

Shareholders' Equity as of 31 December 2011

2011	Share capital	Available for sale reserve	Legal and statutory reserves	Other reserves	Retained earnings	Shareholders' equity I.**	Shareholders' equity II.***
in EUR '000							
As of 1 January 2011	101 958	37	810		13 217		116 022
Total comprehensive income for the period		-479			16 815		16 336
Dividends					-12 400*		-12 400
Allocation to legal and statutory reserves			778		-778		
As of 31 December 2011	101 958	-442	1 588		16 854		119 958

2010	Share capital	Available for sale reserve	Legal and statutory reserves	Other reserves	Retained earnings	Shareholders' equity I. **	Shareholders' 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

* Dividend per share was EUR 496
** Shareholders' equity attributable to owners of non-controlling interest
*** Shareholders' equity attributable to owners of the Company

Cash Flow Statement for the Year Ended 31 December 2011

Cash Flow Statement	Notes	2011	2010
in EUR '000			
Profit for the period		21 147	18 568
Adjustments to profit for the period			
Interest and other investment income		-8 318	-6 930
Exchange differences		339	-986
Depreciation		224	223
Change in deferred acquisition costs		-875	-1 698
Proceeds from the issue of other liabilities evidenced by paper		-173	7
Dividends		-1 013	
Cash flows from operating activities			
Change in reinsurance liabilities		5 904	88 979
Change in ceded share of reinsurance liabilities		15 751	-30 482
Change in receivables		61 411	-41 190
Change in deposits due from cedents		-14 476	-6 683
Change in liabilities		-16 809	2 034
Change in provisions		218	
Change in other assets and liabilities		71	-141
Income tax paid		-3 853	-4 326
Net cash flow from operating activities		59 548	17 375
Cash flows from investing activities			
Interest received		6 888	6 245
Dividends received		949	
Payment for acquisition of subsidiary			-6 222
Payment for acquisition of intangible assets and property, plant and equipment		-12	-372
Payment for acquisition of available for sale financial assets		-42 063	-18 088
Cash proceeds from the sale of available for sale financial assets		29 160	10 229
Payment for acquisition of held to maturity financial assets		-44 501	-22 295
Cash proceeds from the sale of held to maturity financial assets		3 994	3 619
Net cash flow from investing activities		-45 585	-26 884
Cash flows from financing activities			
Dividend payment		-12 400	-5 500
Net cash flow from financing activities		-12 400	-5 500
Net change in cash and cash equivalents		1 563	-15 009
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at beginning of period		6 753	21 762
Foreign currency translation differences on cash balances			
Net change in cash and cash equivalents		1 563	-15 009
Cash and cash equivalents at end of period		**8 316**	**6 753**

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

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 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 F.20.

Segment Reporting

Income Statement by Lines of Business

Income Statement	Property/Casualty		Health		Life		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
in EUR '000								
Premiums written – Gross	211 365	208 890	41 099	41 357	22 343	23 597	274 807	273 844
Premiums written – Ceded	-102 263	-97 640	0	0	-763	-799	-103 026	-98 439
Change due to provision for premiums – Net	-2 201	235	-3	-15	422	662	-1 782	882
1. Net earned premiums	106 901	111 485	41 096	41 342	22 002	23 460	169 999	176 287
Interest revenue	4 940	4 274	3 864	2 256	5 432	5 122	14 236	11 652
Other income and expenses from investments	665	495	391	261	-36	-6	1 020	750
2. Investment result	5 605	4 769	4 255	2 517	5 396	5 116	15 256	12 402
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities– Gross	-78 765	-192 447	-29 411	-27 791	-20 405	-20 561	-128 581	-240 799
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	18 875	115 001			28	-398	18 903	114 603
3. Claims and insurance benefits	-59 890	-77 446	-29 411	-27 791	-20 377	-20 959	-109 678	-126 196
Commission expenses including change in deferred acquisition expenses	-49 199	-41 258	-5 008	-4 862	-2 174	-2 501	-56 381	-48 621
Other acquisition expenses	-334	-258	-65	-51	-61	-45	-460	-354
Commission income from retrocessionaires	4 533	6 677			334	565	4 867	7 242
4. Acquisition expenses	-45 000	-34 839	-5 073	-4 913	-1 901	-1 981	-51 974	-41 733
Operating profit measured on the segment basis	7 616	3 969	10 867	11 155	5 120	5 636	23 603	20 760
5. Administrative expenses	-1 876	- 1 047	-367	-678	-265	-356	-2 508	-2 081
Operating profit	5 740	2 922	10 500	10 477	4 855	5 280	21 095	18 679
6. Other income							330	3
7. Other expenses							-278	-114
Profit before tax							21 147	18 568
Income tax							-4 332	-2 999
Profit after tax							16 815	15 569

The investment result was allocated among individual segments based on the balance of reinsurance liabilities as of 31 December 2011.

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 28445589) and has its registered office at Klimentská 1216/46, Prague 1, postcode 110 02. VIG Re received its license to carry out reinsurance business and related activities on 8 August 2008 and has conducted its reinsurance business in property/casualty, life and health since 2009.

Structure of shareholders

The registered capital consists of 25 000 shares in book 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)). 100% of the registered capital was paid up as of 31 December 2009.

Shareholders as of 31 December 2011:

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	70%
DONAU Versicherung AG Vienna Insurance Group	10%
Kooperativa pojišťovna, a.s., Vienna Insurance Group	10%
KOOPERATIVA poisťovna, a.s. Vienna Insurance Group	10%

The members of the Board of Directors were as of 31 December 2011 as follows:

Chairman:	Karl Fink, Vienna, Austria (starting 4 October 2011)
Chairman:	Peter Hagen, Vienna, Austria (until 1 September 2011)
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 of 31 December 2011 as follows:

Chairman:	Franz Kosyna, Vienna, Austria
Chairman:	Karl Fink, Vienna, Austria (until 1 September 2011)
Vice-Chairman:	Peter Höfinger, Vienna, Austria
Member:	Martin Diviš, Prague, Czech Republic (starting 27 April 2011)
Member:	Wolfgang Eilers, Hamburg, Germany
Member:	Rudolf Ertl, Vienna, Austria (until 27 April 2011)
Member:	Roland Gröll, Vienna, Austria (starting 27 April 2011)
Member:	Juraj Lelkes, Bratislava, Slovakia

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 since 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

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) or million (MIO EUR).

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 and 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 Company and its costs 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.

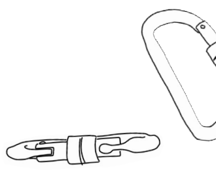
The estimated useful lives for the current and comparative periods are as follows:

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 through 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 expenses” in profit or loss.



B.3. Investment in subsidiaries

The carrying amount of investment in 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 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 if 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 on an active market at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available or if the market for an investment is not active, the fair value of the instrument is estimated using the discounted cash flow method. Where discounted cash flow methods are used, estimated future cash flows are based on management 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, 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. 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 on an active market, other than being 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 fair value and subsequently measured at amortized costs less impairment.

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 when assessing the carrying amount of the assets. Any impairment loss is recognized in profit and loss.

B.7. Taxes

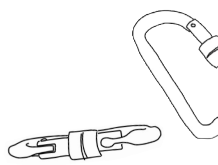
The income tax expense comprises current tax and deferred tax. The income tax associated with transactions recognized directly in Other comprehensive income (unrealized gains and losses from available for sale financial instruments) is also recognized directly in Other comprehensive income.

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 costs in life see point B.11. Reinsurance liabilities, 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 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 that 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 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 capitalized and deferred in accordance with the prudence principle and taking into account the risk of lapses and cancellations.

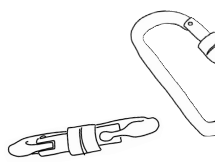
The provision is initially measured employing the assumptions used for calculating the corresponding premiums and remains unchanged except where liability inadequacy occurs.
A liability adequacy test (LAT) is performed at each reporting date by the Company's actuaries using current estimates of future 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 the 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 the health insurance business, yearly premium indexations in case of increases in claims expenses are usually contractually agreed with policyholders.

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

B.13. Provisions

A provision is created when the Company has a present legal or constructive obligation as a result of a past event, 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. Payables

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 this relates in whole or in part to a later accounting period), together with any differences between booked premium for prior years and that 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 an accrual basis, taking into account the effective yield of the asset or liability, or an applicable floating rate. Interest income and interest expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated using the effective interest method.

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

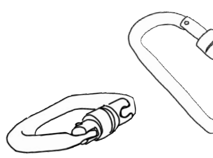
Acquisition expenses are expenses arising from the conclusion of reinsurance contracts, and include direct costs such as brokerage for reinsurance intermediaries, reinsurance commissions, and indirect costs such as the administrative expenses connected with the processing of proposals, renewals, and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

Acquisition expenses 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. These include personnel costs, office rental expenses and other operating expenses. Personnel costs include expenses arising from employee benefits, such as salaries and wages, management remuneration and bonuses, social insurance and the 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 denominated in, or which requires settlement in, a currency other than the functional currency. The 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 valid at the dates the fair values were determined.

Exchange differences arising from the settlement of monetary items or from the 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 other comprehensive income 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 its 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, receivable, or available for sale debt instrument, is reversed through the income statement (up to the amount of the amortized cost), if the subsequent increase in the recoverable amount can be attributed objectively to an event occurring after the impairment loss was recognized.

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

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing the 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.

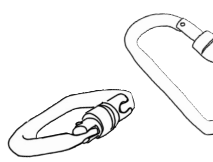
B.22. Classification of reinsurance contracts

A reinsurance contract, whereby the Company assumes a significant insurance risk from another party (an insurance company) as a result of a provision whereby the insurance company receives compensation if a specified uncertain future event (the insured event) adversely affects the insurance company, is treated as an insurance policy as defined in IFRS. A distinction is made between insurance risk and financial risk. Financial risk is the risk of a possible future change in specific interest rates, securities prices, price indices, interest rate indices, credit ratings, 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/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 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, and no premium income is recognized in respect of such transactions.



B.24. Clean cut

A clean cut agreement is usual for treaties with an accounting year based accounting system. At the end of the business year, or at the expiry of the reinsurance period, reserves are set up for losses which have been incurred but not yet finally settled, and for unearned premium. For treaties with a clean cut system, these reserves are set up in the form of portfolio bookings. Portfolio entries and withdrawals are financially effective, which means they result in a cash flow. These bookings correspond to the technical reserves and therefore also influence a treaty's technical result.

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 2011:

Standards in force

Revised IAS 24 *Related Party Disclosures.* The revised Standard also amends the definition of a related party, which has 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 *Related Party Disclosures* also provides a disclosure exemption in respect of related party relations that arise through common control by the state, unless indicators of influence exist between the entities. The revised IAS 24 also amends the definition of a related party:

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

The 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* The amendment of IFRIC 14 addresses the accounting treatment for prepayments made when there is also a minimum funding requirement (MFR). Under the amendment, 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 amendment 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 considered 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 2011.

Standards not yet in force

A number of new Standards, and amendments to Standards and Interpretations, were not yet effective as of 31 December 2011, 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 analysing the likely impact on its financial statements.

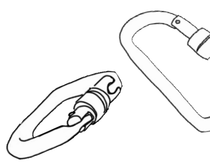
Amendments to IFRS 7 Disclosures – Transfers of Financial Assets (Effective for annual periods beginning on or after 1 July 2011; to be applied prospectively. Earlier application is permitted.)

The amendments require disclosure of information that enables users of financial statements:

- to understand the relationship between transferred financial assets that are not derecognized in their entirety, and the associated liabilities; and
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets.

The amendments define "continuing involvement" for the purposes of applying the disclosure requirements.

The Company does not expect the amendments to IFRS 7 to have a material impact on the financial statements because of the nature of the Company's operations and the types of financial assets that it holds.



D. Principal Assumptions

For reported but not settled claims (RBNS), 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 the 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 the insurer's calculation is provided, Incremental Loss Ratio methodology (ILR), chain ladder triangles or loss ratio methodology. The ILR method is based on historical data extrapolation to estimate ultimate claims (the 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 as gross, 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 that project observed development factors.

Annuities

In MTPL reinsurance and other third party liability lines, part of the claims payment may be in the form of an annuity. The provision for such claims is established as the present value of expected future claims payments. The key assumptions involved in the calculation are the discount rate, and the expected increase in wages and disability pensions, which influence the amount of annuities to be paid. The ultimate annuity claims are dependent on national legislation and the development of social and political factors beyond the 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 the deduction of deferred acquisition costs. RBNS and IBNR are determined as current estimates reflecting the current views of future claim development.

Liability adequacy test – 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.

E. Risk Reporting

E.1. Risk management

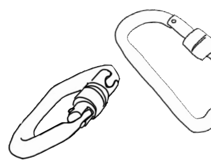
E.1.1. Introduction

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 their customers using a variety of insurance packages, while part of the risk is subsequently transferred to the reinsurance company (VIG Re). The reinsurance business of the Company and the insurance business of the Company's clients consist of deliberately assuming diverse risks and managing them profitably. One of the primary responsibilities of risk management is to ensure that the obligations assumed under reinsurance contracts can be satisfied.

E.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, analyse, 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) risk:* The core business of VIG Re is the underwriting of insurance risks transferred from an insurance company to VIG Re. This also creates concentration risk, which is a single direct or indirect position or group of positions with the potential to significantly endanger the Company, its core business or key performance indicators.
- *Credit risk:* This risk quantifies the potential loss due to the deterioration of the situation of a contracting party owing receivables, or other financial investments arising from financial assets and reinsurance contracts.
- *Market risk:* Market risk is taken to mean the risk of changes in the value of investments caused by unforeseen fluctuations in interest rate curves, share prices and currency rates, and the risk of changes in the market value of ownership interests.
- *Liquidity risk:* Liquidity risk means the risk that insurance and reinsurance companies are unable to realise investments and other assets in order to settle their financial obligations when they fall due. It depends on how good the fit is between the financial investment portfolio and reinsurance commitments.
- *Strategic risk:* Strategic risk is a function of the incompatibility between two or more of the following components: a company's strategic goals, the business strategies developed, and the resources deployed to achieve these goals, the quality of implementation and the economic and legal situation of the markets the undertaking operates in. These can arise due to changes in the economic environment, case law, and the regulatory environment. VIG Re is subject to insurance/reinsurance law in the Czech Republic. The regulation governs such matters as capital requirements, solvency requirements, and limits on the placement of financial instruments.
- *Operational risk:* This covers risks that may result from deficiencies or errors in business processes, controls or projects caused by technology, personnel, 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.

Risk management in VIG and VIG Re is governed by internal guidelines. Underwriting risks in property/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.

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 which might be caused by deficiencies or errors in business processes, controls and projects, and changes in the business environment are also monitored continuously.

