VIG Re

ANNUAL REPORT 2012

ANNUAL REPORT 2012

Content

PROVEN CONCEPTS IN A NEW SETTING

Board of Directors

Karl Fink

Chairman of the Board

Main Responsibilities:

- Corporate Issues
- Public Relations
- Legal

Claudia Stránský

Member of the Board

Main Responsibilities:

- Protection Programme
- Property Reinsurance
  - VIG Companies
- Reinsurance Accounting
- Human Resources

Dušan Bogdanović

Member of the Board

Main Responsibilities:

- Life and Health Reinsurance
- Finance
- Organization

Johannes Martin Hartmann

Member of the Board

(starting 1 October 2012)

Main Responsibilities:

- Property and Casualty Reinsurance
- Reinsurance Underwriting Systems
- Claims
- IT

Denis Pehar

Member of the Board

until 31 December 2012

Points of Perception Questions to VIG Re's Board of Directors

KARL FINK

What were the most important developments for VIG Re in 2012?

Last year was once again quite exciting and challenging. The most important development from my point of view was the further strengthening of our relationship with insurance companies on the market, and the consequent substantial increase in the number of clients we cooperate with.

We moved into new offices last year because of our team's growth. In fact in 2012 VIG Re took the step to a new level in development.

A carabineer is again the recurrent symbol in your annual report artworks - how has this symbol of safety developed for you?

This can be easily answered in one sentence: The fact that we again received confirmation of our A+ rating by Standard & Poor´s.

What is your company's personal style?

I believe our strength is being perceptive about the needs of our clients and seeing more than one way of finding the best solution for them.

You have held many important positions at VIG - what is special about your work at VIG Re?

Having dealt with reinsurance for many decades, I personally consider the background and strategic targets of VIG Re as quite unique and ideally configured in the current time and environment. My personal role in this development is to ensure that the direction we have established is also followed in the future through well-balanced and sustainable long-term development.

DUŠAN BOGDANOVIĆ

How does the way you have transformed the pictures in your annual report relate to your company?

The pictures reflect the company in several ways: we are a young company, with a fresh attitude, trying to bring new approaches and views into the existing and established reinsurance market; yet at the same time, we are building on the established know-how of our group and our employees; and, in spite of being a young company, we are stepping into a new development phase, which includes internal organizational transformation and changes in the management of the company enabling us to continue to support the growth of business that we are experiencing.

Where do you get the inspiration for your daily work?

Running a new and expanding company is challenging in many ways, as you are confronted with many new tasks and issues on a daily basis, covering a very wide variety of topics. Although quite demanding, this gives you a great opportunity to get to know all the different aspects of running a company in diverse areas that give you an amazing overview and insight into the whole business process. This is a fantastic opportunity to continuously learn and develop. Finding original and creative solutions to newly arising challenges on a regular basis can be personally very motivating and rewarding.

What environment do you prefer to work in?

I have had a chance to experience work in many different companies in diverse countries and environments. What I found the most rewarding are the ones where people have high working ethics, are motivated and engaged, and open to discussion; where responsibilities and tasks are clearly defined and where everyone gets a chance to "own" his business. At the same time, what is important is that the atmosphere developed at the company is a relaxed and friendly one, where everyone feels welcome and able to express him/herself. This is exactly the environment one finds at VIG Re and which everyone who enters our premises feels immediately. This positive attitude is something that characterizes VIG Re and helps us all to be even more productive.

What will take most of your focus this year?

The growth of the company, which has to be supported by adequate organizational developments in order to enable the company to successfully develop even further and respond to all the challenges posed by the difficult economic environment in which we are working, as well as the increasing reporting and corporate governance demands arising from Solvency II implementation.

JOHANNES MARTIN HARTMANN

What experiences has the last year brought?

As you may know, I worked for a global reinsurance player in the past. Although I stayed in the industry, I very much enjoy my new environment, which allows me to act in a much more agile, nimble and flexible way. My agenda with the team and my colleagues now is to nourish the dynamic growth process by building up additional underwriting resources, optimising internal workflows and maintaining superior economic returns for our shareholders.

What image should come to mind when thinking of VIG Re?

We are continuing with the carabineer as an image associated with security, fellowship and trust – virtues that are essential in the reinsurance business where you have to professionally manage risk in a risk-prone environment. We also chose a very colourful concept this year to symbolize the qualities we see in our team – people who enjoy their work and have fun together, who are agile, work transparently and with engagement, and have the strength to stand behind their views and convictions.

Do you prefer to work on the big picture or on the details?

When looking at a picture – or business case – my focus is the underlying general idea or principle, and my tendency is to steer discussions towards this form of consideration. At the same time, I enjoy being challenged and leading open debates about different viewpoints. Decomposition and detail analysis is then the next step and for this I prefer to bring together a team of specialists.

Taking care of every colour in the spectrum – what are nuances that are less obvious in reinsurance relations and what is your approach to them?

One term you would not immediately think of in our industry is creativity – listening and watching very carefully, combining an open mind with the necessary expertise.

Another important part of the spectrum is common sense – models are very helpful in our industry to reduce complexity. On the other hand, we should always be aware about the limitations of models. A thorough validation versus broad underwriting expertise is essential in my opinion.

And the long-term nature is an essential aspect as well - modern business concepts have a tendency to look too much at short-term returns only. For our business, I find this inappropriate. Our promise is to pay claims and provide security over the long term. In addition, building up trust with your business partner takes both time and the experiences necessary to validate that trust, and for this it is essential to maintain an open and consistent business policy.

CLAUDIA STRÁNSKÝ

Creating needs tools - what is the most indispensable item in your office?

There are many indispensable items in my office, but the one most dear to me is a beautiful table lamp spreading a warm light – and I think this is also an important symbol for what we need to create in our work: an atmosphere of comfort and trust that encourages open talk and constructive business interactions.

This is also the second year that you are applying the graphic concept from your annual report to the way you depict the VIG Re team - why is that?

Because it is our intention that everybody who opens our annual report or the leaflet with our contact information gets a feeling for the atmosphere and people at VIG Re. You can also do this very well with realistic pictures, but in this way we want to stimulate the observer's curiosity, to encourage our clients and business partners into a dialogue with us about who we are. And I think this has worked very well in the past year; we were a new company and over the years the work and interactions with companies on the market have made us somebody to take into account and count on.

You mentioned the VIG Re team – how are they involved in the very dynamic development of the company?

We have the privilege to have a team that is very engaged and involved in the overall development of the company. This is something we will also safeguard and encourage as the company grows – meaning that everybody knows where we are heading, why we do things, and what his/her individual contribution is.

What detail will you pay most attention to next year?

That we grow our team in a way that allows us to fully develop the potential they already bring in, and complete it with additional individuals who will bring experience and backgrounds that will widen the spectrum, while at the same time sharing the same commitment and identification with what we have already built up as the team that ensures the running of the company today.

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

VIG Re Team

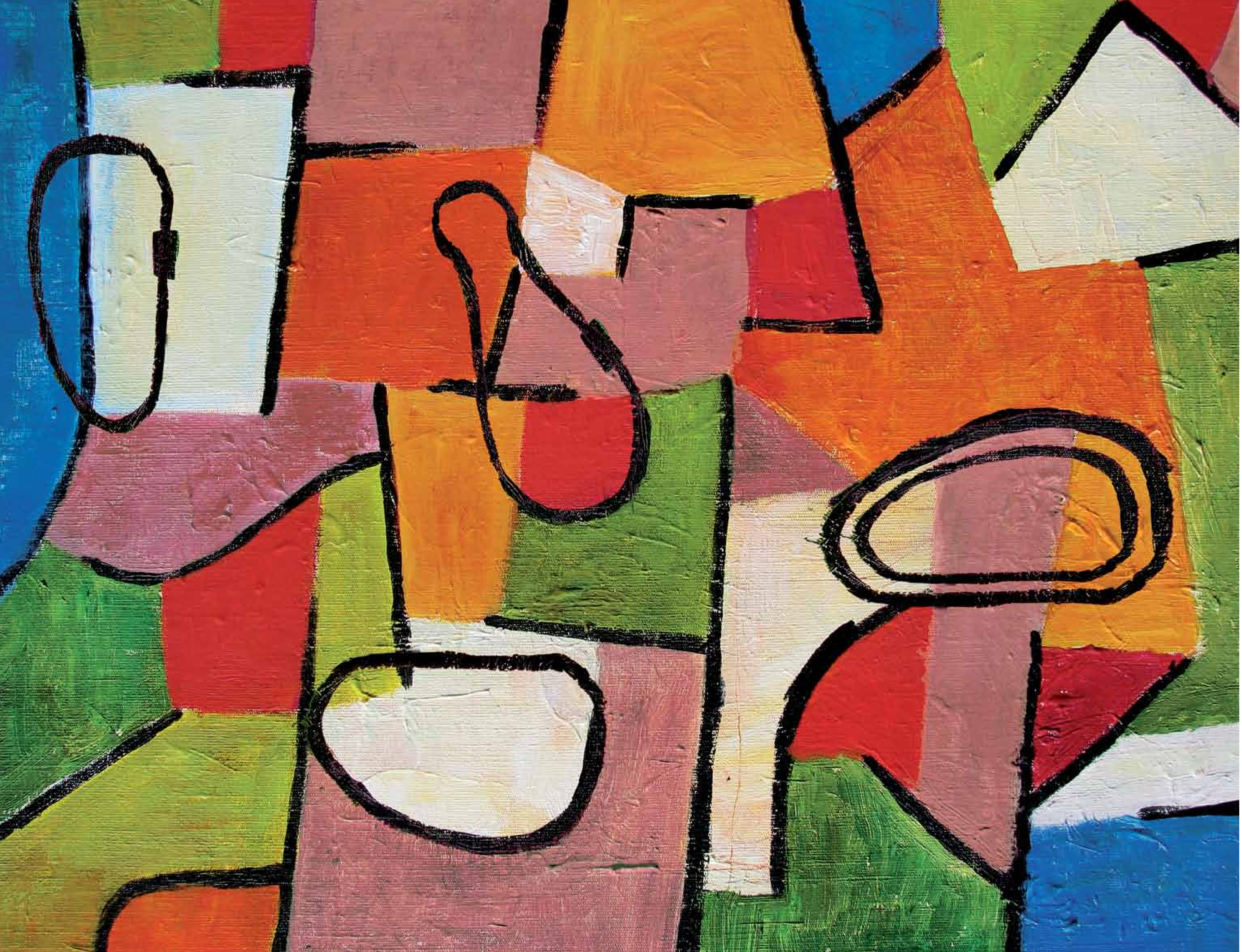
Dušan Bogdanović, Martin Pospíšil, Alexander Urian, Zuzana Mádrová, Johannes Martin Hartmann, Natálie Karanová

Milan Přibyl, Eva Vrbková, Claudia Stránský, Dušan Klimeš

Nikola Roubalová Petra Vrkočová

Karl Fink Marcela Horová Petr Mareš

Viera Horáková Lenka Havránek Malenková Anna Těšínská Martin Káňa Michal Teplý



BIG IMPACT THROUGH SMALL CHANGES

VIG Re Company Profile

TIME

VIG Re opened its doors in 2008 with the aim of creating unique answers to the reinsurance demands of our CEE partners. Our prudent underwriting and reserving policy and our conservative investment strategy have provided protection and security for our partners and made our undertakings a success. Ever since our establishment we have maintained an A+ rating with a stable outlook from Standard & Poor's.

In 2012 our GWP grew by over 60% as our team of dedicated and engaged employees continued to grow.

Based in Prague, in the heart of Central and Eastern Europe, we are part of a strong group with a long-standing history. We are a secure and readily accessible partner for your business on the reinsurance scene. With over 160 clients in CEE, we steadily continue to build our reputation as a reinsurer offering a consistent and transparent approach.

SPACE

Being established in Prague places us close to our partners, bridging both spatial as well as cultural distances.

We focus on the CEE market, intensifying our activities in this region each 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.

CONTENT

Our conceptual approach is to be collaborative with our partners and close to the market. This means that we strive to remain accessible even as we grow and develop our business. One of the major trends in our work is providing fast and transparent feedback to our clients.

Our reinsurance professionals have experience and training in the CEE region, and our lean structure avoids lengthy escalation routines. With open communication, our approach to underwriting provides both VIG Re and our partners with strength and flexibility while ensuring mutually prosperous long-term cooperation.

We are proficient at long tail and short tail business, proportional and non-proportional, offer services in property and casualty, life and health, and also draft facultative reinsurance contracts. 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 offer. Most importantly, we love what we do.

VIG RE KEY FIGURES

(Consolidated Financial Statements)

INCOME STATEMENT	2010	2011	2012
in EUR '000			
Premiums written	280 612	292 287	470 914
Property/Casualty	215 656	228 844	281 123
Life	23 599	22 344	145 546
Health	41 357	41 099	44 245
Combined ratio	96,1%	95,8%	94,8%
Result from investments	12 226	14 841	16 452
Profit before taxes	18 556	20 618	24 297
Profit for the period	15 459	16 263	20 181

BALANCE SHEET	2010	2011	2012
in EUR '000			
Investments	403 749	473 318	511 875
Total assets	598 428	591 864	654 875
Shareholders' equity	116 261	119 706	126 978
Underwriting provisions	400 860	407 082	447 451

Management Report

MARKET SNAPSHOT

Globally speaking, the year 2012 was characterised by on-going economic uncertainty. The continuing European sovereign debt and banking crisis has finally led to an economic slowdown in all European countries, limiting insurers' growth. With regard to large catastrophes, only Sandy achieved high media coverage, and so 2012 is often perceived as an unspectacular year. Despite this, a multitude of regional natural catastrophes made 2012 the third most costly year ever reported globally.

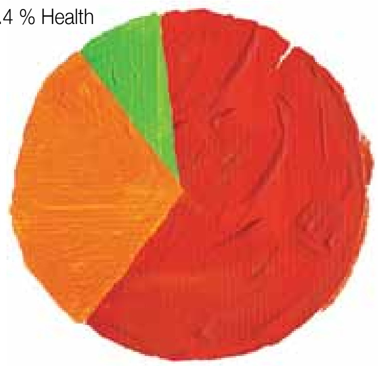
Austria and the Central & Eastern European countries were no exception from this. In the absence of any 'market defining' events, various smaller and mid-size local storm and hailstorm events affected the balance sheets of insurance companies, while the 5.6-magnitude earthquake in Bulgaria in May only had a minor economic impact.

In the absence of growth, markets were characterised by on-going competition for market share, often accompanied by price reductions - most notably in motor lines. In many CEE markets, insurance rates for motor have fallen to a level where most companies find it difficult to generate a profit without relying on the continuing trend of decreasing loss frequencies plus run-off profits from prior good underwriting years. The situation in Romania appears more challenging in this regard, where the market continues to fail to introduce much-needed market reforms and to establish an economically sustainable level.

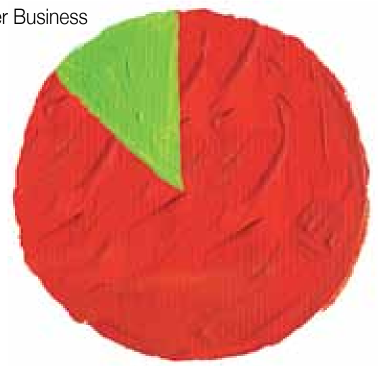
VIG RE 2012 CONSOLIDATED RESULTS

VIG Re ended 2012 with a positive underwriting result for the financial year. The combined ratio improved to 94.8%, and investments yielded 16.4 MIO EUR. VIG Re posted a consolidated pre-tax profit of 24.3 MIO EUR. The number of clients exceeded 160 in 2012.

Premium Split 2012



Gross Written Premium 2012 *



* Without largely retroceded bundled reinsurance programmes for VIG companies

PROPERTY AND CASUALTY

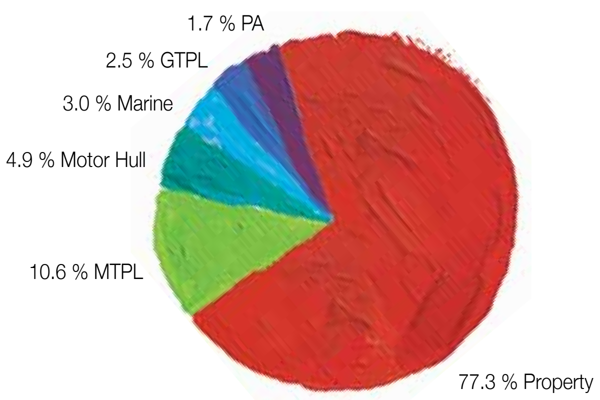
In 2012 reinsurance renewals once again showed an increased premium volume both for VIG as well as non VIG business: The share of business concluded with market companies increased to 12%.

Despite the fact that, as mentioned in the outline, 2012 was in global terms the third most costly year ever reported for natural catastrophe losses, no severe events hit Central Europe. However, insurers in Austria and CEE did encounter several small to medium events throughout the year. This did not impact VIG Re's results thanks to its very conservative protection strategy.

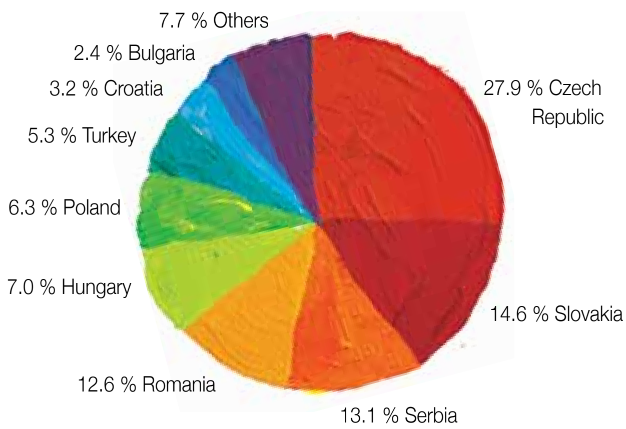
VIG Re expanded its activities in the field of property treaty reinsurance, writing at least 25% of all the property and engineering treaties of VIG group, as well as increasing the property portfolio with market companies. VIG Re began offering facultative cover in property and engineering in the CEE region in 2011 – an offer which is now very well perceived by our clients, and VIG Re expects further growth in the future.

Casualty lines make up 18% of VIG Re's portfolio. The main segment here is the VIG Group Motor Third Party Liability protection. In respect of market companies, VIG Re selectively writes motor proportional and non-proportional business where the Company's underwriting standards are complied with and returns appear attractive. VIG Re continues to explore business opportunities in general liability reinsurance, as the Company expects growth in this line of business will continue to outperform.

GWP Property/Casualty per LoB



GWP Property/Casualty CEE per Country



LIFE AND HEALTH

The significant growth in the VIG Re life insurance business in 2012 was primarily driven by the short-term provision of capital support to group companies. This support is expected to significantly decrease over the coming years. Another additional focus remains the underwriting of biometric risks and provision of pre-financing support. The life reinsurance premium volume in 2012 was 145.5 MIO EUR. VIG Re actively maintains and continues to expand a geographically diverse portfolio, while adhering to the principle of balance.

Thanks to the positive development of the underlying portfolio, the result for the health business improved in 2012 by 26.6%, although premium volume remained at the same level as in the previous year. The 2012 health reinsurance written premium was 44.2 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 investing in developing know-how and resources in this area and is prepared to support its customers by providing cutting-edge, legislation-attuned service in their respective countries.

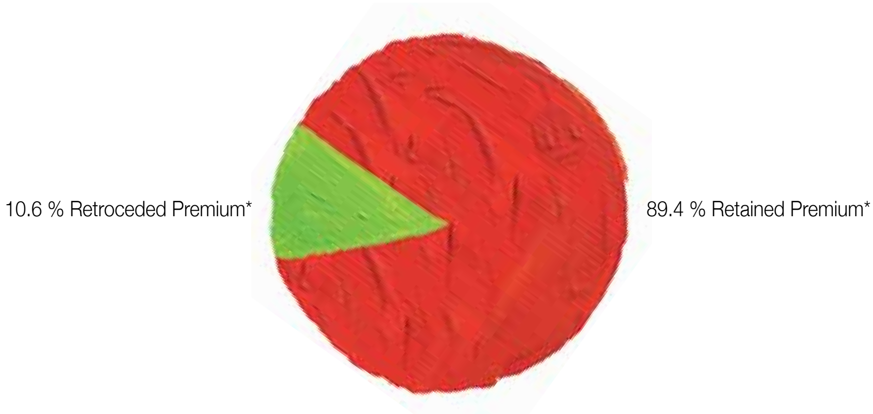
PROTECTION

Since its establishment, VIG Re has maintained an excellent capital position, reinforced by its strong equity base and conservative investment and risk transfer strategy.

VIG Re complies with the rules of the Security committee of the VIG group, which contain a strictly specified approach for long tail and short tail risk as well as maximum ceded capacity per reinsurer.

While the exposure focusses on CEE, the panel of the reinsurer contains a wide range of leading international security partners, especially in the peak exposure areas like natural catastrophe and green card protection.

Retroceded and Retained Premium



** Without largely retroceded bundled reinsurance programmes for VIG companies*

PEOPLE AND PROCESSES

VIG Re is a company dedicated to lean management structures, fast and easily accessible escalation routines, and transparent decision processes.

When recruiting employees the ability to be a team player and the willingness to look outside the set frame of responsibilities is an important feature. For VIG Re it is important to have a team in which each member knows her/his contribution to the whole and shares the concern for the Company's development. Therefore information meetings are held with all VIG Re reinsurance professionals twice a month, at which current tasks, new developments and overall strategic topics are shared.