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

Risk monitoring and control is in the competence of the Board of Directors. Risk management is supported by other VIG Group companies in the Czech Republic and Austria based on the Cost Sharing Agreement. The responsibilities for the risk categories are allocated as follows:

Actuarial department: Underwriting risks are managed by internal resources of VIG Re supported by the actuarial department of other VIG Group companies in the Czech Republic and Austria. The actuarial department subjects all reinsurance solutions to in-depth actuarial analysis covering all classes of the reinsurance business (life, health, property/casualty). The Company has its appointed actuary.

Risk management department: VIG Re, with the support of the risk management department of VIG Group companies in the Czech Republic, 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. Furthermore, a risk and control assessment is performed once a year.

Controlling: The financial accounting and claims department monitors and controls operational developments at domestic and foreign insurance companies. VIG Re regularly monitors and controls its business development by comparing plans and reinsurance contracts signed.

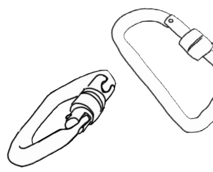
Audit: The Company uses the VIG internal audit department. The internal audit department systematically monitors operating and business processes, the internal controlling system of all operational corporate areas, and the functionality and adequacy of risk management. The internal audit department operates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

E.2. Underwriting Risk

E.2.1. Introduction

VIG Re assumes both reinsurance from VIG Group companies and reinsurance from external parties. In 2011, the majority of reinsurance assumed was from VIG Group companies. VIG Re writes long tail as well as short tail business, both proportional and non-proportional reinsurance business, and also provides facultative reinsurance.

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.



E.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. This risk can also include 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

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 policies 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 amounts of awards for damage suffered and the increasing numbers 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 of time typically required to settle these cases.

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

Life

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that 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.

The most important underwriting risks in life reinsurance are primarily biometric ones, such as life expectancy, occupational disability, illness, and the need for nursing care. VIG Re has formed reserves for paying future insurance benefits to manage these underwriting risks transferred to the Company.

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

Health

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

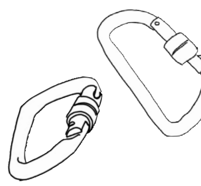
E.2.3. Reinsurance guidelines

The approach to the Company's own reinsurance protection.

The 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: The maximum VIG Re retention per individual loss is less than 4 MIO EUR, and the retention per event of loss due to natural catastrophe is less than 17.5 MIO EUR.
- Selection of reinsurers – diversification. VIG Re divides its reinsurance coverage among many different international reinsurance companies of appropriate credit quality so as to minimize the risk arising from a reinsurer 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 "A" rating and 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 there is a larger number of reinsurers the preferred rating is Standard & Poor's "A" or higher. Reinsurers with lower ratings are only accepted in a few cases – and for limited periods of time.



Approach to the reinsurance contracts assumed by the Company

VIG Re follows a strict underwriting policy and there are a number of insurance risks excluded from the VIG Re underwriting policy. There are general exclusions as well as specific exclusions per line of business. The general exclusions (see the examples below) are obligatory for all of VIG Re's acceptances. The Company does not assume any credit, bond or other financial risk, or aviation business, and does not assume the run-off of losses to treaties incepted prior to 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 6 MIO EUR. This 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 Group 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 also takes into account the respective local VIG 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, 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.

E.2.4. Concentration risk

In general, the Company writes business only in the CEE region, Austria and Germany. See F.20 for geographical concentration measured by premium written. The tables also show premium split according to lines and classes of business. The concentration risk for VIG Re can mainly be detected in the property class of business, where the natural catastrophe risk is accounted. 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 analysed by the Company. Based on this, the above mentioned full retrocession cover for VIG Re is determined and placed with a high number of reinsurers with security according to the guidelines, thus preventing concentration risk on the net base.

E.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.

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

The goals are 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.

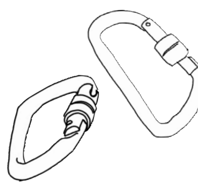
Deposits retained on assumed reinsurance serve directly as collateral for technical provisions, covering business assumed from cedents in reinsurance. They do not trigger any cash flows and may not be used by the cedent independently. The credit risk is therefore limited. The amount of and changes in 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.

E.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 are companies within VIG. Management believes that it has sufficient internal data to reliably assess the creditworthiness of the companies.

E.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 E.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.



E.3.4. Credit risk exposure

The tables below provide a detailed analysis of the Company's exposure to credit risk.

	Reinsurance receivables		Other financial assets	
	2011	2010	2011	2010
in EUR '000				
Individually impaired:				
Gross amount	45			
Carrying amount				
Collectively impaired:				
Gross amount				
Carrying amount				
Past due but not impaired:				
Gross amount				
Up to 30 days after maturity	21 884	80 325		
31 days to 90 days after maturity	1 457	1 402		
91 days to 180 days after maturity	377	2 619		
181 days to 1 year after maturity	487	1 587		
1 year to 2 years after maturity	333			
Neither past due nor impaired – carrying amount		16	536 138	482 067
Total carrying amount	24 538	85 949	536 138	482 067

The credit quality of neither past due nor impaired financial assets is monitored per individual case. The Company closely monitors each counterparty and evaluates its credit quality. The majority of counterparties are companies within VIG (see the related party disclosures F.28.) and therefore the Company has enough information to evaluate the quality of the counterparty.

Cash and cash equivalents are neither individually nor collectively impaired.

Credit risk exposure 2011 Standard & Poor's rating	AAA	AA	A	B / BB / BBB	No Rating	Carrying value in balance sheet
in EUR '000						
Financial investments*	34 040	74 422	104 609		11 215	224 286
Deposits due from cedents			91 775		145 771	237 546
Cash and cash equivalents					349	349
Receivables from reinsurance and ceded share of reinsurance liabilities		53 230	29 531	1 139	14 460	98 360
Other receivables					135	135
Total	34 040	127 652	225 915	1 139	171 930	560 676
In %	6.07	22.77	40.30	0.20	30.66	100

* Except for deposits due from cedents

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*	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

* Except for deposits due from cedents

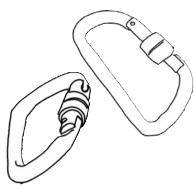
The most important financial investment holdings are in bonds issued or guaranteed by the governments of the EU countries where VIG Re operates (Czech Republic, Slovakia, Poland and Austria). The company is not directly exposed to the credit risk of the EU periphery countries (PIIGS). Nevertheless, it could be exposed to the credit-related losses that may occur as a result of future negative development in the European Union and/or at any of the bond portfolio issuers.

E.4. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. 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. The majority of claims are settled with the cash deposit under normal circumstances.

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

2011 Expected remaining contractual maturities of assets	Up to one year	From one to five years	From five to ten years	More than ten years	Not specified	Carrying value in balance sheet
in EUR '000						
Financial investments	36 479	104 565	111 072	198 501	11 215	461 832
Financial assets held to maturity	4 841	70 989	76 843	35 327		188 000
Financial assets available for sale	2 005	6 110		8 989	11 215	28 319
Loans – Term deposits	7 967					7 967
Deposit due from cedents*	21 666	27 466	34 229	154 185		237 546
Receivables	24 404					24 404
Ceded share of reinsurance liabilities*	27 963	15 878	17 228	12 888		73 957
Cash and cash equivalents	349					349
Other receivables	134					134
Total	89 329	120 443	128 300	211 389	11 215	560 676

* Expected timing of cash flows

The following table provides details of the expected maturity profile of the Company's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognized insurance contract liabilities. Unearned premiums are excluded from this analysis. The table includes both interest and principal cash flows.

2011 Expected remaining 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*	90 343	75 757	61 594	173 831	401 525
Unearned premiums	17 462				17 462
Outstanding claims	61 344	49 004	28 153	20 238	158 739
Life reinsurance provision	10 032	26 753	33 441	63 537	133 763
Other	1 505			90 056	91 561
Other liabilities – issued bonds					
Payables	51 838				51 838
Tax liabilities	1 400				1 400
Other liabilities	698				698
Total	144 279	75 757	61 594	173 831	455 461

* Expected timing of cash flows

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

2010 Expected contractual maturities of assets	Up to one year	From one to five years	From five to ten years	More than ten years	Not specified	Carrying value in balance sheet
in EUR '000						
Financial investments	34 021	101 832	90 809	165 332		391 994
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*	21 420	25 664	31 906	144 080		223 070
Receivables	85 509					85 509
Ceded share of reinsurance liabilities*	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

* 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 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*					
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

* Expected timing of cash flows

E.5. Market risk

The Company invests in debt securities and term deposits using a prudent investment strategy, following 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 VIG 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 liquidity position with the placement of a significant portion of its portfolio into term deposits.
- The majority of debt securities are held till maturity, i.e. no active trading takes place.
- The management of the 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.

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
- Equity risk

E.5.1. 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 another currency than the functional currency.

The Company exposure to foreign currency risk within the investment portfolios supporting the Company's euro zone reinsurance and investment operations arises 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 as of 31 December. The company's assets and liabilities at carrying amounts are included in the table, categorized by currency at their carrying amount:

2011 Currency	Total Assets	Total Liabilities	Net Amount
in EUR '000			
EUR	545 641	438 768	106 873
CZK*	22 036	6 689	15 347
HUF	7 562	9 463	-1 901
Other	1 003	1 363	-360
Total	**576 242**	**456 283**	**119 959**

* The company hedged the long position during 2011. The nominal value of the contract was 407 000 TCZK (16 958 TEUR). This hedging contract finished on 30 December 2011.

A 10% negative movement in exchange rates can cause a total loss of 1 863 TEUR.

Such a EUR/CZK change can cause a loss of 1 535 TEUR, and in EUR/HUG a loss of 190 TEUR.

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

E.5.2. Interest rate risk

For VIG Re, interest rates are the most relevant parameters for market risk. The Company’s investments consist largely of fixed interest securities. The majority of these securities are denominated in Euros. As a result, interest rate fluctuations in the 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 as of 31 December.

2011	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	Not specified	Total
in EUR ‘000								
Financial instruments								
Financial assets available for sale – debt securities	3.44 %	2 006	6 110			8 989		17 105
Financial assets available for sale – investment funds							11 214	11 214
Financial assets held to maturity – debt securities	4.31 %	1 026	9 483	5 181	59 982	112 328		188 000
Loans – Term deposits	0.32 %	7 967						7 967
Deposit due from cedents	2.86 %		21 666	27 466		188 414		237 546
Cash and cash equivalents		349						349
Total financial assets		11 348	37 259	32 647	59 982	309 731	11 214	462 181

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	Not 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

E.5.3. Equity risk

The company invests only a very small part of its investment portfolio in equity funds. The equity risk is included in the sensitivity analysis.

E.5.4. Sensitivity analysis

The market risk of the Company's financial assets is monitored and measured on a continuous basis using a Value at Risk ('VaR') analysis. Value at Risk takes into account the interdependencies between market risk variables.

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 a 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.
- VaR is a statistical estimation and therefore it is possible that there could be, in any period, a greater number of days in which losses could exceed the calculated VaR implied by the confidence level.
- The measure is a 'point in time' calculation reflecting positions recorded as of 31 December.
- The methodology is applicable to instruments with a linear relationship between position value and market rates.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Company's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines, and vice versa.

The VaR positions of the financial investments were as follows:

VaR including HTM as of 31 December	2011	2010
in EUR '000		
Market value of portfolio	219 996	170 096
Historical VaR 60d; 99%	9 806	7 926
Relative VaR (%) 60d; 99%	4.46 %	4.66 %

The VAR including HTM is calculated on the total portfolio including hold to maturity positions. The HTM positions do not have a direct impact on market risk exposure.

VaR excluding HTM as of 31 December	2011	2010
in EUR '000		
Market value of portfolio	24 808	14 354
Historical VaR 60d; 99%	1 212	584
Relative VaR (%) 60d; 99%	4.88 %	4.06 %

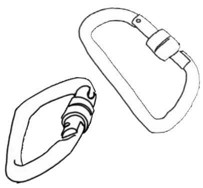
The VaR excluding HTM is calculated on the available for sale portfolio. The positions in the AFS portfolio have a direct impact on the market risk exposure of the Company.

The VaR figures can be interpreted as giving a 1% probability that the portfolio will fall in value by more than 9 806 TEUR or 1 212 TEUR over a 60 day period, assuming markets are normal and there is no trading. The accuracy of the VaR model is regularly monitored.

E.6. Capital management

The Company operates in the insurance/reinsurance sector, which is a regulated industry. The Company has to comply with all regulations stipulated through the Insurance Act No. 277/2009 Coll. and 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. The available solvency elements are calculated for life and non-life together and the required solvency margin is calculated for life and non-life separately.

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



Regulatory capital as of 31 December		2011	2010
in EUR '000			
Required solvency margin	Life and non-life reinsurance	37 991	25 131
Available solvency elements	Life and non-life reinsurance	116 967	104 209

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

F. Notes to the Financial Statements

F.1. Intangible assets

Intangible assets	2011	2010
in EUR '000		
Software and licenses	1 403	1 590
Total intangible assets	1 403	1 590

2011	Software	Licenses	Total
in EUR '000			
Balance as of 1 January	81	1 705	1 786
Additions	4		4
Balance as of 31 December	85	1 705	1 790
Balance as of 1 January	25	171	196
Amortization	20	171	191
Balance as of 31 December	45	342	387
Book value as of 1 January	56	1 534	1 590
Book value as of 31 December	40	1 363	1 403

2010	Software	Licenses	Total
in EUR '000			
Balance as of 1 January	81	1 334	1 415
Additions		371	
Balance as of 31 December	81	1 705	1 786
Balance as of 1 January	5		5
Amortization	20	171	191
Balance as of 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

F.2. Property, plant and equipment

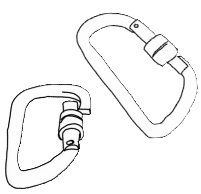
Property, plant and equipment – 2011	Vehicles	Other	Total
in EUR '000			
Balance as of 1 January	79	103	182
Additions		8	8
Disposals			
Balance as of 31 December	79	111	190
Balance as of 1 January	27	22	49
Depreciation	20	13	33
Balance as of 31 December	47	35	82
Book value as of 1 January	52	81	133
Book value as of 31 December	32	76	108

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

F.3. Investment in subsidiaries

Investment in subsidiaries	31.12. 2011	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. 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	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.