There are equal numbers of women and men in the Company, while part-time work for parents caring for small children, and gradual reintegration into the work process after maternity leave are supported.

As for VIG Re, it is important to be a part of the professional education of graduates. VIG Re has started a program where students are employed part-time as assistant underwriters or assistant accountants, enriching our talent pool for regular employees.

It is part of the VIG Re philosophy to include the team in decisions that concern outside representation, such as the theme and design of the annual report, the choice of charity for the year, educational activities on the market, and much more. Thus VIG Re employees strongly identify with the Company, and they understand the background of decisions and our long-term visions.

FINANCIAL INVESTMENTS

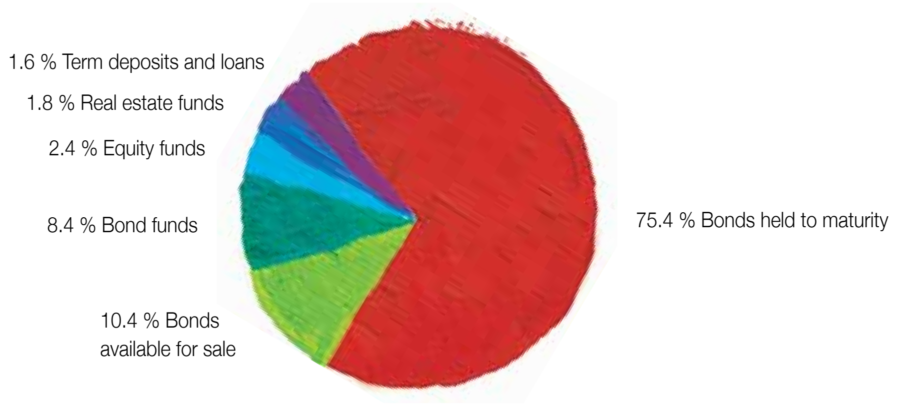
Despite catastrophic predictions and real economic stagnation, 2012 was one of the best investment years ever. With falling interest yields and increasing equity prices, the prices of many assets went up and investors achieved record profits. VIG Re also exceeded its annual investment plan and 2011 investment profit. Despite decreasing investment yields and market-risk attitudes, the Company maintained its conservative investment strategy. The main sources of the increased profit of 2012 were the positive operational cash flow, CZK/EUR exchange rate appreciation, and the purchase of fixed-income investments at the right time.

Portfolio composition remained stable. More than 97% of consolidated investment assets were invested by VIG Re and 3% by Wiener Re. At the end of 2012, more than 86% of investment assets were invested in bonds, mainly euro-denominated sovereigns and government-guaranteed bank bonds with the core invested into government bonds of the Czech, Slovakia, Poland, and Austria. The foundation of the whole investment portfolio is created by held-to-maturity classified bonds. This class represents around 88% of the bond portfolio. Due to decreasing interest yields, the Company switched from deposits into short-term bond funds for short-term operational coverage. A small part of the portfolio was invested into equity and real estate funds.

The Company also holds 240 MIO EUR of funds deposited with cedents from Life and Health Reinsurance.

With low reinvestment yields and global equity prices at or near record levels, the investment outlook for the coming years remains challenging. Nevertheless, the Company's investment policy will not change. We will stick to the strategy of achieving the planned investment yield with low risk, moderate yields, good ratings and disciplined risk management.

Financial Investments*



* Excluding funds deposited from life and health reinsurance

OUTLOOK

All CEE countries offer essentially enormous long-term potential with respect to income growth and insurance density. The rising purchasing power of a growing middle class, and the related increase in demand for insurance from private households mean that these countries offer an attractive long-term scenario.

Although the mid- to long-term perspective for the underlying macro-economic trends will provide strong growth potential for insurance and reinsurance companies in the region, the economic outlook for 2013 remains tainted with uncertainty. It remains questionable whether the minor recovery in export demand in the EU countries will continue in 2013 and be sufficient to help growth in the export-dependent CEE countries. Furthermore, the future development of the insurance market still greatly depends on the implementation of national reforms. Although social, healthcare and pension insurance reforms are being planned in many CEE countries, political decision-making and implementation is lagging behind.

VIG Re expects the rates for most lines of business and countries to be stable in the primary insurance markets. While the current financial environment will limit investment yields in 2013 and hence call for strict underwriting discipline to maintain profitability, the continuous high level of competition and the absence of any recent market-defining events will probably not allow for market hardening in those lines of business which have shown a solid performance in recent years. For motor insurance - still the dominating business segment in all CEE markets - VIG Re expects generally stable rates in most markets, apart from Romania and Bulgaria, which will need substantial improvements in market conditions to achieve sustainable business performance.

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 2013 and beyond, VIG Re will adhere to its conservative investment and protection policy in line with its A+ stable outlook rating. VIG Re provides the operational flexibility, broad risk solutions across the main lines of business, and the strong financial security that is increasingly attractive to our clients and crucial for reinsurers to be able to seize the available opportunities in this emerging landscape.

TAKING CARE OF EVERY COLOUR IN THE SPECTRUM

Supervisory Board Report

The Supervisory Board has received from the Board of Directors the Financial statements as of 31 December 2012, and the Report on business activities and the state of the Company dating to 31 December 2012, which have 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 2012, one ordinary and one extraordinary shareholders' meeting, and four meetings of the Supervisory Board were held.

The Supervisory Board hereby informs the shareholders' meeting that the Financial statements for 2012 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, 12 March 2013

Dr. Franz Kosyna

Chairman of the Supervisory Board

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

Telephone +420 222 123 111
Fax +420 222 123 100
Internet www.kpmg.cz

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

Financial statements

On the basis of our audit, on 7 March 2013 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 balance sheet as of 31 December 2012, and the income statement, 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 Czech accounting legislation and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of VIG RE zajišťovna, a.s. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation."

Consolidated Financial Statements

On the basis of our audit, on 25 March 2013 we issued an auditor's report on the Company's consolidated statutory 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 balance sheet as of 31 December 2012, and the consolidated income statement, consolidated the statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes to these consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note A.1. to these consolidated financial statements.

Statutory Body's Responsibility for the Consolidated 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 Czech accounting legislation 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 2012, and of its expenses, revenues and net result and its cash flows for the year then ended in accordance with Czech accounting legislation."

KPMG

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 2012. 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 2012 contains material factual misstatements.

Consolidated Annual report

We have audited the consistency of the consolidated annual report with the audited consolidated financial statements. This consolidated annual report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the consolidated annual report with the audited 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 plan and perform the audit to obtain reasonable assurance that the information disclosed in the consolidated annual report describing matters that are also presented in the consolidated financial statements is, in all material respects, consistent with the audited consolidated 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 consolidated annual report is, in all material respects, consistent with the audited consolidated financial statements.

Prague
24 April 2013

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 2012

TABLE OF CONTENTS:

Statement of Financial Position as of 31 December 2012

ASSETS	Notes	2012	2011
in EUR '000			
Intangible assets	F.1	1 211	1 403
Property, plant and equipment	F.2	178	108
Investment in subsidiaries	F.3	10 722	10 222
Financial investments	F.4	503 961	461 832
Financial assets held to maturity		201 112	188 000
Financial assets available for sale		61 507	28 319
Loans – Term deposits		1 233	7 967
Deposits due from cedents		240 109	237 546
Trade and other receivables	F.5	35 232	24 538
Ceded share of reinsurance liabilities	F.6	77 092	73 957
Other assets	F.8	1 033	271
Deferred acquisition costs	F.9	3 375	3 562
Cash and cash equivalents	F.10	2 901	349
Total ASSETS		**635 705**	**576 242**

EQUITY AND LIABILITIES			
Shareholders' equity	F.11		
Share capital		101 958	101 958
Other components of equity		3 782	1 146
Retained earnings		21 295	16 855
Total EQUITY		127 035	119 959
Reinsurance liabilities		438 819	401 525
Unearned premiums	F.12	20 174	17 462
Outstanding claims	F.13	186 568	158 739
Life reinsurance provision	F.14	135 297	133 763
Other	F.15	96 780	91 561
Provisions	F.16	0	218
Payables	F.17	67 827	52 536
Deferred tax liabilities	F.7.	231	115
Current tax liabilities	F.26	896	1 400
Other liabilities	F.18	897	489
Total LIABILITIES		508 670	456 283
Total EQUITY AND LIABILITIES		635 705	576 242

Income Statement for the Year Ended 31 December 2012

Income Statement	Notes	2012	2011
in EUR ’000			
Premiums	F.19		
Premiums written – Gross		450 259	274 807
Premiums written – Ceded		-124 546	-103 026
Premiums written – Retention			
Change due to provision for premiums – Gross		- 1 859	-1 976
Change due to provision for premiums – Ceded		841	194
Net earned premiums		324 695	169 999
Investment Result	F.20		
Investment and interest income		16 897	15 882
Investment and interest expenses		-1 207	-626
Total investment result		15 690	15 256
Other income	F.21	402	330
Claims and insurance benefits	F.22		
Expenses for claims and insurance benefits – Gross		-198 051	-124 234
Expenses for claims and insurance benefits – Ceded		8 909	34 947
Claims and insurance benefits – retention			
Change in claims and other reinsurance liabilities – Gross		-80 050	-4 347
Change in claims and other reinsurance liabilities – Ceded		7 707	-16 044
Total expenses for claims and insurance benefits		-261 485	-109 678
Acquisition expenses	F.23.		
Commission expenses		-59 551	-57 256
Other acquisition expenses		-743	-460
Change in deferred acquisition expenses		186	875
Commission income from retrocessionaires		7 540	4 867
Total acquisition expenses		-52 568	-51 974
Other operating expenses	F.24	-2 727	-2 508
Other expenses	F.25	-389	-278
Profit before taxes		23 618	21 147
Tax expense	F.26	-4 044	-4 332
Profit for the period		19 574	16 815
Attributable to owners of the Company		19 574	16 815
Attributable to owners of non-controlling interest		0	0

Statement of Comprehensive Income for the Year Ended 31 December 2012

Statement of Comprehensive Income	2012			2011		
in EUR '000	Gross	Tax *)	Net	Gross	Tax *)	Net
Profit for the period	23 618	-4 044	19 574	21 147	-4 332	16 815
Other comprehensive income						
Gains (losses) recognized in equity – Available for sale financial assets	2 216	- 421	1 795	-592	113	-479
Other comprehensive income for the year	2 216	-421	1 795	-592	113	-479
Comprehensive income for the period	25 834	-4 465	21 369	20 555	-4 219	16 336
Attributable to owners of the Company	25 834	-4 465	21 369	20 555	-4 219	16 336
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 2012

in EUR '000	Share capital	Available for sale reserve	Legal and statutory reserves	Other reserves	Retained earnings	Shareholders' equity attributable to owners of the Company
As of 1 January 2012	101 958	-442	1 588		16 854	119 958
Total comprehensive income for the period		1 795			19 574	21 369
Dividends					-14 292*	-14 292
Allocation to legal and statutory reserves			841		-841	
As of 31 December 2012	**101 958**	**1 353**	**2 429**		**21 295**	**127 035**

in EUR '000	Share capital	Available for sale reserve	Legal and statutory reserves	Other reserves	Retained earnings	Shareholders' equity attributable to owners of the Company
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**