F.4. Financial investments

Financial investments	2011	2010
in EUR '000		
Available for sale financial assets	28 319	15 341
Held to maturity financial assets	188 000	147 195
Loans and receivables	245 513	229 458
Total	461 832	391 994

F.4.1. Financial assets available for sale

Financial assets available for sale	2011	2010
in EUR '000		
Debt securities		
Government bonds	17 104	13 200
Investment funds	6 220	2 141
Shares in other related parties	4 995	
Total	28 319	15 341

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

Amortized value	Amortized value	FX differences	Unrealized gains or losses	Impairment	Fair value
in EUR '000					
Debt securities	16 871		233		17 104
Investment funds	7 000		-780		6 220
Shares in affiliated non-consolidated companies	4 995				4 995
Total	28 866		-547		28 319

Fair value hierarchy	Level 1	Level 2	Level 3	Total
Financial assets available for sale	21 318	2 006	4 995	28 319

Level 1 represents quoted prices in active markets for identical assets or liabilities.
Level 2 represents mark-to-market – the comparable financial instrument is calculated using valuation techniques for which all significant inputs are based on observable market data.
Level 3 represents an investment where the inputs for the asset valuation are not observable market data.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. The financial instruments allocated to this level of the fair value hierarchy include an investment share in an unlisted real estate company whose fair value was determined through valuation of an underlying property.

For fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would significantly change the fair value, the entity states that fact and discloses, through the class of financial instruments, the effect of those changes. For this purpose, significance is judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognized in other comprehensive income, total equity. In our view, reasonably possible alternative assumptions are those that could reasonably have been included in the valuation model as of the reporting date based on the circumstances at the reporting date.

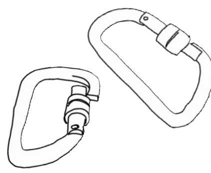
F.4.2. Financial assets held to maturity

Financial assets held to maturity	2011	2010
in EUR '000		
Debt securities		
Government bonds	174 420	138 224
Other public sector bonds	505	9
Corporate bonds	13 075	8 962
Total	188 000	147 195

Financial assets held to maturity	Carrying amount	Fair value
in EUR '000		
Debt securities		
Government bonds	174 420	176 722
Other public sector bonds	505	521
Corporate bonds	13 075	13 570
Total	188 000	190 813

F.4.3. Loans and deposits

Loans and deposits	2011	2010
in EUR '000		
Loans – Term deposits	7 967	6 388
Deposits due from cedents	237 546	223 070
Total	245 513	229 458



Deposits due from cedents in relation to reinsurance liabilities			
in EUR '000			
Assets		Liabilities	
Deposits due from cedents	237 546	Unearned premiums	7 671
		Outstanding claims	4 551
		Life reinsurance provision	133 763
		Other - Ageing reserves	90 056
		Other - Provision for bonuses and rebates	1 505
Total gross	237 546		237 546

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.

F.5. Receivables

Receivables	2011	2010
in EUR '000		
Receivables arising out of assumed reinsurance - cedents	20 189	40 630
Receivables arising out of reinsurance operations - retrocession	4 261	44 879
Trade and other receivables	133	440
Prepayments		
Total gross	24 583	85 949
Impairment	45	
Total net	24 538	85 949

F.6. Ceded share of reinsurance liabilities

Ceded share of reinsurance liabilities	2011	2010
in EUR '000		
Unearned premiums	2 531	2 238
Outstanding claims	71 426	87 470
Total	73 957	89 708

F.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	2011		2010	
Balance sheet position	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
in EUR '000				
Property, plant and equipment		2		2
Intangible assets		154		77
Provisions	41			
Total	41	156		79
Net Balance		115		79

Movement in deferred tax	2011	2010
in EUR '000		
Net deferred tax assets/(liability) – opening balance	79	2
Deferred tax (expense)/income for the period	36	77
Net deferred tax asset/(liability) – closing balance	115	79

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 19% for the year in question (2010: 19%).

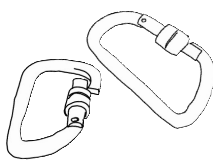
F.8. Other assets

Other assets	2011	2010
in EUR '000		
Prepaid expenses	271	358
Total	271	358

F.9. Deferred acquisition costs

Development of DAC	2011	2010
in EUR '000		
Book value – opening balance	2 687	989
Costs deferred during the current year	3 037	2 593
DAC released during the current year	2 162	895
Book value – closing balance	3 562	2 687

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



F.10. Cash and cash equivalents

Cash and cash equivalents	2011	2010
in EUR '000		
Cash and cash equivalents	3	6
Cash at bank	346	359
Total	349	365

F.11. Shareholders' equity

Share capital	2011	2010
in EUR '000		
Authorized 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.

F.12. Unearned premiums

Unearned premium provision - 2011	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance	16 057	2 238	13 819
Premium written during the current year	274 807	103 026	171 781
Less premium earned during the current year	-272 831	-102 832	-169 999
Novation			
Clean cut system	20	98	-78
FX translation	-592		-592
Book value – closing balance	17 461	2 530	14 931

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

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	551	-113	664
FX translation	-3		-3
Book value – closing balance	16 057	2 238	13 819

F.13. Outstanding claims

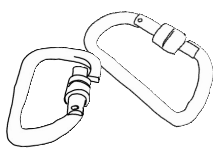
Provisions (RBNS, IBNR) – 2011	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	168 458	87 470	80 988
Claims incurred and reported	114 058	18 903	95 155
Less claims paid	-124 234	-34 947	-89 287
Novation			
Clean cut system	1 406		1 406
FX translation	-949		-949
Book value – closing balance	158 739	71 426	87 313

Claims development table – Property/casualty on a gross basis	UY 2011	UY 2010	UY 2009	Total
in EUR '000				
Estimate of total cumulative claims at the end of the underwriting year	69 418	206 227	155 120	430 765
One year later		214 401	175 798	390 199
Two years later			177 081	177 081
Estimate of cumulative claims	69 418	214 401	177 081	460 900
Cumulative payment	28 489	150 608	128 114	307 211
Value recognized in balance sheet	40 929	63 793	48 967	153 689

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

Outstanding claims relating to health (4.7 MIO EUR) and life (1.3 MIO EUR) are not included in the above table due to their relative insignificance.

Provisions (RBNS, IBNR) - 2010	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	87 191	58 199	28 992
Claims incurred and reported	232 951	114 602	118 349
Less claims paid	-178 567	-85 331	-93 236
Novation	32 926		32 926
Clean cut system	-6 026		-6 026
FX translation	-17		-17
Book value – closing balance	168 458	87 470	80 988



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**

F.14. Life reinsurance provision

Life reinsurance provision	2011	2010
in EUR '000		
Gross	133 763	125 557
Retrocession		
Net	**133 763**	**125 557**

Development in 2011	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance	**125 557**		**125 557**
Additions	8 206		8 206
Book value – closing balance	**133 763**		**133 763**

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

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

F.15. Other

Ageing reserves	2011	2010
in EUR '000		
Gross	90 056	84 053
Retrocession		
Net	**90 056**	**84 053**

Development in 2011	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance	84 053		84 053
Additions	6 003		6 003
Book value – closing balance	90 056		90 056

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		80 053

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

Reserves for premium and rebates	2011	2010
in EUR '000		
Gross	1 505	1 496
Retrocession		
Net	1 505	1 496

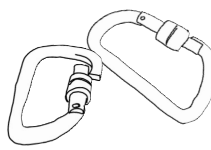
Development in 2011	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance	1 496		1 496
Additions	9		9
Book value – closing balance	1 505		1 505

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

F.16. Other liabilities - Issued bonds

Other liabilities evidenced by paper	2011	2010
in EUR '000		
Zero Bond		173
Total		173

On 30 November 2009 the Company issued 100 zero bonds with a nominal value of EUR 200 000 in total, maturing in 2014. All the bonds were bought back by the Company on 3 June 2011 and cancelled on the same date.



F.17. Provisions

Non-technical provisions	2011	2010
in EUR '000		
Miscellaneous provisions	218	
Total	218	

The non-technical provisions were created for invoices for IT services where the exact scope is currently under negotiation.

F.18. Payables

Payables	2011	2010
in EUR '000		
Payables arising out of reinsurance operations – cedents	44 274	61 603
Payables arising out of reinsurance operations – retrocession	7 564	6 952
Trade payables	2	
Wages and salaries	104	82
Social security and health insurance	12	13
Other payables	580	695
Total	52 536	69 345

F.19. Other liabilities

Other liabilities	2011	2010
in EUR '000		
Accruals	489	505
Total	489	505

F.20. Premium

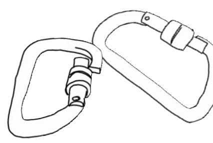
2011 Premium written – Reinsurance premium in EUR '000	Property/Casualty	Health	Life	Total
Gross				
Austria	83 920	40 096	13 719	137 735
Czech Republic	38 542		126	38 668
Germany	1 798	568	160	2 526
Hungary	24 146		129	24 275
Slovakia	18 981		500	19 481
Romania	15 540		40	15 580
Croatia	4 955		7 227	12 182
Poland	5 915		290	6 205
Turkey	2 275	435		2 710
Other CEE*	15 293		152	15 445
Premium written	211 365	41 099	22 343	274 807
Retroceded premium	102 263		763	103 026
Premium written – Retained	109 102	41 099	21 580	171 781

* Other CEE represents the following countries: Albania, Bosnia, Bulgaria, Estonia, Georgia, Latvia, Lithuania, Macedonia, Moldova, Russia, Serbia, Slovenia, Switzerland, and Ukraine.

2010 Premium written – Reinsurance premium in EUR '000	Property/Casualty	Health	Life	Total
Gross				
Austria	66 852	40 079	14 758	121 689
Czech Republic	37 261		72	37 333
Germany	28 034	174	53	28 261
Hungary	26 454		102	26 556
Slovakia	15 827		448	16 275
Romania	14 503		125	14 628
Croatia	5 108		7 814	12 922
Poland	4 528		189	4 717
Turkey	1 315	1 104		2 419
Other CEE*	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

* Other CEE represents the following countries: Albania, Bosnia, Bulgaria, Georgia, Lithuania, Macedonia, Moldavia, Russia, Serbia, and Slovenia.

In 2011 the Company wrote premium of 253.3 MIO EUR from VIG Group companies and 21.5 MIO EUR from external parties (in 2010 256.1 MIO EUR from VIG Group companies and 17.7 MIO EUR from external parties).



2011 Premium written – Reinsurance premium	Gross	Ceded	Net
in EUR '000			
Property/Casualty			
MTPL	29 007	-10 392	18 615
Other motor vehicle reinsurance	19 056	60	19 116
Casualty	2 583	-2 244	339
Liability	3 766	-89	3 677
Property	152 307	-88 202	64 105
Marine	4 646	-1 396	3 250
Premium written	211 365	-102 263	109 102

2010 Premium written – Reinsurance premium	Gross	Ceded	Net
in EUR '000			
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

F.21. Investment result

Investment income	2011	2010
in EUR '000		
Interest income		
Loans and term deposits	87	44
Deposits due from cedents	5 688	5 130
Financial investments held to maturity	7 125	5 843
Financial investments available for sale	1 360	638
FX gains		981
Total current income	14 260	12 637
Gains from the disposal of financial investments		
Financial investments held to maturity		28
Financial investments available for sale	439	59
Total gains from disposals of investments	439	87
FX Derivative – Income from sale	1 183	
Total	15 882	12 724

Investment expense	2011	2010
in EUR '000		
Management fees	164	148
FX losses	462	14
Total current expenses	**626**	**162**
FX derivative		162
Total losses from disposals of investments	**626**	**324**

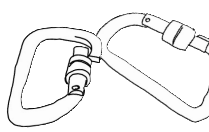
F.22. Other income

Other income	2011	2010
in EUR '000		
Foreign currency gains	330	3
Total	**330**	**3**

F.23. Claims and insurance benefits

Expenses for claims and insurance benefits – 2011	Gross	Retrocession	Net
in EUR '000			
Property/casualty/health			
Expenses for insurance claims			
Claims and benefits	112 139	34 917	77 222
Changes in provision for outstanding claims	-9 975	-16 042	6 067
Subtotal	**102 164**	**18 875**	**83 289**
Changes in other insurance liabilities	6 012		6 012
Total non-life expenses for claims and insurance benefits	108 176	18 875	89 301

Expenses for claims and insurance benefits – 2011	Gross	Retrocession	Net
in EUR '000			
Life			
Expenses for insurance claims			
Claims and benefits	12 096	30	12 066
Changes in provision for outstanding claims	-201	-2	-199
Subtotal	**11 895**	**28**	**11 867**
Changes in mathematical reserve	8 510		8 510
Changes in other insurance liabilities			
Total life expenses for claims and insurance benefits	**20 405**	**28**	**20 377**
Total	**128 581**	**18 903**	**109 678**



Expenses for claims and insurance benefits – 2010	Gross	Retrocession	Net
in EUR '000			
Property/casualty/health			
Expenses for insurance claims			
Claims and benefits	167 142	85 312	81 830
Changes in provision for outstanding claims	47 945	29 688	18 257
Subtotal	215 087	115 000	100 087
Changes in other insurance liabilities	5 151		5 151
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

F.24. Acquisition expenses

Commission expenses	2011			2010		
	Property/ Casualty	Health	Life	Property/ Casualty	Health	Life
in EUR '000						
Reinsurance commission – Fix	9 473	3 501	67	17 596	3 846	-54
Reinsurance commission – Sliding scale	25 891			22 973		
Reinsurance commission – Profit commission	14 677		2 107	1 969		2 555
Reinsurance commission – Health (administration)		1 540			1 434	
Total	50 041	5 041	2 174	42 538	5 280	2 501

F.25. Other operating expenses

Other operating expenses	2011	2010
in EUR '000		
Personnel expenses	973	820
Mandatory social security contributions and expenses	155	119
Depreciation of property, plant and equipment	32	32
Amortization of intangible assets	191	191
Rental expenses	137	113
IT expenses	538	319
Services	65	59
Other administrative expenses	417	427
Total	2 508	2 081

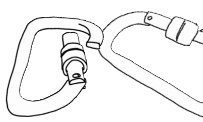
Management and employee statistics	2011	2010
Management – BoD	4	4
Other employees	11	12
Total	15	16

Personal expenses	2011	2010
in EUR '000		
Wages and salaries	965	815
Mandatory social security contribution expenses	155	119
Other social security expenses	8	5
Total	1 128	939

Board of Directors and Supervisory Board compensation	2011	2010
in EUR '000		
Board of Directors compensation	572	563
Supervisory Board compensation	26	27
Total	598	590

F.26. Other expenses

Other expenses	2011	2010
in EUR '000		
Foreign currency losses		96
Impairment of receivables	45	
Interests from retrocession operations	15	18
Allocation of other provision	218	
Total	278	114



F.27. Tax expense

Tax expense	2011	2010
in EUR '000		
Current taxes		
Actual taxes current period	4 372	2 831
Actual taxes related to other periods	-76	91
Total current taxes	**4 296**	**2 922**
Deferred taxes	**36**	**77**
Total taxes	**4 332**	**2 999**

Tax rate reconciliation	2011	2010
in EUR '000		
Expected tax rate in %	19	19
Profit before tax	21 147	18 568
Expected tax expense	**4 018**	**3 528**
Adjusted for tax effects due to:		
Tax exempt income	-147	
Non-deductible expenses – other	251	667
Non-deductible expenses - FX differences*	286	-1 265
Income exempted from tax		-21
Taxes from previous years	-76	91
Changes in tax rates		-1
Income tax expense	4 332	2 999
Effective tax rate in %	20.48	16.15

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

F.28. Related parties

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

F.28.1. Shareholders

Shareholders as of 31 December 2011:

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%

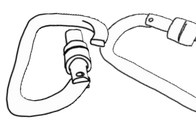
The ultimate parent of the Company is VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (VIG).

Transactions with the parent company	2011	2010
in EUR '000		
Balance sheet		
Deposits due from cedents		
Receivables	1 645	619
Unearned premiums		
Premium reserve		
Outstanding claims	6 747	1 062
Liabilities	339	
Income statement		
Premiums written	7 165	4 481
Change due to provision for premiums		
Investment and interest income		
Expenses for claims and insurance benefits	-27	
Change in claims and other reinsurance liabilities	-5 685	-1 062
Commission expenses	-108	
Other operating expenses	-521	

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

Transactions with other entities with joint control or significant influence	2011	2010
in EUR '000		
Balance sheet		
Deposits due from cedents	220	362
Receivables	3 919	2 286
Unearned premiums	1 267	1 393
Premium reserve	220	362
Outstanding claims	22 514	41 175
Liabilities	7 255	23 363
Income statement		
Premiums written	61 280	55 136
Change due to provision for premiums	55	505
Investment and interest income		
Expenses for claims and insurance benefits	-26 004	-59 742
Change in claims and other reinsurance liabilities	18 522	-20 881
Commission expenses	-7 145	-2 278
Intergroup outsourcing	-537	-550

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



F.28.2. 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	2011	2010
in EUR '000		
Balance sheet		
Receivables	441	300
Unearned premiums	236	128
Outstanding claims	579	509
Liabilities	178	198
Income statement		
Premiums written	4 378	2 934
Change due to provision for premiums	-108	-128
Investment and interest income	640	399
Expenses for claims and insurance benefits	-1 869	-1 471
Change in claims and other reinsurance liabilities	68	-205
Commission expenses	-1 323	-772

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

F.28.3. 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 represent 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.

F.28.4. Other related parties

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

Transactions with other related parties	2011	2010
in EUR '000		
Balance sheet		
Deposits due from cedents	130 280	120 193
Receivables	24 789	33 200
Unearned premiums	9 423	7 611
Premium reserve	122 438	113 107
Outstanding claims	93 675	98 794
Liabilities	52 984	68 371

Transactions with other related parties	2011	2010
in EUR '000		
Income statement		
Premiums written	183 596	198 699
Change due to provision for premiums	-608	-3 451
Miscellaneous earnings of investment	1 598	676
Expenses for claims and insurance benefits	-86 115	-105 114
Change in claims and other reinsurance liabilities	16 913	-4 372
Commission expenses	-44 078	-43 857
Intergroup outsourcing		-788

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

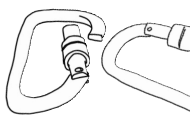
F.29. Fair value of financial assets and liabilities

Financial assets	31. 12. 2011		31.12. 2010	
	Fair value	Carrying amount	Fair value	Carrying amount
in EUR '000				
Financial investments	227 099	224 286	174 565	168 924
Financial assets held to maturity	190 813	188 000	152 836	147 195
Financial assets available for sale	28 319	28 319	15 341	15 341
Loans – Term deposits	7 967	7 967	6 388	6 388
Receivables	24 538	24 538	85 949	85 949
Cash and cash equivalents	349	349	365	365
Total financial assets	251 986	249 173	260 879	255 238

Financial liabilities	Fair value	Carrying amount	Fair value	Carrying amount
Other liabilities evidenced by paper			173	173
Payables	52 536	52 536	69 345	69 345
Other liabilities	489	489	505	505
Total financial liabilities	53 025	53 025	70 023	70 023

The fair value of financial assets except for loans is determined through either an observable market price or a price calculated by discounting cash flow. The price calculated by discounting cash flow is equal to the present value of future cash flows discounted by a risk free yield curve and an appropriate credit spread. The appropriate credit spread is obtained from a reference bond with the same rating, from the same industry sector, and with similar maturity, seniority and issuer.

The deposits due from cedents amounting to 237 546 TEUR, which are part of the financial investments, serve directly as an advance payment of future liabilities covering assumed business from cedents. These deposits do not trigger any cash flows and may not be used by the cedent independently. The credit risk is therefore limited and stating the fair value is not relevant.



Furthermore, the deposits due from cedents do not have a fixed maturity date and their release depends on the corresponding provision.

The expected contractual maturities of other financial assets and liabilities is up to 1 year. Therefore, the fair value of these assets and liabilities represents their carrying amount.

F.30. 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 be equal to the actual results. Significant estimates and assumptions are summarized below.

F.30.1. 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.

F.30.2. 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 their 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 for the issuer or obligor; a breach of contract, such as default on interest or principal payments).

The Company first individually assesses whether objective evidence of impairment exists 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.

F.30.3. 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 difference impacts the income tax and deferred tax in the period in which such determination is made.

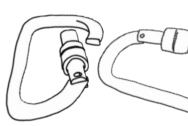
F.30.4. Fair value of financial instruments

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.

F.31. 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 the Board of Directors of the Company on 8 March 2012.



VIG RE zajišťovna, a. s.
Separate Financial Statements
31 December 2011

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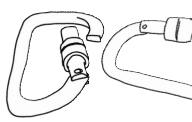


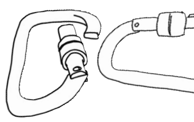
Consolidated Statement of Financial Position as of 31 December 2011

Assets	Notes	2011	2010
in EUR '000			
Intangible assets	G.1	1 416	1 591
Property, plant and equipment	G.2	162	188
Financial investments		473 318	403 749
Financial assets held to maturity		188 374	147 642
Financial assets available for sale		29 450	16 104
Loans – Term deposits		17 705	16 857
Deposits due from cedents		237 789	223 146
Trade and other receivables	G.4	33 415	94 547
Ceded share of reinsurance liabilities	G.5	78 482	93 983
Current tax assets		62	51
Other assets	G.7	1 043	1 082
Deferred acquisition costs	G.8	3 488	2 641
Cash and cash equivalents	G.9	478	596
Total ASSETS		591 864	598 428

Equity and liabilities	Notes	2011	2010
in EUR '000			
Shareholders' equity	G.10		
Shareholders' equity attributable to the Group		119 662	116 213
Share capital		101 958	101 958
Other components of equity		1 130	765
Retained earnings		16 280	13 137
Equalization reserve		294	353
Shareholders' equity attributable to minority interests		44	48
Total EQUITY		119 706	116 261
Reinsurance liabilities		407 082	400 860
Unearned premiums	G.11	21 382	19 991
Outstanding claims	G.12	160 376	169 763
Life reinsurance provision	G.13	133 763	125 557
Other	G.14	91 561	85 549
Other liabilities – issued bonds	G.15		173
Provisions	G.16	219	1
Payables	G.17	62 009	78 338
Deferred tax liabilities	G.6	193	171
Current tax liabilities		1 400	1 339
Other liabilities	G.18	1 255	1 285
Total LIABILITIES		472 158	482 167
Total EQUITY AND LIABILITIES		591 864	598 428

Consolidated Income Statement for the Year Ended 31 December 2011

Income statement	Notes	2011	2010
in EUR '000			
Premiums	G.19		
Premiums written – Gross		292 287	280 612
Premiums written – Ceded		-117 715	-103 290
Premiums written – Retention			
Change due to provision for premiums – Gross		-1 931	-116
Change due to provision for premiums – Ceded		138	991
Net earned premiums		172 779	178 197
Investment Result	G.20		
Investment and interest income		15 666	12 574
Investment and interest expenses		-825	-348
Total investment result		14 841	12 226
Other income	G.21	570	336
Claims and insurance benefits	G.22		
Expenses for claims and insurance benefits – Gross		-133 012	-181 680
Expenses for claims and insurance benefits – Ceded		42 770	87 561
Claims and insurance benefits – retention			
Change in claims and other reinsurance liabilities – Gross		-2 871	-61 604
Change in claims and other reinsurance liabilities – Ceded		-17 569	28 486
Total expenses for claims and insurance benefits		-110 682	-127 237
Acquisition expenses	G.23		
Commission expenses		-63 579	-52 337
Other acquisition expenses		-633	-354
Change in deferred acquisition expenses		874	1 630
Commission income from retrocessionaires		9 771	8 644
Total acquisition expenses		-53 567	-42 417
Other operating expenses	G.24	-2 802	-2 371
Other expenses	G.25	-521	-178
Profit before taxes		20 618	18 556
Tax expense	G.26	-4 355	-3 097
Profit for the period		16 263	15 459
Attributable to owners of the Company		16 262	15 459
Attributable to owners of non-controlling interest		1	



Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2011

Statement of comprehensive income	2011			2010		
in EUR '000	Gross	Tax *)	Net	Gross	Tax *)	Net
Profit for the period	20 618	-4 355	16 263	18 556	-3 097	15 459
Other comprehensive income						
Gains (losses) recognized in equity – Available for sale financial assets	-602	114	-488	110	-22	88
Translation reserve	76		76	-66		-66
Other comprehensive income for the year	-526	114	-412	44	-22	22
Comprehensive income for the period	20 092	4 241	15 851	18 600	-3 119	15 481
Attributable to owners of the Group	20 091	4 241	15 850	18 600	-3 119	15 481
Attributable to owners of non-controlling interest	1		1			

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

Consolidated Shareholders' Equity as of 31 December 2011

2011	Share capital	Available for sale reserve	Legal and statutory reserves	Equal-ization reserve***	Retained earnings	Translation reserve	Share-holders' equity I****	Share-holders' equity II*****	Total
in EUR '000									
As of 1 January 2011	101 958	21	810	353	13 137	-66	116 213	48	116 261
Effect of acquisition									
Total comprehensive income for the period		-488			16 262	76	15 850	1	15 851
Dividends					-12 400*		-12 400	-5	-12 405
Allocation to legal and statutory reserve			778		-778				
Change of equalization reserve				-59	59				
As of 31 December 2011	101 958	-467	1 588	294	16 280	10	119 663	44	119 707

2010	Share capital	Available for sale reserve	Legal and statutory reserves	Equal-ization reserve***	Retained earnings	Translation reserve	Share-holders' equity I****	Share-holders' equity II*****	Total
in EUR '000									
As of 1 January 2010	101 958	-67	221	384	3 736		106 232		106 232
Effect of acquisition								51**)	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				
Change of equalization reserve				-31	31				
As of 31 December 2010	101 958	21	810	353	13 137	-66	116 213	48	116 261

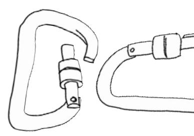
* Dividend per share was EUR 496.

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

*** 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.

**** Shareholders'equity attributable to equity holders of Parent Company.

***** Shareholders'equity attributable to non-controlling interest.



Consolidated Cash Flow Statement for the Year Ended 31 December 2011

Cash flow statement	Notes	2011	2010
in EUR '000			
Profit for the period		20 618	18 556
Adjustments to profit for the period			
Interest and other investment income		-8 745	-7 109
Exchange differences		428	-1 056
Depreciation		233	226
Change in deferred acquisition costs		-874	-1 630
Proceeds from the issue of other liabilities evidenced by paper		-173	7
Revenues of badwill			-244
Cash flows from operating activities			
Change in reinsurance liabilities		6 224	87 540
Change in ceded share of reinsurance liabilities		15 501	-28 883
Change in receivables		61 132	-42 064
Change in deposits due from cedents		-14 648	-6 691
Change in liabilities		-16 329	2 775
Change in provisions		218	
Change in other assets and liabilities		-53	-190
Income tax paid		-4 043	
Net cash flow from operating activities		59 489	16 889
Cash flows from investing activities			
Interest received		7 354	6 403
Payment for acquisition of subsidiary net of cash received			329
Payment for acquisition of intangible assets and property, plant and equipment		-32	-429
Payment for acquisition of available for sale financial assets		-42 434	-18 150
Cash proceeds from the sale of available for sale assets		29 276	10 229
Payment for acquisition of held to maturity financial assets		-44 440	-22 586
Cash proceeds from the sale of held to maturity financial assets		3 994	3 619
Net cash flow from investing activities		-46 282	-20 585
Cash flows from financing activities			
Dividend payment		-12 405	-5 504
Net cash flow from financing activities		-12 405	-5 504
Net change in cash and cash equivalents		802	-9 200
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at beginning of period		17 455	26 596
Foreign currency translation differences on cash balances		-74	61
Net change in cash and cash equivalents		802	-9 200
Cash and cash equivalents at end of period		18 183	17 455

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

Consolidated Segment Reporting

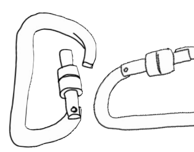
The Group determines and presents operating segments based on the information that is provided internally to the Board of Directors, the Group's chief decision-maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are regularly reviewed 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 mainly comprise 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.19.



Consolidated Segment Reporting

Consolidated income statement by lines of business

Consolidated income statement	Property/Casualty 2011	Property/Casualty 2010	Health 2011	Health 2010	Life 2011	Life 2010	Total 2011	Total 2010
in EUR '000								
Premiums written – Gross	228 844	215 656	41 099	41 357	22 344	23 599	292 287	280 612
Premiums written – Ceded	-116 952	-102 491			-763	-799	-117 715	-103 290
Change due to provision for premiums – Net	-2 212	228	-3	-15	422	662	-1 793	875
1. Net earned premiums	109 680	113 393	41 096	41 342	22 003	23 462	172 779	178 197
Interest revenue	5 359	4 452	3 864	2 256	5 432	5 122	14 655	11 830
Other income and expense from investments	-165	141	391	261	-40	-6	186	396
2. Investment result	5 194	4 593	4 255	2 517	5 392	5 116	14 841	12 226
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Gross	-86 066	-194 930	-29 411	-27 791	-20 406	-20 563	-135 883	-243 284
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	25 173	116 445			28	-398	25 201	116 047
3. Claims and insurance benefits	-60 893	-78 485	-29 411	-27 791	-20 378	-20 961	-110 682	-127 237
Commission expenses including change in deferred acquisition expenses	-55 496	-43 276	- 5 008	-4 862	-2 174	-2 501	-62 678	-50 639
Other acquisition expenses	-500	-258	-65	-51	-68	-45	-633	-354
Commission income from retrocessionaires	9 409	8 011			335	565	9 744	8 576
4. Acquisition expenses	-46 587	-35 523	-5 073	-4 913	-1 907	-1 981	-53 567	-42 417
Operating profit measured on the segment basis	7 394	3 978	10 867	11 155	5 110	5 636	23 371	20 769
5. Administrative expenses	-2 160	-1 336	-367	-678	-275	-357	-2 802	-2 371
Operating profit	5 234	2 642	10 500	10 477	4 835	5 279	20 569	18 398
6. Other income							570	336
7. Other expenses							-521	-178
Profit before tax							20 618	18 556
Income tax							-4 355	-3 097
Profit after tax							16 263	15 459
Profit after tax attributable to owners of non-controlling interest							1	
Profit after tax attributable to owners of the Group							16 262	15 459

The investment result was allocated among individual segments based on the balance of reinsurance liabilities as of 31 December 2011.