* dividend per share was EUR 572

Cash Flow Statement for the Year Ended 31 December 2012

Cash Flow Statement	Notes	2012	2011
in EUR '000			
Profit for the period		**23 618**	**21 147**
Adjustments to profit for the period			
- interest and other investment income		-15 135	-8 318
- exchange differences		-399	339
- depreciation		191	224
- change in deferred acquisition costs		186	-875
- proceed from the issue of other liabilities evidenced by paper		0	-173
- dividends		-72	-1 013
Cash flows from operating activities			
Change in reinsurance liabilities		37 294	5 904
Change in ceded share of reinsurance liabilities		-3 135	15 751
Change in receivables		-10 694	61 411
Change in deposits due from cedents		-3 777	-14 476
Change in liabilities		15 291	-16 809
Change in provisions		-218	218
Change in other assets and liabilities		-354	71
Income tax paid			
		-4 853	-3 853
Net cash flow from operating activities		37 943	59 548
Cash flows from investing activities			
Interest received		14 335	6 888
Dividends received		72	949
Subscription to share capital		-500	
Payment for acquisition of intangible assets and property, plant and equipment		-114	-12
Cash proceeds from the sale of intangible assets and property, plant and equipment		44	
Payment for acquisition of available for sale financial assets		-45 714	-42 063
Cash proceeds from the sale of available for sale financial assets		15 073	29 160
Payment for acquisition of held to maturity financial assets		-16 501	-44 501
Cash proceeds from the maturity/sale of held to maturity financial assets		4 239	3 994
Net cash flow from investing activities		-29 066	-45 585
Cash flows from financing activities			
Dividend payment		-14 292	-12 400
Net cash flow from financing activities		**-14 292**	**-12 400**
Net change in cash and cash equivalents		**-5 415**	**1 563**
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at beginning of period		8 316	6 753
Foreign currency translation differences on cash balances			
Net change in cash and cash equivalents		-5 415	1 563
Cash and cash equivalents at end of period		2 901	8 316

Cash and cash equivalents are represented by cash and cash equivalents and demand deposits recognized as Loans – Term deposits (In 2011 cash and cash equivalents consisted of 349 TEUR cash and 7 967 TEUR demand deposit. In 2012 the balance consists of 2 901 TEUR cash only, and an amount of 1 233 TEUR is represented as a loan).

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

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

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

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

Segment Reporting

INCOME STATEMENT BY LINES OF BUSINESS

Income Statement	Property/Casualty		Health		Life		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
in EUR '000								
Premiums written – Gross	260 497	211 365	44 245	41 099	145 517	22 343	450 259	274 807
Premiums written – Ceded	-123 681	-102 263			-865	-763	-124 546	-103 026
Change due to provision for premiums – Net	-1 072	-2 201	-23	-3	77	422	-1 018	-1 782
1. Net earned premiums	135 744	106 901	44 222	41 096	144 729	22 002	324 695	169 999
Interest revenue	5 476	4 940	3 988	3 864	5 533	5 432	14 997	14 236
Other income and expenses from investments	500	665	263	391	-70	-36	693	1 020
2. Investment result	5 976	5 605	4 251	4 255	5 463	5 396	15 690	15 256
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Gross	-105 371	-78 765	-29 277	-29 411	-143 453	-20 405	-278 101	-128 581
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	16 583	18 875			33	28	16 616	18 903
3. Claims and insurance benefits	-88 788	-59 890	-29 277	-29 411	-143 420	-20 377	-261 485	-109 678
Commission expenses including change in deferred acquisition expenses	-51 309	-49 199	-5 486	-5 008	-2 570	-2 174	-59 365	-56 381
Other acquisition expenses	-474	-334	-80	-65	-189	-61	-743	-460
Commission income from retroces-sionaires	7 168	4 533			372	334	7 540	4 867
4. Acquisition expenses	-44 615	-45 000	-5 566	-5 073	-2 387	-1 901	-52 568	-51 974
Operating profit measured on the segment basis	8 317	7 616	13 630	10 867	4 385	5 120	26 332	23 603
5. Administrative expenses	-1 858	-1 876	-315	-367	-554	-265	-2 727	-2 508
Operating profit	6 459	5 740	13 315	10 500	3 831	4 855	23 605	21 095
6. Other income							402	330
7. Other expenses							-389	-278
Profit before tax							23 618	21 147
Income tax							-4 044	-4 332
Profit after tax							**19 574**	**16 815**

The investment result was allocated among individual segments based on the balance of reinsurance liabilities as of 31 December 2012.

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 Templová 747/5, Prague 1, postcode 110 01. 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 2012:

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 2012 as follows:

Chairman:	Karl Fink, Vienna, Austria
Member:	Denis Pehar, Munich, Germany (until 31 December 2012)
Member:	Claudia Stránský, Vienna, Austria
Member:	Dušan Bogdanović, Belgrade, Serbia
Member:	Johannes Martin Hartmann, Munich, Germany (starting 1 October 2012)

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 2012 as follows:

Chairman:	Franz Kosyna, Vienna, Austria
Vice-Chairman:	Peter Höfinger, Vienna, Austria
Member:	Martin Diviš, Prague, Czech Republic
Member:	Wolfgang Eilers, Hamburg, Germany
Member:	Roland Gröll, Vienna, Austria
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 is 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, or with third party companies in the case of financial reinsurance (B.23.). 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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 adequate 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. 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.13. 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.14. 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 and 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.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.

B.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 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.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 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.18. 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.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 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.20. 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.21. 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.

Contracts that are legally treated as reinsurance contracts but do not transfer significant risk are presented as financial investment contracts or service contracts.

B.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.

B.23. FINANCIAL REINSURANCE

Financial reinsurance is a risk management tool, especially useful when the motivations of the ceding insurance company are focussed not only on managing underwriting risk but also on explicitly recognising and addressing other financially oriented risks. The use of financial reinsurance, which represents a combination of a transfer of an insignificant risk and financing risk, adds value to an insurer's risk management by providing flexibility and liquidity.

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 2012:

Standards in force

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 Amendments to IFRS 7 do not 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.

Standards not yet in force

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

(Effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods; to be applied retrospectively.)

The Amendments contain new disclosure requirements for financial assets and liabilities that are:

- offset in the statement of financial position; or
- subject to master netting arrangements or similar agreements.

It is expected that the Amendments, when initially applied, will have an impact on the level of disclosure in the financial statements. However, the Company is not able to prepare an analysis of the impact until the date of initial application.

IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements [1] [2]

(Effective for annual periods beginning on or after 1 January 2014; earlier application is permitted if IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early.)

This Standard is to be applied retrospectively when there is a change in control conclusion.

---

[1] *The Transition guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) issued 28 June 2012 by the IASB had NOT been endorsed by the EU as at 31 December 2012. The Transition guidance adds further paragraphs to the transitional provisions of IFRS 10 and IFRS 11 and IFRS 12 providing further relief from full retrospective application.*

[2] *Also Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) issued on 31 October 2012 by the IASB had NOT been endorsed by the EU as at 31 December 2012. This amendment provides consolidation relief for qualifying investment entities.*

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:

- it is exposed or has rights to variable returns from its involvements with the investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

The new Standard also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).

The Entity does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new Standard is not expected to change previous conclusions regarding the Group's control over its investees.

IFRS 11 Joint Arrangements[1]

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively subject to transitional provisions. Earlier application is permitted if IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early.)

IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.

Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:

- a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement.
- A joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

IFRS 11 effectively carves out from IAS 31 jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of equity accounting or proportionate consolidation; they must now always use the equity method in their consolidated financial statements.

The entity does not expect IFRS 11 to have material impact on the financial statements since it is not a party to any joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities[3]

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted.

---

[1] *The Transition guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) issued 28 June 2012 by the IASB had NOT been endorsed by the EU as at 31 December 2012. The Transition guidance adds further paragraphs to the transitional provisions of IFRS 10 and IFRS 11 and IFRS 12 providing further relief from full retrospective application.*

[3] *Providing some of the disclosures required by IFRS 12 before the effective date does not compel the entity to comply with all the requirements of IFRS 12 or to apply IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) early.*

IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.
The entity does not expect the new Standard to have a material impact on the financial statements.

IFRS 13 Fair Value Measurement

(Effective prospectively for annual periods beginning on or after 1 January 2013. Earlier application is permitted.)

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. The Standard does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The Standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.

The entity does not expect IFRS 13 to have material impact on the disclosures in the notes to financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13.

Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

(Effective for annual periods beginning on or after 1 July 2012; to be applied retrospectively. Earlier application is permitted.)

The Amendments:

- require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections.
- change the title of the Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income, however other titles are also allowed to be used.

The impact of the initial application of the Amendments will depend on the specific items of other comprehensive income at the date of initial application. If the entity were to adopt the amendments from 1 January 2012, then the items of other comprehensive income would be presented as items that may be reclassified to profit or loss in the future.

Amendments to IAS 12: Deferred Tax: Recovery of Underlying Assets

(Effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Earlier application is permitted.)

The Amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted.

The Amendments are not relevant to the entity's financial statements, since the Group does not have any investment properties measured using the fair value model in IAS 40.

IAS 19 (2011) Employee Benefits

(Effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Transitional provisions apply. Earlier application is permitted.)

The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The Amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The Amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on the rate used to discount the defined benefit obligation.

The Amendments are not relevant to the entity's financial statements, since the entity does not have any defined benefit plans.

IAS 27 (2011) Separate Financial Statements

(Effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011) are also applied early.)

IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been incorporated into IFRS 10, Consolidated Financial Statements.

The Company does not expect IAS 27 (2011) to have material impact on the financial statements, since it does not result in a change in the entity's accounting policy.

IAS 28 (2011) Investments in Associates and Joint Ventures

(Amendments effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011) are also applied early.)

There are limited amendments made to IAS 28 (2008):

- Associates and joint ventures held for sale. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
- Changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

The entity does not expect the amendments to the Standard to have material impact on the financial statements since it does not have any investments in associates or joint ventures that will be impacted by the Amendments.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted, however the additional disclosures required by Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities must also be made.)

The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.

The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The entity does not expect the Amendments to have any impact on the financial statements since management considers the methods currently used for offsetting to be consistent with the Amendments to IAS 32.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

(Effective for annual periods beginning on or after 1 January 2013. It applies prospectively to production stripping costs incurred on or after the beginning of the earliest period presented. Earlier application is permitted.)

The Interpretation sets out requirements relating to the recognition of production stripping costs, and the initial and subsequent measurement of stripping activity assets.

To the extent that benefits from production stripping are realised in the form of inventory produced, the related production stripping costs are accounted for in accordance with IAS 2 Inventories.

Production stripping costs that improve access to ore to be mined in the future are recognised as a non-current asset if, and only if, all of the following criteria are met:

- it is probable that future economic benefits will flow to the entity;
- the entity can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably.

The stripping activity asset shall be accounted for as an addition to, or as an enhancement of, an existing asset.

The stripping activity asset shall initially be recognised at cost while after initial recognition it shall be carried at either its cost or its revalued amount, less depreciation or amortization and impairment losses, in the same way as the existing asset of which it is a part.

The Interpretation also requires that when the costs of the stripping activity asset and of the inventory produced are not separately identifiable, the entity allocates production stripping costs between the two based on a 'relevant' production measure.

The entity does not expect the Interpretation to have any impact on the financial statements since it does not have any stripping activities.

D. PRINCIPAL ASSUMPTIONS

For reported but not settled claims (RBNS), the separate case-by-case assessment with regard to the claim circumstances, information available from loss adjusters, and historical evidence of the size of similar claims provided by the cedents is used and checked. The Company's share of case reserves is reviewed regularly and is updated as and when new information arises.

The estimation of 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) and financial reinsurance contracts. 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) risks:* 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 realize 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 risks:* 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 risks:* 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 2012 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. In 2012 the Company also entered into a financial reinsurance contract with a third party.

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 motor third party 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, and does not assume the run-off of losses to treaties incepted prior to 1 January 2009. Moreover, the Company assumes natural catastrophe risks only if and only to the extent it enjoys full natural catastrophe 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 20 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.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 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 from 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	
	2012	2011	2012	2011
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	30 915	21 884		
31 days to 90 days after maturity	2 237	1 457		
91 days to 180 days after maturity	1 254	377		
181 days to 1 year after maturity	466	487		
1 year to 2 years after maturity	360	333		
Neither past due nor impaired – carrying amount			**583 954**	**536 138**
Total carrying amount	**35 232**	**24 538**	**583 954**	**536 138**

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.27.) 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	2012					
Standard & Poor's rating	AAA	AA	A	B / BB / BBB	No Rating	Carrying value in balance sheet
in EUR '000						
Financial investments*	31 407	29 959	187 643	2 001	12 842	263 852
Deposits due from cedents			97 016		143 093	240 109
Cash and cash equivalents					2 901	2 901
Receivables from reinsurance and ceded share of reinsurance liabilities		45 748	35 069	6 678	24 692	112 187
Other receivables					137	137
Total	**31 407**	**75 707**	**319 728**	**8 679**	**183 665**	**619 186**
In %	*5.07*	*12.23*	*51.64*	*1.40*	*29.66*	*100*

* Except for deposits due from cedents

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

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 of 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:

Expected remaining contractual maturities of assets:	2012					
	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	30 848	106 194	146 476	186 338	34 105	503 961
Financial assets held to maturity	10 438	72 474	91 530	26 670		201 112
Financial assets available for sale	389	6 121	20 892		34 105	61 507
Loans – Term deposits	893	340				1 233
Deposit due from cedents *	19 128	27 259	34 054	159 668		240 109
Receivables	35 095					35 095
Ceded share of reinsurance liabilities *	26 947	15 765	19 663	14 717		77 092
Cash and cash equivalents	2 901					2 901
Other receivables	137					137
Total	**95 928**	**121 959**	**166 139**	**201 055**	**34 105**	**619 186**

*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. The table includes both interest and principal cash flows.

Expected contractual maturities of liabilities:	2012				
	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*	104 325	80 678	69 215	184 601	438 819
Unearned premiums	20 174				20 174
Outstanding claims	72 499	53 618	35 391	25 060	186 568
Life reinsurance provision	10 147	27 060	33 824	64 266	135 297
Other	1 505			95 275	96 780
Other liabilities - issued bonds					
Payables	67 387				67 387
Tax liabilities	896				896
Other liabilities	440				440
Total	**173 048**	**80 678**	**69 215**	**184 601**	**507 542**

*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:

Expected remaining contractual maturities of assets:	2011					
	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 are the contractual maturities of relevant liabilities (measured in the same way as in the financial statements) as required by IFRS:

Expected contractual maturities of liabilities:	2011				
	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

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 money market and short-term bond funds and liquid AFS securities.
- The majority of debt securities is 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:

		2012	
Currency	Total Assets	Total Liabilities	Net Amount
in EUR '000			
EUR	608 775	490 619	118 156
CZK*	22 441	7 933	14 508
HUF	2 638	8 502	-5 864
Other	1 851	1 616	235
Total	**635 705**	**508 670**	**127 035**

*The Company hedged the long position during 2012. The nominal value of the contract was 407 000 TCZK (16 411 TEUR). This hedging contract finished on 28 December 2012.

A 10% negative movement in exchange rates can cause a total loss of 888 TEUR.
Such a EUR/CZK change can cause a loss of 1 450 TEUR, and in EUR/HUF a loss of 586 TEUR.

	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.

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 Euro. As a result, interest rate fluctuations in the euro zone have a significant effect on the value of these financial assets.

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

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

2012	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	3.18%		6 141			21 261		27 402
Financial assets available for sale – investment funds							34 105	34 105
Financial assets held to maturity – debt securities	4.28%		11 337	38 684	31 036	120 055		201 112
Loans – Term deposits	6.43%	19	873	110	231			1 233
Deposit due from cedents	2.89%		19 128	27 259		193 722		240 109
Cash and cash equivalents		2 901						2 901
Total financial assets		**2 920**	**37 479**	**66 053**	**31 267**	**335 038**	**34 105**	**506 862**

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**
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	2012	2011
in EUR '000		
Market value of portfolio		
	275 321	219 996
Historical VaR 60d; 99%	11 070	9 806
Relative VaR (%) 60d; 99%	4.02%	4.46%

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	2012	2011
in EUR '000		
Market value of portfolio	58 610	24 808
Historical VaR 60d; 99%	1 405	1 212
Relative VaR (%) 60d; 99%	2.40%	4.88%

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 11 070 TEUR or 1 405 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		2012	2011
in EUR '000			
Required solvency margin	Life and non-life reinsurance	68 005	37 991
Available solvency elements	Life and non-life reinsurance	115 101	116 967

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	2012	2011
in EUR ’000		
Software and licenses	1 211	1 403
Total intangible assets	**1 211**	**1 403**

2012	Software	Licences	Total
in EUR ’000			
Balance as of 1 January	85	1 705	1 790
Additions			
Balance as of 31 December	85	1 705	1 790
Balance as of 1 January	45	342	387
Amortization	26	166	192
Balance as of 31 December	71	508	579
Book value as of 1 January	40	1 363	1 403
Book value as of 31 December	14	1 197	1 211

2011	Software	Licences	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

F.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment – 2012	Vehicles	Other	Total
in EUR ’000			
Balance as of 1 January	79	111	190
Additions	38	76	114
Disposals	43	1	44
Balance as of 31 December	74	186	260
Balance as of 1 January	47	35	82
Depreciation	20	18	38
Disposals	-37	-1	-38
Balance as of 31 December	30	52	82
Book value as of 1 January	32	76	108
Book value as of 31 December	44	134	178

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**

F.3. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries	31. 12. 2012	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	6 722**	Serbia	6 722		6 722**	99%*	99%
Total	**10 722**		**10 722**				

* In 2012 Vig Re increased its share in Wiener Re a.d.o. Serbia to 99.3%.

** Wiener Re increased its share capital from undistributed profit from the previous years by increasing the nominal value of the shares. The amount was 11 317 240 RSD, equivalent to 500 TEUR

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	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	2012	2011
in EUR '000		
Available for sale financial assets	201 112	28 319
Held to maturity financial assets	61 507	188 000
Loans and receivables	241 342	245 513
Total	**503 961**	**461 832**

F.4.1. Financial assets available for sale

Financial assets available for sale	2012	2011
in EUR '000		
Debt securities		
Government bonds	27 403	17 104
Investment funds	29 101	6 220
Shares in other related parties	5 003	4 995
Total	**61 507**	**28 319**

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
Debt securities	25 334		2 069		27 403
Investment funds	29 500		-399		29 101
Shares in affiliated non-consolidated companies	5 003				5 003
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**		**Total**
Financial assets available for sale	56 504		5 003		61 507

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	2012	2011
in EUR '000		
Debt securities		
Government bonds	187 520	174 420
Other public sector bonds	503	505
Corporate bonds	13 089	13 075
Total	**201 112**	**188 000**

Financial assets held to maturity	Carrying amount	Fair value
in EUR '000		
Debt securities		
Government bonds	187 520	209 778
Other public sector bonds	503	547
Corporate bonds	13 089	15 237
Total	**201 112**	**225 562**

F.4.3. Loans and deposits

Loans and deposits	2012	2011
in EUR '000		
Loans - Term deposits	1 233	7 967
Deposits due from cedents	240 109	237 546
Total	**241 342**	**245 513**

Deposits due from cedents in relation to reinsurance liabilities			
in EUR '000			
Assets		Liabilities	
Deposits due from cedents	240 109	Unearned premiums	6 661
		Outstanding claims	1 525
		Life reinsurance provision	135 143
		Other - Aging reserves	95 275
		Other - Provision for bonuses and rebates	1 505
Total gross	**240 109**		**240 109**

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	2012	2011
in EUR '000		
Receivables arising out of assumed reinsurance - cedents	33 430	20 189
Receivables arising out of reinsurance operations - retrocession	1 665	4 261
Trade and other receivables	136	133
Prepayments	1	
Total gross	35 232	24 583
Impairment		45
Total net	**35 232**	**24 538**

F.6. CEDED SHARE OF REINSURANCE LIABILITIES

Ceded share of reinsurance liabilities	2012	2011
in EUR '000		
Unearned premiums	3 288	2 531
Outstanding claims	73 804	71 426
Total	**77 092**	**73 957**

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	2012		2011	
Balance sheet position	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment		4		2
Intangible assets		230		154
Provisions	3		41	
Total	**3**	**234**	**41**	**156**
Net Balance		**231**		**115**

Movement in deferred tax	2012	2011
Net deferred tax assets/(liability) – opening balance	115	79
Deferred tax (expense)/income for the period	116	36
Net deferred tax asset/(liability) – closing balance	231	115

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 (2011: 19%).

F.8. OTHER ASSETS

Other Assets	2012	2011
in EUR '000		
Prepaid expenses	1 033	271
Total	**1 033**	**271**

F.9. DEFERRED ACQUISITION COSTS

Development of DAC	2012	2011
in EUR '000		
Book value – opening balance	3 562	2 687
Costs deferred during the current year	2 827	3 037
DAC released during the current year	3 014	2 162
Book value – closing balance	3 375	3 562

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

F.10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2012	2011
in EUR '000		
Cash and cash equivalents	2	3
Cash at bank	2 899	346
Total	**2 901**	**349**

F.11. SHAREHOLDERS' EQUITY

Share capital	2012	2011
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 - 2012	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance	17 462	2 530	14 932
Premium written during the current year	450 259	124 546	325 713
Less premium earned during the current year	-448 400	-123 705	-324 695
Novation			
Clean cut system	570	-83	653
FX translation	283		283
Book value – closing balance	**20 174**	**3 288**	**16 886**

The Company booked portfolio entries of provisions as explained in B.22.