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 28445589) and has its registered office at Klimentská 1216/46, Prague 1, postcode 110 02. VIG Re received its license to carry out reinsurance business and related activities on 8 August 2008 and has conducted its reinsurance business in property/casualty, life and health since 2009.

The consolidated financial statements of the Parent Company for the year ended 31 December 2011 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 2011 and 2010.

Structure of shareholders

The registered capital consists of 25 000 shares in book 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)). 100% of the registered capital was paid up as of 31 December 2009.

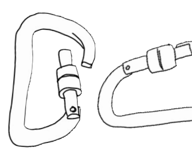
Shareholders as of 31 December 2011:

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 of 31 December 2011 as follows:

Chairman:	Karl Fink, Vienna, Austria (starting 4 October 2011)
Chairman:	Peter Hagen, Vienna, Austria (until 1 September 2011)
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 of 31 December 2011 as follows:

Chairman:	Franz Kosyna, Vienna, Austria
Chairman:	Karl Fink, Vienna, Austria (until 1 September 2011)
Vice-Chairman:	Peter Höfinger, Vienna, Austria
Member:	Martin Diviš, Prague, Czech Republic (starting 27 April 2011)
Member:	Wolfgang Eilers, Hamburg, Germany
Member:	Rudolf Ertl, Vienna, Austria (until 27 April 2011)
Member:	Roland Gröll, Vienna, Austria (starting 27 April 2011)
Member:	Juraj Lelkes, Bratislava, Slovakia

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 since 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

Czech accounting legislation requires the Parent Company to prepare these 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) or million (MIO EUR).

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 are presently 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.

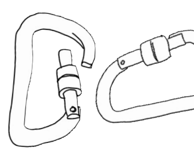
Derecognition of subsidiaries follows the contractual arrangements and legal conditions.

Intra-group balances and transactions, and any unrealized gains and losses arising from intra-group transactions, are eliminated when 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 of 31 December 2011 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.	Luxembourg	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 the 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 since 31 December 2008 as it was acquired as of 31 December 2008.

The acquired company's net book value as of the date of acquisition amounted to 4 408 TEUR and the acquisition cost amounted to 4 000 TEUR. The excess of 408 TEUR 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 the 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 6 341 TEUR and the acquisition cost amounted to 6 012 TEUR. The excess of 329 TEUR 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 and 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 costs 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 through 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 expenses’ in profit or loss.

C.3. Financial investments

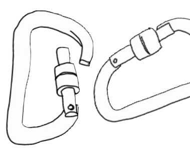
Financial investments include financial assets held to maturity and available for sale, loans and deposits due from cedents.

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

Where discounted cash flow methods are used, estimated future cash flows are based on management 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, 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. 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 on an active market, other than being 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 fair value and subsequently measured at amortized costs less impairment.

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 when 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 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.

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 C.10. Reinsurance liabilities, 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 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 that 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 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 employing the assumptions used for calculating the corresponding premiums and remains 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 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 the 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 the health insurance business, yearly premium indexations in case of increases in claims expenses are usually contractually agreed with policyholders.

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

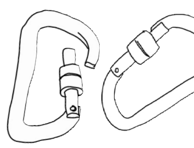
C.11. Other liabilities - issued bonds

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 the 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, 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. Payables

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 this relate in whole or in part to a later accounting period), together with any differences between booked premium for prior years and that 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 an accrual basis, taking into account the effective yield of the asset or liability, or an applicable floating rate. Interest income and interest expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity, calculated using the effective interest method.

Other income and expenses from financial assets comprise realized gains/losses, dividends and impairment losses. A realized gain/loss arises on derecognition of financial assets. The amount of the realized gain/loss represents the difference between the carrying value of the financial asset and the sale price adjusted for any cumulative gain or loss that had been recognized directly in 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/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 the allocation of surplus or profit arising on business as a whole or from a section of business, after the 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 expenses are expenses arising from the conclusion of reinsurance contracts, and include direct costs such as brokerage for reinsurance intermediaries, 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. These include personnel costs, office rental expenses and other operating expenses. Personnel costs include expenses arising from employee benefits, such as salaries and wages, management remuneration and bonuses, social insurance and the costs of premium collection, portfolio administration, and the processing of inwards and outwards reinsurance.

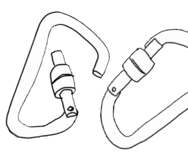
C.19. Foreign currency transaction

A foreign currency transaction is a transaction denominated in, or which requires settlement in, a currency other than the functional currency. The 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 valid at the dates the fair values were determined.



Exchange differences arising from the settlement of monetary items or from the 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 its 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, receivable, or 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 the 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, whereby the Group assumes a significant insurance risk from another party (an insurance company within VIG) as a result of a provision whereby the insurance company receives compensation if a specified uncertain future event (the insured event) adversely affects the insurance company, is treated as an insurance policy as defined in IFRS. A distinction is made between insurance risk and financial risk. Financial risk is the risk of a possible future change in specific interest rates, securities prices, price indices, interest rate indices, credit ratings, 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.

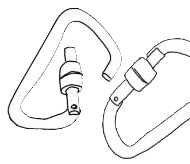
Reinsurance contracts in property/casualty and health are considered as insurance contracts. Moreover, the life reinsurance contracts transfer significant insurance risk (death benefits) and therefore they are considered as insurance contracts as well.

C.22. Novation

Where the Company assumes 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, and no premium income is recognized in respect of such transactions.

C.23. Clean cut

A clean cut agreement is usual for treaties with an accounting year based accounting system. At the end of the business year, or at the expiry of the reinsurance period, reserves are set up for losses which have been incurred but not yet finally settled, and for unearned premium. For treaties with a clean cut system, these reserves are set up in the form of portfolio bookings. Portfolio entries and withdrawals are financially effective, which means they result in a cash flow. These bookings correspond to the technical reserves and therefore also influence a treaty's technical result.



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 2011:

Standards in force

Revised IAS 24 *Related Party Disclosures.* The revised Standard also amends the definition of a related party, which has 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.

The revised IAS 24 is not relevant to the Group'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* The amendment of IFRIC 14 addresses the accounting treatment for prepayments made when there is also a minimum funding requirement (MFR). Under the amendment, 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 amendment 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 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 2011.

Standards not yet in force

A number of new Standards, amendments to Standards, and Interpretations were not yet effective as of 31 December 2011, 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.

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets (Effective for annual periods beginning on or after 1 July 2011; to be applied prospectively. Earlier application is permitted.)

The amendments require disclosure of information that enables users of financial statements:

- to understand the relationship between transferred financial assets that are not derecognized in their entirety, and the associated liabilities; and
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets.

The amendments define 'continuing involvement' for the purposes of applying the disclosure requirements.

The Group does not expect the amendments to IFRS 7 to have a material impact on the financial statements because of the nature of the Group's operations and the types of financial assets that it holds.

E. Principal Assumptions

For reported but not settled claims (RBNS), 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.

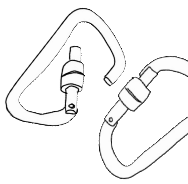
The estimation of the Company's incurred but not reported claims (IBNR) is generally subject to a greater degree of uncertainty than reported claims. IBNR provisions are predominantly assessed by the Company's actuary using information provided by cedents, and statistical techniques such as chain ladder 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 the insurer's calculation is provided, Incremental Loss Ratio methodology (ILR), chain ladder triangles or loss ratio methodology. The ILR method is based on historical data extrapolation to estimate ultimate claims (the 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 as gross, 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 that project observed development factors.

Annuities

In MTPL reinsurance and other third party liability lines, part of the claims payment may be in the form of an annuity. The provision for such claims is established as the present value of expected future claims payments. The key assumptions involved in the calculation are the discount rate, and the expected increase in wages and disability pensions, which influence the amount of annuities to be paid. The ultimate annuity claims are dependent on national legislation and the development of social and political factors beyond the 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 the deduction of deferred acquisition costs. RBNS and IBNR are determined as current estimates reflecting the current views of future claim development.

Liability adequacy test – 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.

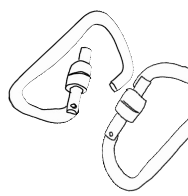
The Group's core competence is dealing professionally with risk. The Group's primary business is assuming risks from its clients (insurance companies) using a variety of reinsurance contracts (both proportional and non-proportional). The majority of the Group's reinsurance clients are from VIG. The insurance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

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, analyse, 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) risk:* The core business of VIG Re is the underwriting of insurance risks transferred from an insurance company to VIG Re. This also creates concentration risk, which is a single direct or indirect position or group of positions with the potential to significantly endanger the Company, its core business or key performance indicators.
- *Credit risk:* This risk quantifies the potential loss due to the deterioration of the situation of a contracting party owing receivables or other financial investments arising from financial assets and reinsurance contracts.
- *Market risk:* Market risk is taken to mean the risk of changes in the value of investments caused by unforeseen fluctuations in interest rate curves, share prices and currency rates, and the risk of changes in the market value of ownership interests.
- *Liquidity risk:* Liquidity risk means the risk that insurance and reinsurance companies are unable to realise investments and other assets in order to settle their financial obligations when they fall due. It depends on how good the fit is between the financial investment portfolio and reinsurance commitments.
- *Strategic risk:* Strategic risk is a function of the incompatibility between two or more of the following components: a company's strategic goals, the business strategies developed, and the resources deployed to achieve these goals, the quality of implementation, and the economic and legal situation of the markets the company operates in. These can arise due to changes in



the economic environment, case law, and the regulatory environment. The Group is subject to insurance/reinsurance law in the Czech Republic. The regulation governs such matters as capital requirements, solvency requirements, and limits on the placement of financial instruments.

- *Operational risk:* This covers risks that may result from deficiencies or errors in business processes, controls or projects caused by technology, personnel, 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.

Risk management in VIG and the Group is governed by a number of internal guidelines. Underwriting risks in property/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 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

Risk monitoring and control is in the competence of the Board of Directors. Risk management is supported by other VIG Group companies in the Czech Republic and Austria based on the Cost Sharing Agreement. The responsibilities for the risk categories are allocated as follows:

Actuarial department: Underwriting risks are managed by internal resources of VIG Re supported by the actuarial department of other VIG Group companies in the Czech Republic and Austria. The actuarial department subjects all reinsurance solutions to in-depth actuarial analysis covering all classes of the reinsurance business (life, health, property/casualty). The Group's entities have their appointed actuaries.

Risk management department: VIG Re, with the support of the risk management department of VIG Group companies in the Czech Republic, 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. Furthermore, a risk and control assessment is performed once a year.

Controlling: The financial accounting and claims department monitors and controls operational developments at domestic and foreign insurance companies. The Group regularly monitors and controls its business development by comparing plans and reinsurance contracts signed.

Audit: The Group uses the VIG internal audit department. The 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 Board of Directors.

F.2. Underwriting risk

F.2.1. Introduction

The Group assumes both reinsurance from VIG companies and reinsurance from non-group companies. In 2011, the majority of reinsurance assumed was from Group companies. The Group writes long tail as well as short tail business, both proportional and non-proportional reinsurance business, and also provides facultative reinsurance.

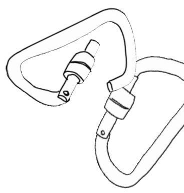
The Group limits its liability arising from the reinsurance business by ceding, as necessary, a portion of the risks assumed to the international reinsurance market.

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. This risk can also include 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

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 policies 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 amounts of awards for damage suffered and the increasing numbers 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 of time typically required to settle these cases.

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

Life

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that 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.

The most important underwriting risks in life reinsurance are primarily biometric ones, such as life expectancy, occupational disability, illness, and the need for nursing care. The Group has formed reserves for paying future insurance benefits to manage these underwriting risks transferred to the Group.

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

Health

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

F.2.3. Reinsurance guidelines

The approach to the Group’s own reinsurance protection

The 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: The Group's maximum retention per individual loss is less than 4 MIO EUR, and the retention per event of loss due to natural catastrophe is less than 17.5 MIO EUR.
- Selection of reinsurers – diversification. The Group divides its reinsurance coverage among many different international reinsurance companies of appropriate credit quality so as to minimize the risk arising from a reinsurer 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 'A' rating, and 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 there is a larger number of reinsurers, the preferred rating is Standard & Poor's 'A' or higher. Reinsurers with lower ratings are only accepted in a few cases – and for limited periods of time.

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 the examples below) are obligatory for all the Group's acceptances. The Company does not assume any credit, bond or other financial risk, or aviation business, and does not assume the run-off of losses to treaties incepted prior to 1 January 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.

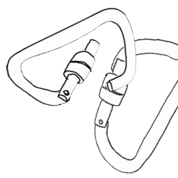
The Group as a rule underwrites shares representing a maximum PML of 6 MIO EUR. This underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry, and geography.

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

The Group's aim is to create a market place in Prague and be considered a prudent reinsurer with good security, 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. See G.19 for geographical concentration measured by premium written. The tables also show premium split according to lines and classes of business. The concentration risk for VIG Re can mainly be detected in the property class of business, where the natural catastrophe risk is accounted. 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 analysed by the Group. Based on this, the above mentioned full retrocession cover for VIG Re is determined and placed with a high number of reinsurers with security according to the guidelines, thus preventing concentration risk on the net base.

F.3. Credit risk

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

The goals are 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.

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 are companies within VIG. Management believes that it has sufficient internal data to reliably assess the creditworthiness of the companies.

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

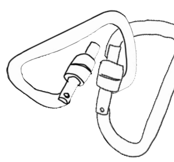
The Group follows a policy of ceding a portion of assumed risks to reinsurance companies (see F.2.3.) This transfer of risk to reinsurers does not, however, rrelieve the Group of its obligations to the insurance companies (cedents). The Group is therefore exposed to the risk of insolvency on the part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

F.3.4. Credit risk exposure

The tables below provide a detailed analysis of the Group's exposure to credit risk.