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	-591		-591
Book value – closing balance	**17 462**	**2 530**	**14 932**

F.13. OUTSTANDING CLAIMS

Provisions (RBNS, IBNR) - 2012	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	158 739	71 426	87 313
Claims incurred and reported	228 567	16 616	211 951
Less claims paid	-196 860	-8 909	-187 951
Novation			
Clean cut system	-4 463	-5 329	866
FX translation	585		585
Book value – closing balance	**186 568**	**73 804**	**112 764**

Claims development table - Property/ casualty on a gross basis	UY 2012	UY 2011	UY 2010	UY 2009	Total
in EUR '000					
Estimate of total cumulative claims at the end of the year	99 028	69 418	206 227	155 120	529 793
One year later		82 973	214 401	175 798	473 172
Two years later			217 175	177 081	394 256
Three years later				167 027	167 027
Estimate of cumulative claims	**99 028**	**82 973**	**217 175**	**167 027**	**566 203**
Cumulative payment	45 510	43 004	162 415	134 856	385 785
Value recognized in balance sheet	**53 518**	**39 969**	**54 760**	**32 171**	**180 418**

The Company booked portfolio entries of provisions as explained in B.22. 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 (4.9 MIO EUR) and life (1.7 MIO EUR) are not included in the above table due to their relative insignificance.

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 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**

F.14. LIFE REINSURANCE PROVISION

Life reinsurance provision	2012	2011
in EUR '000		
Gross	135 297	133 763
Retrocession		
Net	**135 297**	**133 763**

Development in 2012	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance	**133 763**		**133 763**
Additions	1 534		1 534
Book value – closing balance	**135 297**		**135 297**

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**

The Company booked portfolio entries of provisions as explained in B.22.

F.15. OTHER

Other provisions consist of health insurance provisions.

Ageing reserves	2012	2011
in EUR ’000		
Gross	95 275	90 056
Retrocession		
Net	**95 275**	**90 056**

Development in 2012	Gross	Reinsurance	Net
in EUR ’000			
Book value - opening balance	90 056		90 056
Additions	5 219		5 219
Book value – closing balance	**95 275**		**95 275**

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**

The Company booked portfolio entries of provisions as explained in B.22.

Reserves for premium and rebates	2012	2011
in EUR ’000		
Gross	1 505	1 505
Retrocession		
Net	**1 505**	**1 505**

Development in 2012	Gross	Reinsurance	Net
in EUR ’000			
Book value - opening balance	1 505		1 505
Additions			
Book value – closing balance	**1 505**		**1 505**

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**

F.16. PROVISIONS

Non-technical provisions	2012	2011
in EUR '000		
Miscellaneous provisions		218
Total		**218**

In 2011 non-technical provisions were mainly created for invoices for IT services where the exact scope was under negotiation.

F.17. PAYABLES

Payables	2012	2011
in EUR '000		
Payables arising out of reinsurance operations - cedents	57 546	44 274
Payables arising out of reinsurance operations - retrocession	9 841	7 564
Trade payables	82	2
Wages and salaries	242	104
Social security and health insurance	71	12
Other payables	45	580
Total	**67 827**	**52 536**

F.18. OTHER LIABILITIES

Other liabilities	2012	2011
in EUR '000		
Accruals	897	489
Total	**897**	**489**

F.19. PREMIUM

Premium written – Reinsurance premium	Property/ Casualty 2012	Health 2012	Life 2012	Total 2012
in EUR '000				
Gross				
Austria	111 715	42 489	14 127	168 331
Czech Republic	44 894		99	44 993
Slovakia	23 556		536	24 092
Romania	20 284		10	20 294
Hungary	11 307		133	11 440
Poland	10 077		123 761	133 838
Turkey	8 485	1 022		9 507
Germany	7 174	734	268	8 176
Croatia	5 160		6 362	11 522
Other CEE*	17 845		221	18 066
Premium written	260 497	44 245	145 517	450 259
Retroceded premium	-123 681		-865	-124 546
Premium written – Retained	**136 816**	**44 245**	**144 652**	**325 713**

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

Premium written – Reinsurance premium	Property/ Casualty 2011	Health 2011	Life 2011	Total 2011
in EUR '000				
Gross				
Austria	83 920	40 096	13 719	137 735
Czech Republic	38 542		126	38 668
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
Germany	1 798	568	160	2 526
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, Georgia, Estonia, Latvia, Lithuania, Macedonia, Moldavia, Russia, Serbia, Slovenia, Switzerland, and Ukraine.

In 2012 the Company wrote premium of 417.8 MIO EUR from VIG Group companies and 32.4 MIO EUR from external parties (in 2011 253.3 MIO EUR from VIG Group companies and 21.5 MIO EUR from external parties).

In 2012 the Company entered into a new single premium Q/S treaty agreement with written premium of 123 MIO EUR with the related party Benefia Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Poland.

Premium written – Reinsurance premium	Gross 2012	Ceded 2012	Net 2012
in EUR '000			
Property/Casualty			
MTPL	27 777	-10 892	17 000
Other motor vehicle reinsurance	9 359	-154	9 276
Casualty	2 689	-1 858	831
Liability	5 652	-250	5 610
Property	207 818	-107 737	99 687
Marine	7 202	-2 790	4 412
Premium written	**260 497**	**-123 681**	**136 816**

Premium written – Reinsurance premium	Gross 2011	Ceded 2011	Net 2011
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**

F.20. INVESTMENT RESULT

Investment income	2012	2011
in EUR '000		
Interest income		
Loans and term deposits	33	87
Deposits due from cedents	5 955	5 688
Financial investments held to maturity	8 334	7 125
Financial investments available for sale	675	1 360
FX gains	464	
FX derivative revaluation	892	
Total current income	16 353	14 260
Gains from the disposal of financial investments		
Financial investments held to maturity		
Financial investments available for sale	259	439
Total gains from disposals of investments	259	439
FX derivative – Income from sale	222	1 183
Kick-back and other fees	**63**	
Total	**16 897**	**15 882**

Investment expense	2012	2011
in EUR '000		
Management fees	250	164
FX losses	65	462
Total current expenses	315	626
FX derivative	892	
Total losses from disposals of investments	**1 207**	**626**

F.21. OTHER INCOME

Other income	2012	2011
in EUR '000		
Foreign currency gains		330
Release of other provisions	344	
Reversal of impairment of receivables	45	
Income from sale of inventory	13	
Total	**402**	**330**

F.22. CLAIMS AND INSURANCE BENEFITS

Expenses for claims and insurance benefits – 2012	Gross	Retrocession	Net
in EUR '000			
Property/casualty/health			
Expenses for insurance claims			
Claims and benefits	99 227	8 876	90 351
Changes in provision for outstanding claims	30 202	7 707	22 495
Subtotal	129 429	16 583	112 846
Changes in other insurance liabilities	5 219		5 219
Total non-life expenses for claims and insurance benefits	**134 648**	**16 583**	**118 065**

Expenses for claims and insurance benefits – 2012	Gross	Retrocession	Net
in EUR '000			
Life			
Expenses for insurance claims			
Claims and benefits	98 824	33	98 791
Changes in provision for outstanding claims	1 505		1 505
Subtotal	100 329	33	100 296
Changes in mathematical reserve	43 124		43 124
Changes in other insurance liabilities			
Total life expenses for claims and insurance benefits	143 453	33	143 420
Total	**278 101**	**16 616**	**261 485**

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**

F.23. ACQUISITION EXPENSES

	2012			2011		
Commission expenses	Property/ Casualty	Health	Life	Property/ Casualty	Health	Life
in EUR '000						
Reinsurance commission – Fix	19 143	3 754	115	9 473	3 501	67
Reinsurance commission – Sliding scale	21 073			25 891		
Reinsurance commission – Profit commission	11 437		2 453	14 677		2 107
Reinsurance commission – Health (administration)		1 576			1 540	
Total	**51 653**	**5 330**	**2 568**	**50 041**	**5 041**	**2 174**

F.24. OTHER OPERATING EXPENSES

Other operating expenses	2012	2011
in EUR '000		
Personnel expenses	1 094	973
Mandatory social security contributions and expenses	221	155
Depreciation of property, plant and equipment	37	32
Amortization of intangible assets	192	191
Rental expenses	113	137
IT expenses	656	538
Services	134	65
Other administrative expenses	280	417
Total	**2 727**	**2 508**

Management and employee statistics	2012	2011
in EUR '000		
Management – BoD	5	4
Other employees	15	11
Total	**20**	**15**

Personal expenses	2012	2011
in EUR '000		
Wages and salaries	1 086	965
Mandatory social security contribution expenses	221	155
Other social security expenses	8	8
Total	**1 315**	**1 128**

Board of Directors and Supervisory Board compensation	2012	2011
in EUR '000		
Board of Directors compensation	739	572
Supervisory Board compensation	28	26
Total	**767**	**598**

F.25. OTHER EXPENSES

Other expenses	2012	2011
in EUR ’000		
Foreign currency losses	245	
Impairment of receivables		45
Interests from retrocession operations	19	15
Allocation of other provision	120	218
Disposal of inventory	5	
Total	**389**	**278**

F.26. TAX EXPENSE

Tax expense	2012	2011
in EUR ’000		
Current taxes		
- Actual taxes current period	3 907	4 372
- Actual taxes related to other periods	21	-76
Total current taxes	3 928	4 296
Deferred taxes	116	36
Total taxes	**4 044***	**4 332**

* Tax calculated based on tax base in CZK (currency used for tax purposes). The final tax is then recalculated using the EUR/CZK FX rate as of 31 December 2012.

Tax rate reconciliation	2012	2011
in EUR ’000		
Expected tax rate in %	19	19
Profit before tax	23 618	21 147
Expected tax expense	4 487	4 018
Adjusted for tax effects due to:		
- Tax exempt income	-43	-147
- Non-deductible expenses – other	65	251
- Income exempted from tax	-5	
- Taxes from previous years	22	-76
- Changes in tax rates		
Other adjustments		
- FX differences**	-482	286
Income tax expense	**4 044**	**4 332**
Effective tax rate in %	17.12	20.48

** FX effect caused by difference between the functional currency (EUR) and the currency used for the calculation of the tax duty and the preparation of the tax return (CZK).

F.27. RELATED PARTIES

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

F.27.1. Shareholders

Shareholders as of 31 December 2012:

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	2012	2011
in EUR '000		
Balance sheet		
Deposits due from cedents		
Receivables	2 264	1 645
Unearned premiums		
Premium reserve		
Outstanding claims	11 022	6 747
Liabilities	751	339
Income statement		
Premiums written	8 189	7 165
Change due to provision for premiums		
Investment and interest income		
Expenses for claims and insurance benefits	-18	-27
Change in claims and other reinsurance liabilities	-4 275	-5 685
Commission expenses	-80	-108
Other operating expenses	-588	-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	2012	2011
in EUR ’000		
Balance sheet		
Deposits due from cedents	287	220
Receivables	6 879	3 919
Unearned premiums	2 761	1 267
Premium reserve	287	220
Outstanding claims	22 403	22 514
Liabilities	7 856	7 255
Income statement		
Premiums written	81 139	61 280
Change due to provision for premiums	-1 669	55
Investment and interest income		
Expenses for claims and insurance benefits	-11 467	-26 004
Change in claims and other reinsurance liabilities	675	18 522
Commission expenses	-9 222	-7 145
Intergroup outsourcing	-525	-537

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

F.27.2. Subsidiaries

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

Transactions with subsidiaries	2012	2011
in EUR ’000		
Balance sheet		
Receivables	848	441
Unearned premiums	425	236
Outstanding claims	931	579
Liabilities	149	178
Income statement		
Premiums written	5 249	4 378
Change due to provision for premiums	-189	-108
Investment and interest income		640
Expenses for claims and insurance benefits	-1 836	-1 869
Change in claims and other reinsurance liabilities	106	68
Commission expenses	-1 608	-1 323

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

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The key management personnel 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.27.4. Other related parties

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

Transactions between the Company and other related parties are based purely on reinsurance contracts.

Transactions with other related parties	2012	2011**
in EUR '000		
Balance sheet		
Deposits due from cedents	133 836	130 280
Receivables	28 426	24 348
Unearned premiums	9 785	9 187
Premium reserve	129 983	122 438
Outstanding claims	87 028	93 428
Liabilities	63 117	52 853
Income statement		
Premiums written*	318 643	179 315
Change due to provision for premiums	595	-500
Miscellaneous earnings of investment	1 112	1 598
Expenses for claims and insurance benefits	-164 731	-84 238
Change in claims and other reinsurance liabilities	52 257	16 863
Commission expenses	-41 917	-42 755
Intergroup outsourcing		

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

* In 2012 the Company entered into a new single premium Q/S treaty agreement with written premium of 123 MIO EUR with the related party Benefia Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Poland.

** Newly, Wiener Re data are excluded from 2011 figures

F.28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	31. 12. 2012		31. 12. 2011	
Financial assets	Fair value	Carrying amount	Fair value	Carrying amount
in EUR '000				
Financial investments	288 301	263 852	227 099	224 286
Financial assets held to maturity	225 561	201 112	190 813	188 000
Financial assets available for sale	61 507	61 507	28 319	28 319
Loans – Term deposits	1 233	1 233	7 967	7 967
Receivables	35 232	35 232	24 538	24 538
Cash and cash equivalents	2 901	2 901	349	349
Total financial assets	**326 434**	**301 985**	**251 986**	**249 173**

Financial liabilities	Fair value	Carrying amount	Fair value	Carrying amount
Payables	67 827	67 827	52 536	52 536
Other liabilities	897	897	489	489
Total financial liabilities	**68 724**	**68 724**	**53 025**	**53 025**

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 240 109 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.29. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

F.29.1. Assumptions used in reinsurance liabilities

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

F.29.2. Impairment of loans and receivables

At each balance sheet date the Company assesses whether there is objective evidence that any loan, receivable or reinsurance assets are impaired. They are impaired if there is objective evidence of impairment as a result of one or more events that have occurred since 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. Loans and receivables are grouped on the basis of similar credit risk characteristics for the purposes of the collective evaluation of impairment.

F.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.

F.29.4. Fair value of financial instruments

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

F.29.5. Contract classification

When entering into an arrangement, certain judgement is used to determine the appropriate classification of the contracts entered into in terms of International Financial Reporting Standards. In terms of its judgement, the management considers the substance of the contractual arrangement rather than the legal terms, especially with regard to contractual arrangements that are complex in nature. The application of the substance of the arrangement includes the consideration of all the information available when the contract becomes binding.

F.30. SUBSEQUENT EVENTS

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

The financial statements were approved by the Board of Directors of the Company on 7 March 2013.

VIG RE zajišťovna, a.s. Consolidated Financial Statements 31 December 2012

TABLE OF CONTENTS:

Consolidated Statement of Financial Position as of 31 December 2012

ASSETS	Notes	2012	2011
in EUR '000			
Intangible assets	G.1	1 226	1 416
Property, plant and equipment	G.2	245	162
Financial investments	G.3	511 875	473 318
Financial assets held to maturity		204 596	188 374
Financial assets available for sale		62 644	29 450
Loans – Term deposits		4 218	17 705
Deposits due from cedents		240 417	237 789
Trade and other receivables	G.4	44 270	33 415
Ceded share of reinsurance liabilities	G.5	84 451	78 482
Current tax assets		0	62
Other assets	G.7	1 926	1 043
Deferred acquisition costs	G.8	3 257	3 488
Cash and cash equivalents	G.9	7 625	478
Total ASSETS		**654 875**	**591 864**

EQUITY AND LIABILITIES	Notes	2012	2011
in EUR '000			
Shareholders' equity			
Shareholders' equity attributable to the Group		126 932	119 662
Share capital	G.10	101 958	101 958
Other components of equity		3 356	1 130
Retained earnings		21 564	16 280
Equalization reserve		54	294
Shareholders' equity attributable to minority interests		46	44
Total EQUITY		**126 978**	**119 706**
Reinsurance liabilities		447 451	407 082
Unearned premiums	G.11	26 643	21 382
Outstanding claims	G.12	188 729	160 376
Life reinsurance provision	G.13	135 299	133 763
Other	G.14	96 780	91 561
Provisions	G.15	1	219
Payables	G.16	77 487	62 009
Deferred tax liabilities		268	193
Current tax liabilities		909	1 400
Other liabilities	G.17	1 781	1 255
Total LIABILITIES		**527 897**	**472 158**
Total EQUITY AND LIABILITIES		**654 875**	**591 864**

Consolidated Income Statement for the Year Ended 31 December 2012

Income statement	Notes	2012	2011
in EUR '000			
Premiums	G.18		
Premiums written – Gross		470 914	292 287
Premiums written – Ceded		-142 273	-117 715
Premiums written – Retention			
Change due to provision for premiums – Gross		- 4 745	-1 931
Change due to provision for premiums – Ceded		3 661	138
Net earned premiums		327 557	172 779
Investment Result	G.19		
Investment and interest income		17 742	15 666
Investment and interest expenses		-1 290	-825
Total investment result		16 452	14 841
Other income	G.20	922	570
Claims and insurance benefits	G.21		
Expenses for claims and insurance benefits – Gross		-204 424	-133 012
Expenses for claims and insurance benefits – Ceded		14 205	42 770
Claims and insurance benefits – retention			
Change in claims and other reinsurance liabilities – Gross		-80 727	-2 871
Change in claims and other reinsurance liabilities – Ceded		8 153	-17 569
Total expenses for claims and insurance benefits		-262 793	-110 682
Acquisition expenses			
Commission expenses	G.22	-65 326	-63 579
Other acquisition expenses		-864	-633
Change in deferred acquisition expenses		9	874
Commission income from retrocessionaires		12 372	9 771
Total acquisition expenses		-53 809	-53 567
Other operating expenses	G.23	-3 119	-2 802
Other expenses	G.24	-913	-521
Profit before taxes		24 297	20 618
Tax expense	G.25	-4 116	-4 355
Profit for the period		20 181	16 263
Attributable to owners of the Group		20 179	16 262
Attributable to owners of non-controlling interest		2	1

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2012

Statement of comprehensive income	2012			2011		
in EUR ’000	Gross	Tax *)	Net	Gross	Tax *)	Net
Profit for the period	24 297	-4 116	20 181	20 618	-4 355	16 263
Other comprehensive income						
Gains (losses) recognized in equity – Available for sale financial assets	2 251	- 424	1 827	-602	114	-488
Translation reserve	-443		-443	76		76
Other comprehensive income for the year	1 808	-424	1 384	-526	114	-412
Comprehensive income for the period	26 105	-4 540	21 565	20 092	-4 241	15 851
Attributable to owners of the Group	*26 103*	*-4 540*	*21 563*	*20 091*	*-4 241*	*15 850*
Attributable to owners of non-controlling interest	*2*		*2*	*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 2012

in EUR '000	Share capital	Available for sale reserve	Legal and statutory reserves	Equalization reserve**	Retained earnings	Translation reserve	Attributable to equity holders of Parent Company	Attributable to non-controlling interest	Total
As of 1 January 2012	101 958	-467	1 588	294	16 279	10	119 662	44	119 706
Effect of acquisition									
Total comprehensive income for the period		1 827			20 179	-443	21 563	2	21 565
Dividends					-14 293*		-14 293		-14 293
Allocation to legal and statutory reserve			841		-841				
Change of equalization reserve				-240	240				
As of 31 December 2012	101 958	1 360	2 429	54	21 564	-433	126 932	46	126 978

in EUR '000	Share capital	Available for sale reserve	Legal and statutory reserves	Equalization reserve**	Retained earnings	Translation reserve	Attributable to equity holders of Parent Company	Attributable to non-controlling interest	Total
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

*) Dividend per share was EUR 572.
**) 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.

Consolidated Cash Flow Statement for the Year Ended 31 December 2012

Cash flow statement	Notes	2012	2011
in EUR '000			
Profit for the period		24 297	20 618
Adjustments to profit for the period			
- interest and other investment income		-15 529	-8 745
- exchange differences		-850	428
- depreciation		204	233
- change in deferred acquisition costs		11	-874
- proceed from the issue of other liabilities evidenced by paper		0	-173
- dividends		-72	0
Cash flows from operating activities			
Change in reinsurance liabilities		40 369	6 224
Change in ceded share of reinsurance liabilities		-5 969	15 501
Change in receivables		-10 855	61 132
Change in deposits due from cedents		-3 842	-14 648
Change in liabilities		15 479	-16 329
Change in provisions		-218	218
Change in other assets and liabilities		-106	-53
Income tax paid		-4 893	-4 403
Net cash flow from operating activities		**38 026**	**59 489**
Cash flows from investing activities			
Interest received		14 596	7 354
Dividends received		72	0
Subscription to share capital		0	0
Payment for acquisition of intangible assets and property, plant and equipment		-141	-32
Cash proceeds from the sale of intangible assets and property, plant and equipment		44	0
Payment for acquisition of available for sale financial assets		-45 967	-42 434
Cash proceeds from the sale of available for sale financial assets		15 073	29 276
Payment for acquisition of held to maturity financial assets		-19 584	-44 440
Cash proceeds from the maturity/sale of held to maturity financial assets		4 239	3 994
Net cash flow from investing activities		**-31 668**	**-46 282**
Cash flows from financing activities			
Change in share capital		0	0
Dividend payment		-14 293	-12 405
Net cash flow from financing activities		**-14 293**	**-12 405**
Net change in cash and cash equivalents		**-7 935**	**802**
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at beginning of period		18 183	17 455
Foreign currency translation differences on cash balances		362	-74
Net change in cash and cash equivalents		-7 935	802
Cash and cash equivalents at end of period		**10 610**	**18 183**

Cash and cash equivalents is represented by cash and cash equivalents and demand deposits recognized as Loans – Term deposits (In 2011 cash and cash equivalents consisted of 478 TEUR cash and 17 705 TEUR demand deposits. In 2012 the balance consists of 7 625 TEUR cash and 2 985 TEUR demand deposits, while the remaining part of 1 233 TEUR is represented as a loan).