	Reinsurance receivables		Other financial assets	
	2011	2010	2011	2010
in EUR '000				
Individually impaired:				
Gross amount	52	20		
Carrying amount	1	16		
Collectively impaired:				
Gross amount				
Carrying amount				
Past due but not impaired:				
Gross amount				
Up to 30 days after maturity	27 538	85 781		
31 days to 90 days after maturity	3 762	3 621		
91 days to 180 days after maturity	1 014	3 508		
181 days to 1 year after maturity	768	1 603		
1 year to 2 years after maturity	332	1		
Neither past due nor impaired – carrying amount		17	552 278	498 328
Total carrying amount	33 415	94 547	552 278	498 328

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



Cash and cash equivalents are neither individually nor collectively impaired.

2011 Credit risk exposure Standard & Poor's rating	AAA	AA	A	B / BB / BBB	No Rating	Carrying value in balance sheet
in EUR '000						
Financial investments*	34 040	79 023	104 609	6 269	11 588	235 529
Deposits due from cedents			91 775		146 014	237 789
Cash and cash equivalents				45	433	478
Receivables from reinsurance and ceded share of reinsurance liabilities		53 427	29 645	1 160	27 372	111 604
Other receivables					293	293
Total	34 040	132 450	226 029	7 474	185 700	585 693
In %	5.8	22.6	38.5	1.3	31.8	100

* Except for deposits due from cedents

2010 Credit risk exposure Standard & Poor's rating	AAA	AA	A	B / BB / BBB	No Rating	Carrying value in balance sheet
in EUR '000						
Financial investments*	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 from reinsurance 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

* Except for deposits due from cedents

The most important financial investment holdings are in bonds issued or guaranteed by the governments of the EU countries where the Group operates (Czech Republic, Slovakia, Poland and Austria). The Company is not directly exposed to the credit risk of the EU periphery countries (PIIGS). Nevertheless, it could be exposed to the credit-related losses that may occur as a result of future negative development in the European Union and/or at any of the bond portfolio issuers.

F.4. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. 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. The majority of claims are settled with the cash deposit under normal circumstances.

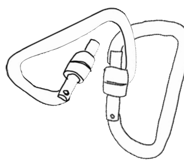
Over the longer term, the Group monitors its forecast liquidity position by estimating the cash outflows from its reinsurance contracts and purchasing assets with similar durations to meet these obligations. The liquidity is monitored daily.

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

2011 Expected remaining contractual maturities of assets	Up to one year	From one to five years	From five to ten years	More than ten years	Not specified	Carrying value in balance sheet
in EUR '000						
Financial investments	46 575	105 955	111 072	198 501	111 215	473 318
Financial assets held to maturity	4 876	71 328	76 843	35 327		188 374
Financial assets available for sale	2 785	6 461		8 989	11 215	29 450
Loans – Term deposits	17 005	700				17 705
Deposit due from cedents *	21 909	27 466	34 229	154 185		237 789
Receivables	32 973	150				33 123
Ceded share of reinsurance liabilities *	32 028	16 338	17 228	12 888		78 482
Cash and cash equivalents	478					478
Current tax assets	62					62
Other receivables	204				88	292
Total	112 320	122 443	128 300	211 389	11 303	585 755

* Expected timing of cash flows

The following table provides details of the expected maturity profile of the Group's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognized insurance contract liabilities. The table includes both interest and principal cash flows.



2011 Expected remaining 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*	95 170	76 487	61 594	173 831	407 082
Unearned premiums	20 652	730			21 382
Outstanding claims	62 981	49 004	28 153	20 238	160 376
Life reinsurance provision	10 032	26 753	33 441	63 537	133 763
Other	1 505			90 056	91 561
Other liabilities – issued bonds				1	1
Payables	61 167	144			61 311
Tax liabilities	1 400				1 400
Other liabilities	698				698
Total	158 435	76 631	61 594	173 832	470 492

* Expected timing of cash flows

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

2010 Expected contractual maturities of assets	Up to one year	From one to five years	From five to ten years	More than ten years	Not specified	Carrying value in balance sheet
in EUR '000						
Financial investments	44 638	102 885	90 894	165 332		403 749
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*	21 420	25 664	31 982	144 080		223 146
Receivables	93 925	1				93 926
Ceded share of reinsurance liabilities*	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

* Expected timing and cash flows

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

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*	116 422	75 967	50 834	157 637	400 860
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

* Expected timing and cash flows

F.5. Market risk

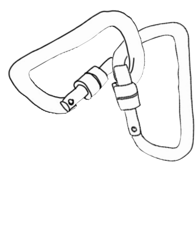
The Group invests in debt securities and term deposits using a prudent investment strategy, following the VIG investment strategy. When determining exposure volumes and limits, the risk inherent in the specified categories and the market risks are of fundamental importance. Investment guidelines are 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 liquidity position with the placement of a significant portion of its portfolio into term deposits.
- The majority of debt securities are held to maturity, i.e. no active trading takes place.
- The management of the 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.

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
- Equity risk



F.5.1. 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 another currency than the functional currency.

The Group exposure to foreign currency risk within the investment portfolios supporting the Group's euro zone reinsurance and investment operations arises 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 as of 31 December. The Group's assets and liabilities at carrying amounts are included in the table, categorized by currency at their carrying amount:

2011 Currency	Total Assets	Total Liabilities	Net Amount
in EUR '000			
EUR	554 494	440 878	113 616
CZK*	22 036	6 689	15 347
HUF	7 561	9 463	-1 902
RSD	6 759	13 724	-6 965
Other	1 014	1 404	-390
Total	591 864	472 158	119 706

* The Group hedged the long position during 2011. The nominal value of the contract was 407 000 TCZK (16 958 TEUR). This hedging contract finished on 30 December 2011.

A 10% negative movement in exchange rates can cause a total loss of 2 460 TEUR.

Such a EUR/CZK change can cause a loss of 1 535 TEUR, in EUR/HUF a loss of 190 TEUR and in EUR/RSD 697 TEUR.

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

F.5.2. Interest rate risk

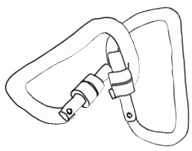
For the Group, interest rates are the most relevant parameters for market risk. The Group's investments consist largely of fixed interest securities. The majority of these securities are denominated in Euros. As a result, interest rate fluctuations in the euro zone have a significant effect on the value 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 as of 31 December.

2011	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	Not specified	Total
in EUR '000								
Financial instruments								
Financial assets available for sale – debt securities	3.56%	2 006	6 732	4	346	8 989		18 078
Financial assets available for sale – investment funds							11 372	11 372
Financial assets held to maturity – debt securities	4.32%	1 026	9 483	5 181	60 355	112 328		188 374
Loans – Term deposits	1.91%	8 497	5 600	700			2 907	17 705
Deposit due from cedents	2.86%		21 909	27 466		188 414		237 789
Cash and cash equivalents	0.00%	478						478
Total financial assets		11 962	43 724	33 351	60 702	309 731	14 324	473 795

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	Not 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 evidenced by paper	3.80%				173			173
Total financial liabilities					173			173



F.5.3. Equity risk

The company invests only a very small part of its investment portfolio in equity funds. The equity risk is included in the sensitivity analysis.

F.5.4. Sensitivity analysis

The market risk of the Group's financial assets and liabilities is monitored and measured on a continuous basis using a Value at Risk ('VaR') analysis. Value at Risk takes into account the interdependencies between market risk variables.

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 a 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.
- VaR is a statistical estimation and therefore it is possible that there could be, in any period, a greater number of days in which losses could exceed the calculated VaR implied by the confidence level.
- The measure is a 'point in time' calculation reflecting positions recorded as of 31 December.
- The methodology is applicable to instruments with a linear relationship between position value and market rates.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines, and vice versa.

The VaR positions of the financial investments were as follows:

As of 31 December	2011	2010
in EUR '000		
Market value of portfolio	217 032	171 173
Historical VaR 60d; 99%	9 869	9 003
Relative VaR (%) 60d; 99%	4.55 %	5.26 %

The VaR figures can be interpreted as giving a 1% probability that the portfolio will fall in value by more than 9 869 TEUR over a 60 day period, assuming markets are normal and there is no trading. The accuracy of the VaR model is regularly monitored.

F.6. Capital management

The Group operates in the insurance/reinsurance sector, which is a regulated industry. VIG RE has to comply with all regulations stipulated through the Insurance Act No. 277/2009 Coll. and 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. The available solvency elements are calculated for life and non-life together and the required solvency margin is calculated for life and non-life separately.

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

Regulatory capital as of 31 December		2011	2010
in EUR '000			
Required solvency margin	Life and non-life reinsurance	45 655	32 794
Available solvency elements	Life and non-life reinsurance	136 807	124 489

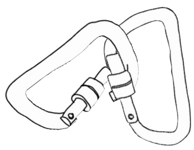
The Group closely monitors its compliance with the regulatory capital requirements. The current calculation base with respect to capital requirements is based on the Solvency I principles, which are to be replaced by a new system of regulatory capital calculation – Solvency II. The Group is gradually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

G. Notes to the Financial Statements

G.1. Intangible assets

Intangible assets	2011	2010
in EUR '000		
Software and licenses	1 416	1 591
Total intangible assets	1 416	1 591

2011	Software	Licenses	Total
in EUR '000			
Balance as of 1 January	81	1 705	1 786
Additions	16		16
Balance as of 31 December	97	1 705	1 802
Balance as of 1 January	25	170	195
Amortization	20	171	191
Balance as of 31 December	45	341	386
Book value as of 1 January	**57**	**1 535**	**1 591**
Book value as of 31 December	**52**	**1 364**	**1 416**



2010	Software	Licenses	Total
in EUR '000			
Balance as of 1 January	81	1 334	1 415
Additions		371	
Balance as of 31 December	81	1 705	1 786
Balance as of 1 January	5		5
Amortization	20	170	190
Balance as of 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

G.2. Property, plant and equipment

Property, plant and equipment – 2011	Vehicles	Other	Total
in EUR '000			
Balance as of 1 January	105	135	240
Additions		16	16
Disposals			
Balance as of 31 December	105	151	256
Balance as of 1 January	29	23	52
Depreciation	24	18	42
Balance as of 31 December	53	41	94
Book value as of 1 January	72	112	188
Book value as of 31 December	52	110	162

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

G.3. Financial investments

Financial investments	2011	2010
in EUR '000		
Available for sale financial assets	29 450	16 104
Held to maturity financial assets	188 374	147 642
Loans and receivables	255 494	240 003
Total	473 318	403 749

G.3.1. Financial assets available for sale

Financial assets available for sale	2011	2010
in EUR '000		
Debt securities		
Government bonds	18 077	13 963
Investment funds	6 378	2 141
Shares in other related parties	4 995	
Total	29 450	16 104

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

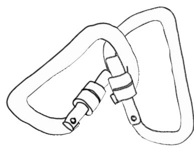
Amortized value	Amortized value	FX differences	Unrealized gains or losses	Impairment	Fair value
in EUR '000					
Debt securities	17 838		239		18 077
Investment funds	7 148		-770		6 378
Shares in affiliated non-consolidated companies	4 995				4 995
Total	29 981		-531		29 450

Fair value hierarchy	Level 1	Level 2	Level 3	Total
Financial assets available for sale	21 317	2 007	6 126	29 450

Level 1 represents quoted prices on active markets for identical assets or liabilities.
Level 2 represents mark-to-market – the comparable financial instrument is calculated using valuation techniques for which all significant inputs are based on observable market data.
Level 3 represents an investment where the inputs for the asset valuation are not observable market data.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. The financial instruments allocated to this level of the fair value hierarchy include an investment share in an unlisted real estate company whose fair value was determined through valuation of an underlying property.

For fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would significantly change the fair value, the entity states that fact and discloses, through the class of financial instruments, the effect of those changes. For this purpose, significance is judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognized in other comprehensive income, total equity. In our view, reasonably possible alternative assumptions are those that could reasonably have been included in the valuation model as of the reporting date based on the circumstances at the reporting date.



G.3.2. Financial assets held to maturity

Financial assets held to maturity	2011	2010
in EUR '000		
Debt securities		
Government bonds	174 420	138 372
Other public sector bonds	505	10
Corporate bonds	13 449	9 260
Total	188 374	147 642

Financial assets held to maturity	Carrying amount	Fair value
in EUR '000		
Debt securities		
Government bonds	174 420	176 722
Other public sector bonds	505	521
Corporate bonds	13 449	13 943
Total	188 374	191 186

G.3.3. Loans and deposits

Loans and deposits	2011	2010
in EUR '000		
Loans – Term deposits	17 705	16 857
Deposits due from cedents	237 789	223 146
Total	255 494	240 003

Deposits due from cedents in relation to reinsurance liabilities			
in EUR '000			
Assets		Liabilities	
Deposits due from cedents	237 789	Unearned premiums	7 671
		Outstanding claims	4 794
		Life reinsurance provision	133 763
		Other – Ageing reserves	90 056
		Other – Provision for bonuses and rebates	1 505
Total gross	237 789		237 789

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.

G.4. Receivables

Receivables	2011	2010
in EUR '000		
Receivables arising out of assumed reinsurance – cedents	27 904	48 782
Receivables arising out of reinsurance operations – retrocession	5 358	45 148
Trade and other receivables	200	621
Prepayments	3	
Total gross	33 465	94 551
Impairment	50	-4
Total net	33 415	94 547

G.5. Ceded share of reinsurance liabilities

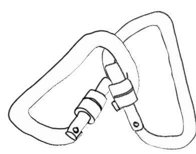
Ceded share of reinsurance liabilities	2011	2010
in EUR '000		
Unearned premiums	6 350	6 083
Outstanding claims	72 132	87 900
Total	78 482	93 983

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	2011		2010	
Balance sheet position	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
in EUR '000				
Property, plant and equipment		3		3
Intangible assets		153		73
Available for sale		2		5
Receivables		2		1
Provisions		32		1
Equalization reserve		1		88
Total		193		171
Net Balance		193		171

Movement in deferred tax	2011	2010
in EUR '000		
Net deferred tax assets/(liability) – opening balance	-171	-98
Deferred tax (expense)/income for the period	-22	-68
Deferred tax recognized directly in other comprehensive income		-5
Net deferred tax asset/(liability) – closing balance	-193	-171



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 in question (2010: 19%).

G.7. Other assets

Other assets	2011	2010
in EUR '000		
Prepaid expenses	1 043	1 082
Total	1 043	1 082

G.8. Deferred acquisition costs

Development of DAC	2011	2010
in EUR '000		
Book value – opening balance	2 641	989
Acquisition of subsidiary		-75
Costs deferred during the current year	3 009	2 548
DAC released during the current year	2 162	821
Book value – closing balance	3 488	2 641

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

G.9. Cash and cash equivalents

Cash and cash equivalents	2011	2010
in EUR '000		
Cash and cash equivalents	3	6
Cash at bank	475	590
Total	478	596

G.10. Shareholders' equity

Share capital	2011	2010
in EUR '000		
Authorized 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

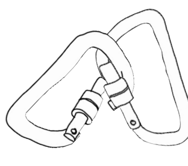
Legal and statutory reserves – The creation and use of the legal and statutory reserve fund is limited by legislation. The legal reserve fund is not available for distribution to the shareholders.

G.11. Unearned premiums

Unearned premium provision – 2011	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance	19 991	6 083	13 908
Premium written during the current year	296 176	121 747	174 429
Less premium earned during the current year	-294 374	-121 502	-172 872
Novation			
Clean cut system	20	98	-78
FX translation	-431	161	-592
Book value – closing balance	21 382	6 587	14 795

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

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



G.12. Outstanding claims

Provisions (RBNS, IBNR) – 2011	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	169 763	87 900	81 863
Claims incurred and reported	115 136	20 072	95 064
Less claims paid	-125 149	-35 764	-89 385
Novation	12	24	-12
Release of reserve			
Clean cut system	1 261	-4	1 265
FX translation	-647	-3	-644
Book value – closing balance	160 376	72 225	88 151

Claims development table – Property/casualty on a gross basis	UY 2011	UY 2010	UY 2009	Total
in EUR '000				
Estimate of total cumulative claims at the end of the underwriting year	76 801	209 282	158 102	444 185
One year later		223 048	177 549	400 597
Two years later			177 081	177 081
Estimate of cumulative claims	76 801	223 048	177 081	476 930
Cumulative payment	34 761	158 899	131 720	325 380
Value recognized in balance sheet	42 040	64 149	45 361	151 550

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

Outstanding claims relating to health (4.7 MIO EUR) and life (1.3 MIO EUR) are not included in the above table due to their relative insignificance.

Provisions (RBNS, IBNR) – 2010	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	87 670	58 434	29 236
Acquisition of subsidiary	1 840	1 372	468
Claims incurred and reported	236 544	116 009	120 535
Less claims paid	-182 048	-87 915	-94 133
Novation	32 926		32 926
Release of reserve	-1 126		-1 126
Clean cut system	-6 026		-6 026
FX translation	-17		-17
Book value – closing balance	169 763	87 900	81 863

Claims development table – Property/casualty on a gross basis in EUR '000	UY 2010	UY 2009	Total
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**

G.13. Life reinsurance provision

Life reinsurance provision in EUR '000	2011	2010
Gross	133 763	125 557
Retrocession		
Net	**133 763**	**125 557**

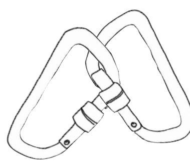
Development in 2011 in EUR '000	Gross	Reinsurance	Net
Book value – opening balance	**125 557**		**125 557**
Additions	8 206		8 206
Book value – closing balance	**133 763**		**133 763**

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

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

G.14. Other

Ageing reserves in EUR '000	2011	2010
Gross	90 056	84 053
Retrocession		
Net	**90 056**	**84 053**



Development in 2011	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	84 053		84 053
Additions	6 003		6 003
Book value – closing balance	90 056		90 056

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

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

Reserves for premium and rebates	2011	2010
in EUR '000		
Gross	1 505	1 496
Retrocession		
Net	1 505	1 496

Development in 2011	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	1 496		1 496
Additions	9		9
Book value – closing balance	1 505		1 505

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

G.15. Other liabilities - Issued bonds

Other liabilities evidenced by paper	2011	2010
in EUR '000		
Zero Bond		173
Total		173

On 30 November 2009 VIG Re issued 100 zero bonds with a nominal value of 200 000 EUR in total, maturing in 2014. All the bonds were bought back by VIG Re on 3 June 2011 and cancelled on the same date.

G.16. Provisions

Non-technical provisions	2011	2010
in EUR '000		
Miscellaneous provisions	219	
Total	219	

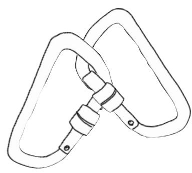
The non-technical provisions were created for invoices for IT services where the exact scope is currently under negotiation.

G.17. Payables

Payables	2011	2010
in EUR '000		
Payables arising out of reinsurance operations – cedents	50 856	66 703
Payables arising out of reinsurance operations – retrocession	10 205	10 259
Deposit on ceded reinsurance business	219	68
Trade payables	2	32
Wages and salaries	120	100
Social security and health insurance	21	18
Other payables	586	1 158
Total	62 009	78 338

G.18. Other liabilities

Other liabilities	2011	2010
in EUR '000		
Accruals	1 255	1 285
Total	1 255	1 285



G.19. Premium

2011 Premium written – Reinsurance premium	Property/Casualty	Health	Life	Total
in EUR '000				
Gross				
Austria	84 360	40 096	13 718	138 174
Czech Republic	38 542		126	38 668
Hungary	24 146		129	24 275
Serbia	20 381			20 381
Slovakia	18 981		500	19 481
Romania	15 540		40	15 580
Poland	5 915		290	6 205
Croatia	4 955		7 227	12 182
Turkey	2 275	435		2 710
Germany	1 798	568	160	2 526
Other CEE*	11 951		154	12 105
Premium written	228 844	41 099	22 344	292 287
Retroceded premium	-116 952		-763	-117 715
Premium written – Retained	111 892	41 099	21 581	174 572

* Other CEE represents the following countries: Albania, Bosnia, Bulgaria, Estonia, Georgia, Latvia, Lithuania, Macedonia, Moldova, Russia, Slovenia, Switzerland, and Ukraine.

2010 Premium written – Reinsurance premium	Property/Casualty	Health	Life	Total
in EUR '000				
Gross				
Austria	66 867	40 079	14 758	121 704
Czech Republic	37 261		72	37 333
Germany	28 034	174	53	28 261
Hungary	26 454		102	26 556
Slovakia	15 827		448	16 275
Romania	14 503		125	14 628
Serbia	8 418			8 418
Croatia	5 108		7 814	12 922
Poland	4 528		189	4 717
Turkey	1 315	1 104		2 419
Other CEE*	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

* Other CEE represents the following countries: Albania, Belarus, Bosnia, Bulgaria, Georgia, Lithuania, Macedonia, Moldavia, Russia, Slovenia, and Montenegro.

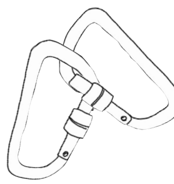
In 2011 the Group wrote premium of 240.9 MIO EUR from Group companies and 51.4 MIO EUR from external parties (in 2010 261.6 MIO EUR from Group companies and 19 MIO EUR from external parties).

2011 Premium written – Reinsurance premium	Gross 2011	Ceded 2011	Net 2011
in EUR '000			
Property/Casualty			
MTPL	30 743	-11 860	18 883
Other motor vehicle reinsurance	23 405	-3 889	19 516
Casualty	4 573	-4 030	543
Liability	4 748	-1 012	3 736
Property	159 237	-93 299	65 938
Marine	6 138	-2 862	3 276
Premium written	228 844	-116 952	111 892

2010 Premium written – Reinsurance premium	Gross 2010	Ceded 2010	Net 2010
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

G.20. Investment result

Investment income	2011	2010
in EUR '000		
Interest income		
Loans and term deposits	437	191
Deposits due from cedents	5 689	5 130
Financial investments held to maturity	7 148	5 853
Financial investments available for sale	765	261
FX gains		1 052
Total current income	14 039	12 487
Gains from the disposal of financial investments		
Financial investments held to maturity	444	28
Financial investments available for sale	1 183	59
Total gains from the disposals of investments	1 627	87
FX derivative – Income from sale		
Total	15 666	12 574



Investment expense	2011	2010
in EUR '000		
Management fees	275	172
FX losses	550	14
Total current expenses	**825**	**162**
FX derivative		
Total losses from the disposals of investments	**825**	**348**

G.21. Other income

Other income	2011	2010
in EUR '000		
Foreign currency gains	556	92
Badwill		244
Disposal of other provision	14	
Total	**570**	**336**

G.22. Claims and insurance benefits

Expenses for claims and insurance benefits – 2011	Gross	Retrocession	Net
in EUR '000			
Property/casualty/health			
Expenses for insurance claims			
Claims and benefits	120 887	42 713	78 174
Changes in provision for outstanding claims	-11 423	-17 540	6 117
Subtotal	**109 464**	**25 173**	**84 291**
Changes in other insurance liabilities	6 012		6 012
Total non-life expenses for claims and insurance benefits	**115 476**	**25 173**	**90 303**

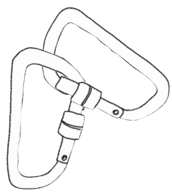
Expenses for claims and insurance benefits – 2011	Gross	Retrocession	Net
in EUR '000			
Life			
Expenses for insurance claims			
Claims and benefits	12 125	57	12 068
Changes in provision for outstanding claims	-228	-29	-199
Subtotal	**11 897**	**28**	**11 869**
Changes in mathematical reserve	8 510		8 510
Changes in other insurance liabilities			
Total life expenses for claims and insurance benefits	**20 407**	**28**	**20 379**
Total	**135 883**	**25 201**	**110 682**

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

G.23. Acquisition expenses

Commission expenses	2011			2010		
	Property/ Casualty	Health	Life	Property/ Casualty	Health	Life
in EUR '000						
Reinsurance commission – Fix	11 467	3 501	67	17 846	3 846	-54
Reinsurance commission – Sliding scale	30 220			24 741		
Reinsurance commission – Profit commission	14 677		2 107	1 969		2 555
Reinsurance commission – Health (administration)		1 540			1 434	
Total	56 364	5 041	2 174	44 556	5 280	2 501



G.24. Other operating expenses

Other operating expenses	2011	2010
in EUR '000		
Personnel expenses	1 299	981
Mandatory social security contributions and expenses	185	134
Depreciation of property, plant and equipment	32	35
Amortization of intangible assets	195	191
Rental expenses	162	147
IT expenses	539	320
Services	70	96
Other administrative expenses	320	467
Total	2 802	2 371

Employee statistics	2011	2010
Number of employees	18	17

Personnel expenses	2011	2010
in EUR '000		
Wages and salaries	1 287	977
Mandatory social security contribution expenses	189	133
Other social security expenses	8	5
Total	1 484	1 115

Board of Directors and Supervisory Board compensation	2011	2010
in EUR '000		
Board of Directors compensation	578	592
Supervisory Board compensation	26	27
Total	604	619

G.25. Other expenses

Other expenses	2011	2010
in EUR '000		
Foreign currency losses	230	156
Impairment of receivables	58	
Interests from retrocession operations	15	18
Allocation of other provision	218	4
Total	521	178

G.26. Tax expense

Tax expense	2011	2010
in EUR '000		
Current taxes		
– Actual taxes current period	4 409	2 935
– Actual taxes related to other periods	-76	91
Total current taxes	4 333	3 026
Deferred taxes	22	71
Total taxes	4 355	3 097

Tax rate reconciliation	2011	2010
in EUR '000		
Expected tax rate in %	19	19
Profit before tax	20 618	18 556
Expected tax expense	3 917	3 526
Adjusted for tax effects due to:		
– Effects of tax rates in foreign jurisdictions	-13	-14
– Tax exempt income	-25	-21
– Non-deductible expenses – other	251	659
– Non-deductible expenses – FX differences*	301	-1 183
– Taxes from previous years		131
– Changes in tax rates	-76	-1
Income tax expense	4 355	3 097
Effective tax rate in %	21.12	16.70

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

G.27. Related parties

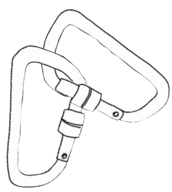
The related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

G.27.1. Shareholders

Shareholders as of 31 December 2011:

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	2011	2010
in EUR '000		
Balance sheet		
Deposits due from cedents	219	68
Receivables	1 645	619
Technical provisions	7 906	996
Liabilities	775	12
Income statement		
Premiums earned	3 894	3 835
Change due to premium accruals	-362	
Investment and other income/expenses		
Claims	-4 474	-829
Commission expenses	-1 477	383
Other operating expenses	-521	

Transactions between the Group and its parent relate to reinsurance/retrocession contracts and servicing contracts related to back office.

Transactions with other entities with joint control or significant influence	2011	2010
in EUR '000		
Balance sheet		
Deposits due from cedents	220	362
Receivables	3 919	2 286
Technical provisions	24 093	42 930
Liabilities	7 307	23 363
Income statement		
Premiums earned	61 053	55 655
Change due to premium accruals	8	
Investment and other income/expenses		-550
Claims	-7 470	-80 623
Commission expenses	-7 159	-2 277
Other operating expenses	-537	

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

G.27.2. 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 represent 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.27.3. Other related parties

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

Transactions between the Group and other related parties are based on only to reinsurance contracts.

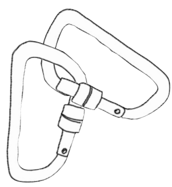
Transactions with other related parties	2011	2010
in EUR '000		
Balance sheet		
Deposits due from cedents	130 523	120 269
Receivables	28 109	37 450
Technical provisions	229 914	220 704
Liabilities	56 695	71 784
Income statement		
Premiums earned	189 274	201 661
Change due to premium accruals	-628	
Investment and other income/expenses	958	-112
Claims	-72 145	112 543
Commission expenses	-39 028	-43 800

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

G.28. Fair value of financial assets and liabilities

Financial assets	31.12.2011		31.12.2010	
	Fair value	Carrying amount	Fair value	Carrying amount
in EUR '000				
Financial investments	238 342	235 529	186 245	180 603
Financial assets held to maturity	191 187	188 374	153 284	147 642
Financial assets available for sale	29 450	29 450	16 104	16 104
Loans – Term deposits	17 705	17 705	16 857	16 857
Receivables	33 415	33 415	94 547	94 547
Cash and cash equivalents	478	478	596	596
Total financial assets	272 235	269 422	281 388	275 746

Financial liabilities	Fair value	Carrying amount	Fair value	Carrying amount
Other liabilities evidenced by paper			173	173
Payables	62 009	62 009	78 338	78 338
Other liabilities	1 255	1 255	1 285	1 285
Total financial liabilities	63 264	63 264	79 796	79 796



The fair value of financial assets except for loans is determined through either an observable market price or a price calculated by discounting cash flow. The price calculated by discounting cash flow is equal to the present value of future cash flows discounted by a risk free yield curve and an appropriate credit spread. The appropriate credit spread is obtained from a reference bond with the same rating, from the same industry sector, and with similar maturity, seniority and issuer.

The deposits due from cedents amounting to 237 789 TEUR, which are part of the financial investments, serve directly as an advance payment of future liabilities covering assumed business from cedents. These deposits do not trigger any cash flows and may not be used by the cedent independently. The credit risk is therefore limited and stating the fair value is not relevant. Furthermore, the deposits due from cedents do not have a fixed maturity date and their release depends on the corresponding provision.

The expected contractual maturities of other financial assets and liabilities is up to 1 year. Therefore, the fair value of these assets and liabilities represents their carrying amount.

G.29. Critical accounting estimates and judgements

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

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

G.29.1. 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.29.2. 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 their 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 for the issuer or obligor; a breach of contract, such as default on interest or principal payments).

The Group first individually assesses whether objective evidence of impairment exists 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 and receivables are grouped on the basis of similar credit risk characteristics.

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

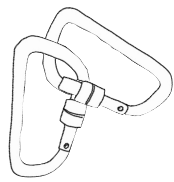
G.29.4. Fair value of financial instruments

The fair value of financial instruments that are not traded on an active market is determined using valuation techniques. The 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.30. 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 16 March 2012.



Report of the Board of Directors 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, 110 02 Prague 1
Company ID No.:	28445589

incorporated in the Commercial Register administrated by the Municipal 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 Act No. 277/2009 Coll., on insurance business, as amended. The line of business is specified in the by-laws of the company and 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”).

VIENNA INSURANCE GROUP Wiener Versicherung Gruppe, with registered office at Schottenring 30, Vienna 1010, Austria (hereinafter referred to as “VIG AG”) is a stock-joint company and its line of business is specified in the by-laws of the company.

3. Related Parties

A list of the affiliated companies of VIG AG, including the business name and the share of VIG AG in the authorized capital, is provided in the annex hereof.

Part II.
Relationship Between the Holding Parties

1. Manner of Controlling

VIG AG owns shares in VIG Re with a total nominal value of 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 as a percentage of the authorized capital is given in the annex hereof.

Part III.
Period

This report has been prepared for the last accounting period, i.e. from 1 January 2011 to 31 December 2011.

Part IV.
Contracts and Agreements concluded between Holding Parties

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

As of 31 December 2011 the cost sharing contract between VIG AG and VIG Re was in force.

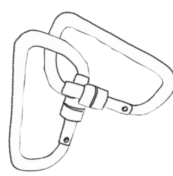
As of 31 December 2011 re-insurance contracts between VIG AG and VIG Re were in force.

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

As of 31 December 2011 the cost sharing contract between VIG Re and Kooperativa pojišťovna, a.s., Vienna Insurance Group was in force.

As of 31 December 2011 insurance contract No. 4950050683 between VIG Re and Kooperativa pojišťovna, a.s., Vienna Insurance Group was in force.

As of 31 December 2011 re-insurance contracts between VIG Re and Wiener Städtische Versicherung AG Vienna Insurance Group were in force.



As of 31 December 2011 re-insurance contracts between VIG Re and the company ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A. were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company S. C. BCR Asigurari Vienna Insurance Group S.A. were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company BENEFIA TU S.A. Vienna Insurance Group were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company Bulgarski Imoti Non-Life Insurance Company AD were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company BULSTRAD LIFE VIENNA INSURANCE GROUP JSC were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company BULSTRAD VIENNA INSURANCE GROUP PLC were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company Compensa TU S.A. Vienna Insurance Group were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company Compensa TU Na Życie Spolka Akcyjna Vienna Insurance Group were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company DONAU Versicherung AG Vienna Insurance Group were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company Helios Vienna Insurance Group d.d. were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company InterRisk Versicherungs-AG Vienna Insurance Group were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company InterRisk Lebensversicherungs-AG Vienna Insurance Group were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company InterRisk Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company Komunálna poisťovňa, a.s., Vienna Insurance Group were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company KOOPERATIVA poisťovňa, a.s., Vienna Insurance Group were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company Kooperativa pojišťovna, a.s., Vienna Insurance Group were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company Kvarner Vienna Insurance Group d.d. were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company Polski Zwiazek Motorowy TU S.A. Vienna Insurance Group were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company UNION Vienna Insurance Group Biztosító Zrt. were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company ERSTE Vienna Insurance Group Biztosító Zrt. were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company Erste osiguranje Vienna Insurance Group d.d. were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company OMNIASIG VIENNA INSURANCE GROUP S.A. were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company Poisťovňa Slovenskej Sporiteľne, a.s. Vienna Insurance Group were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company Sparkassen Versicherung AG Vienna Insurance Group were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company SIGURIA E MAHDE VIENNA INSURANCE GROUP Sh.A. were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company Joint Stock Insurance Company WINNER - Vienna Insurance Group were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company Interalbanian Vienna Insurance Group Sh.a. were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the private joint-stock company “GPI Insurance Company Holding” were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company International Insurance Company IRAO Ltd. were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company Sparkassen Immobilien AG were in force.

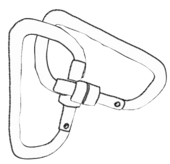
As of 31 December 2011 re-insurance contracts between VIG Re and the company “WIENER RE” akcionarsko društvo za reosiguranje were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the company Ray Sigorta A.S. were in force.

As of 31 December 2011 re-insurance contracts between VIG Re and the private joint-stock company “Insurance Company Ukrainian Insurance Group” were in force.

As of 31 December 2011 the re-insurance contract between VIG Re and the company Jahorina Osiguranje AD Pale was in force.

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



Part V.
Other Legal Acts and other Measures taken in the Interest or from the Initiative of Related Parties

In 2011 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 if declared as such by any party that is part of the holding, and also information originating from a business contact that could cause harm – in and of itself or in relation with other information and facts – to any party of the holding.
2. In order to prevent any harm to the Controlled Party pursuant to paragraph 1 hereof, the report of the statutory body does not present any financial performance or consideration from concluded contracts and agreements.

Part VII.
Conclusion

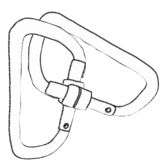
1. This report has been prepared by the Board of Directors of the Controlled Party, VIG RE zajišťovna, a. s., and will be submitted for revision by the Supervisory Board and KPMG Česká republika Audit, s.r.o., the auditor that audited the statement of balances as of 31 December 2011. Pursuant to legal provisions, VIG Re is obliged to execute the Annual Report; this report shall be an integral annex of the Annual Report.
2. The Board of Directors 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 Municipal Court in Prague.

Dated in Prague, 21 March 2012.

Signatures of the Chairman of the Board of Directors and the member of the Board of Directors of the Controlled Party, VIG RE zajišťovna, a. s.:

Karl Fink
Chairman of the Board of Directors

Dušan Bogdanović
Member of the Board of Directors

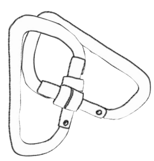


Annex to the Report on Related Parties

Related Parties and Equity of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe

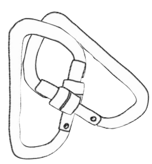
Company	Registered office	Share %
Consolidated companies		
"Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Vienna	Austria	100.00
"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna	Austria	55.00
"WIENER RE" akcionarsko društvo za reosiguranje, Belgrade	Serbia	100.00
"WIENER STÄDTISCHE OSIGURANJE" akcionarsko drustvo za osiguranje, Belgrade	Serbia	100.00
"Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck"	Austria	94.00
Anděl 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., Bucharest"	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	99.93
Bulgarski Imoti Non-Life Insurance Company AD, Sofia	Bulgaria	99.93
BULSTRAD LIFE VIENNA INSURANCE GROUP Joint Stock Company, Sofia	Bulgaria	95.11
BULSTRAD VIENNA INSURANCE GROUP PUBLIC LIMITED COMPANY, Sofia	Bulgaria	97.72
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00
CAL ICAL "Globus", Kiev	Ukraine	80.00
CAME Holding GmbH, Vienna	Austria	100.00
CAPITOL, a.s., Bratislava	Slovakia	100.00
CENTER Hotelbetriebs GmbH, Vienna	Austria	80.00
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	88.00
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 Na Zycie Spolka Akcyjna Vienna Insurance Group, Warsaw"	Poland	100.00
"Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw"	Poland	99.89

Company	Registered office	Share %
Consolidated companies		
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 Brokerline Versicherungs- Service GmbH, Vienna	Austria	100.00
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	99.24
DVIB GmbH, Vienna	Austria	100.00
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99.59
Erste osiguranje Vienna Insurance Group d.d., Zagreb	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
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00
GPIH B.V., Amsterdam	The Netherlands	80.00
HELIOS Vienna Insurance Group d.d., Zagreb	Croatia	100.00
Interalbanian Sh.a., Tirana	Albania	78.33
International Insurance Company IRAO Ltd., Tbilisi	Georgia	100.00
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00
InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.98
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”, Tbilisi	Georgia	90.00
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Hungary	100.00
Kapitol pojišt’ovací a finanční poradenství, a.s., Brno	Czech Republic	100.00
Komunálna poistovna, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00
KOOPERATIVA poist’ovna, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00
Kooperativa pojišt’ovna, a.s. Vienna Insurance Group, Prague	Czech Republic	98.39
Kvarner Vienna Insurance Group dionicko drustvo za osiguranje, Rijeka	Croatia	99.36
Kvarner Wiener Städtische Nekretnine d.o.o., Zagreb	Croatia	99.36
LVP Holding GmbH, Vienna	Austria	100.00
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	100.00
MH 54 Immobilienanlage GmbH, 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., Bucharest	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	92.88
Poist’ovna Slovenskej sporitel’ne, a.s. Vienna Insurance Group, Bratislava	Slovakia	95.00
Pojišt’ovna České spořitelny, a.s. Vienna Insurance Group, Pardubice	Czech Republic	95.00
“Polski Zwiazek Motorowy Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw”	Poland	100.00



Company	Registered office	Share %
Consolidated companies		
Private joint-stock company “Insurance Company Ukrainian Insurance Group”, Kiev	Ukraine	100.00
“Private Joint-Stock Company“ ”JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP”, ”Kiev”	Ukraine	97.80
PRIVATE JOINT-STOCK COMPANY “UKRAINIAN INSURANCE COMPANY KNIAZHA VIENNA INSURANCE GROUP”, Kiev	Ukraine	99.99
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., Bucharest	Romania	91.31
S.C. BCR Asigurari Vienna Insurance Group S.A., Bucharest	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
SVZ GmbH, Vienna	Austria	100.00
SVZI GmbH, Vienna	Austria	100.00
TBI BULGARIA EAD, Sofia	Bulgaria	100.00
TBIH Financial Services Group N.V., Amsterdam	The Netherlands	100.00
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	100.00
“Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna”	Austria	25.08
V.I.G. ND, uzavřený investiční fond a.s., Prague	Czech Republic	100.00
Vienna-Life Lebensversicherung Aktiengesellschaft, Bendern	Lichtenstein	100.00
VIG BM a.s., Prague	Czech Republic	100.00
VIG RE zajišťovna, a.s., Prague	Czech Republic	100.00
VIG REAL ESTATE DOO, Belgrade	Serbia	100.00
VIG Real Estate GmbH, Vienna	Austria	100.00
VIG-CZ Real Estate GmbH, Vienna	Austria	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	99.90
Wiener Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100.00
WPWS Vermögensverwaltung GmbH, Vienna	Austria	100.00

Company	Registered office	Share %
Companies consolidated by equivalent method		
AIS Servis, s.r.o., Brno	Czech Republic	100.00
Benefita, a.s., Prague	Czech Republic	100.00
Ceska Kooperativa London Ltd., London	UK	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
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.63
Mělnická zdravotní, a.s., Prague	Czech Republic	100.00
S IMMO AG, Vienna	Austria	10.04
Sanatorium Astoria, a.s., Carlsbad	Czech Republic	75.06
SURPMO, a.s., Prague	Czech Republic	100.00
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	Austria	60.00
UNIGEO, a.s., Ostrava-Hrabova	Czech Republic	100.00
Non-consolidated companies		
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Podgorica	Montenegro	100.00
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00
Bulstrad Health Insurance AD, Sofia	Bulgaria	97.00
CAPITOL Spolka z o.o., Warsaw	Poland	100.00
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100.00
EBS Wohnungsgesellschaft mbH Linz, Linz	Austria	25.00
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	Austria	100.00
Geschlossene Aktiengesellschaft “Strachowaja kompanija “MSK- Life”, Moscow	Russia	25.00
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00
INTERSIG Sh.A., Tirana	Albania	75.00
JAHORINA OSIGURANJE a.d., Pale	Bosnia and Herzegovina	96.63
“Joint Stock Insurance Company WINNER LIFE – Vienna Insurance Group Skopje, Skopje”	Macedonia	100.00
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	36.58
PAC Doverie AD, Sofia	Bulgaria	92.58
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	43.26
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	74.64
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	40.00
“RISK CONSULT Sicherheits- und Risiko-Managementberatung Gesellschaft m.b.H., Vienna”	Austria	51.00



Company	Registered office	Share %
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH	Austria	100.00
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG	Austria	100.00
Senioren Residenz gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	100.00
Untere Donaulände 40 GmbH	Austria	100.00
Untere Donaulände 40 GmbH & Co KG	Austria	100.00
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	23.56

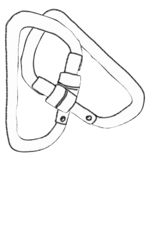
Non-consolidated companies		
Versicherungsaktiengesellschaft “Kupala”, Minsk	Belarus	98.26
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
Vienna International Underwriters GmbH, Vienna	Austria	100.00
Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	25.00

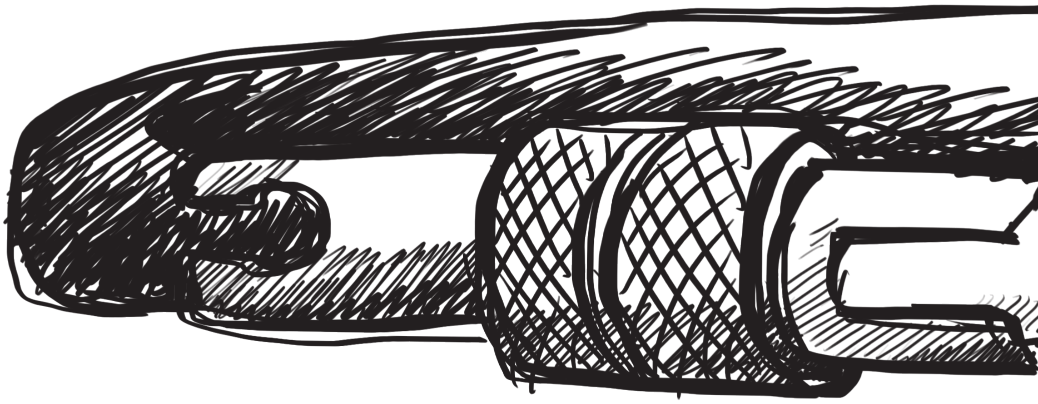
Declaration by the Board of Directors

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 has been omitted.

Karl Fink
Chairman of the Board of Directors

Dušan Bogdanović
Member of the Board of Directors





Etching

a new path.