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.18.

Consolidated Segment Reporting

CONSOLIDATED INCOME STATEMENT BY LINES OF BUSINESS

INCOME STATEMENT	Property/Casualty		Health		Life		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
in EUR '000								
Premiums written – Gross	281 123	228 844	44 245	41 099	145 546	22 344	470 914	292 287
Premiums written – Ceded	-141 382	-116 952			-891	-763	-142 273	-117 715
Change due to provision for premiums – Net	-1 138	-2 212	-23	-3	77	422	-1 084	-1 793
1. Net earned premiums	138 603	109 680	44 222	41 096	144 732	22 003	327 557	172 779
Interest revenue	5 869	5 359	3 988	3 864	5 533	5 432	15 390	14 655
Other income and expense from investments	872	-165	263	391	-73	-40	1 062	186
2. Investment result	6 741	5 194	4 251	4 255	5 460	5 392	16 452	14 841
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Gross	-112 417	-86 066	-29 277	-29 411	-143 457	-20 406	-285 151	-135 883
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	22 323	25 173			35	28	22 358	25 201
3. Claims and insurance benefits	-90 094	-60 893	-29 277	-29 411	-143 422	-20 378	-262 793	-110 682
Commission expenses including change in deferred acquisition expenses	-57 241	-55 496	- 5 486	- 5 008	-2 590	-2 174	-65 317	-62 678
Other acquisition expenses	-591	-500	-80	-65	-193	-68	-864	-633
Commission income from retrocessionaires	11 982	9 409			390	335	12 372	9 744
4. Acquisition expenses	-45 850	-46 587	-5 566	-5 073	-2 393	-1 907	-53 809	-53 567
Operating profit measured on the segment basis	9 400	7 394	13 630	10 867	4 377	5 110	27 407	23 371
5. Administrative expenses	-2 238	-2 160	-315	-367	-566	-275	-3 119	-2 802
Operating profit	7 162	5 234	13 315	10 500	3 811	4 835	24 288	20 569
6. Other income							922	570
7. Other expenses							-913	-521
Profit before tax							24 297	20 618
Income tax							-4 116	-4 355
Profit after tax							20 181	16 263
Profit after tax attributable to owners of the Group							20 179	16 262
Profit after tax attributable to owners of non-controlling interest							2	1

The investment result was allocated among individual segments based on the balance of reinsurance liabilities as of 31 December 2012.

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 Templová 747/5, Prague 1, postcode 110 01. 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 2012 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 2012 and 2011.

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 2012:

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 2012 as follows:

Chairman:	Karl Fink, Vienna, Austria
Member:	Denis Pehar, Munich, Germany (until 31 December 2012)
Member:	Claudia Stránský, Vienna, Austria
Member:	Dušan Bogdanović, Belgrade, Serbia
Member:	Johannes Martin Hartmann, Munich, Germany (starting 1 October 2012)

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

The members of the Supervisory Board were as of 31 December 2012 as follows:

Chairman:	Franz Kosyna, Vienna, Austria
Vice-Chairman:	Peter Höfinger, Vienna, Austria
Member:	Martin Diviš, Prague, Czech Republic
Member:	Wolfgang Eilers, Hamburg, Germany
Member:	Roland Gröll, Vienna, Austria
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 2012 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	99.30%	99.30%

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	99.30%

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 244 TEUR was represented by the badwill of Wiener Re.

*Wiener Re increased its share capital from undistributed profit from previous years by increasing the nominal value of the shares. The amount was 11 317 240 RSD, equivalent to 500 TEUR.

C. SIGNIFICANT ACCOUNTING POLICIES

C.1. INTANGIBLE ASSETS

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

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

C.4. FINANCIAL INVESTMENTS

Financial investments include financial assets held to maturity, available for sale, and 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, or with third party company in the case of financial reinsurance (C.23.). Loans and receivables (C.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.

C.5. RECEIVABLES

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

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

Receivables are recognized at fair value and subsequently measured at amortized costs less impairment.

C.6. CEDED SHARE OF REINSURANCE LIABILITIES

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

C.7. TAXES

The income tax expense comprises current tax and deferred tax. The income tax associated with transactions 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 taxable income and the tax rate enacted or substantially enacted by the end of the reporting period.

Deferred tax is calculated using the balance sheet liability method for all temporary differences between the asset and liability values 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.

Deferred tax assets and liabilities are offset if there is legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

C.8. OTHER ASSETS

Other assets are valued at acquisition cost less impairment losses.

C.9. DEFERRED ACQUISITION COSTS

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

For deferred acquisition costs in life see C.11. Reinsurance liabilities, Life reinsurance provision.

C.10. CASH AND CASH EQUIVALENTS

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

C.11. REINSURANCE LIABILITIES

Unearned premiums

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

Outstanding claims

The provision for outstanding claims represents the total estimated ultimate cost of settling all claims arising from events that occurred up to the end of the financial year and 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 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 Group's actuaries using current estimates of future cash flows under its insurance contracts (see E). If those estimates show that the carrying amount of the provision is insufficient in the light of the estimated future cash flows, the difference is recognized in the income statement with a corresponding increase to the life reinsurance provision.

Other

Other reinsurance liabilities consist mainly of ageing provision in health and reinsurance provision for contractual non-discretionary bonuses in the non-life business. These provisions are calculated according to reinsurance contracts. The assumptions used for the calculation of the provisions are very conservative to ensure that they are sufficient and include adequate 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.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 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 Group. Premium revenue is recognized as and when due in terms of the reinsurance contract.

Premiums are disclosed gross of reinsurance brokerage and 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 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.

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 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 C.9.

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

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 the recoverable amount can be objectively attributed 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) 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.

Contracts that are legally treated as reinsurance contracts but do not transfer significant risk are presented as financial investment contracts or service contracts.

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. FINANCIAL REINSURANCE

Financial reinsurance is a risk management tool, especially useful when the motivations of the ceding insurance company are focussed not only on managing underwriting risk but also on explicitly recognising and addressing other financially oriented risks. The use of financial reinsurance, which represents a combination of a transfer of an insignificant risk and financing risk, adds value to an insurer's risk management by providing flexibility and liquidity.

C.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.

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 2012:

Standards in force

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 Amendments to IFRS 7 do not 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.

Standards not yet in force

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

(Effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods; to be applied retrospectively.)

The Amendments contain new disclosure requirements for financial assets and liabilities that are:

- offset in the statement of financial position; or
- subject to master netting arrangements or similar agreements.

It is expected that the Amendments, when initially applied, will have an impact on the level of disclosure in the financial statements. However, the Group is not able to prepare an analysis of the impact until the date of initial application.

IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements[1,2]

(Effective for annual periods beginning on or after 1 January 2014; earlier application is permitted if IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early.)

This Standard is to be applied retrospectively when there is a change in control conclusion.

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:

- it is exposed or has rights to variable returns from its involvements with the investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

The new Standard also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).

The Entity does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Group's control over its investees.

IFRS 11 Joint Arrangements

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively subject to transitional provisions. Earlier application is permitted if IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early.)

IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.

Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:

- a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement.
- A joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

IFRS 11 effectively carves out from IAS 31 jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of equity accounting or proportionate consolidation; they must now always use the equity method in its consolidated financial statements.

The entity does not expect IFRS 11 to have material impact on the financial statements since it is not a party to any joint arrangements.

[1] The Transition guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) issued 28 June 2012 by the IASB had NOT been endorsed by the EU as of 31 December 2012. The Transition guidance adds further paragraphs to the transitional provisions of IFRS 10 and IFRS 11 and IFRS 12 providing further relief from full retrospective application.

[2] Also Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) issued on 31 October 2012 by the IASB had NOT been endorsed by the EU as of 31 December 2012. This amendment provides consolidation relief for qualifying investment entities.

IFRS 12 Disclosure of Interests in Other Entities[3]

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted).

IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

The entity does not expect the new Standard to have a material impact on the financial statements.

IFRS 13 Fair Value Measurement

(Effective prospectively for annual periods beginning on or after 1 January 2013. Earlier application is permitted.)

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. The Standard does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The Standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that contain significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.

The entity does not expect IFRS 13 to have material impact on the disclosures in the notes to financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13.

Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

(Effective for annual periods beginning on or after 1 July 2012; to be applied retrospectively. Earlier application is permitted.)

The Amendments:

- require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections.
- change the title of the Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income, however other titles are also allowed to be used.

The impact of the initial application of the Amendments will depend on the specific items of other comprehensive income at the date of initial application. If the entity were to adopt the amendments from 1 January 2012, then the items of other comprehensive income would be presented as items that may be reclassified to profit or loss in the future

[3] Providing some of the disclosures required by IFRS 12 before the effective date does not compel the entity to comply with all the requirements of IFRS 12 or to apply IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) early.

Amendments to IAS 12: Deferred Tax: Recovery of Underlying Assets

(Effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Earlier application is permitted.)

The Amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted.

The Amendments are not relevant to the entity's financial statements, since the Group does not have any investment properties measured using the fair value model in IAS 40.

IAS 19 (2011) Employee Benefits

(Effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Transitional provisions apply. Earlier application is permitted.)

The Amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The Amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The Amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on rate used to discount the defined benefit obligation.

The Amendment is not relevant to the entity's financial statements, since the entity does not have any defined benefit plans.

IAS 28 (2011) Investments in Associates and Joint Ventures

(Amendments effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011) are also applied early.)

There are limited Amendments made to IAS 28 (2008):

- Associates and joint ventures held for sale. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
- Changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

The entity does not expect the Amendments to Standard to have material impact on the financial statements since it does not have any investments in associates or joint ventures that will be impacted by the Amendments.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted, however the additional disclosures required by Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities must also be made.)

The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.

The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The entity does not expect the Amendments to have any impact on the financial statements since management considers the methods currently used for offsetting to be consistent with the Amendments to IAS 32.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

(Effective for annual periods beginning on or after 1 January 2013. It applies prospectively to production stripping costs incurred on or after the beginning of the earliest period presented. Earlier application is permitted.)

The Interpretation sets out requirements relating to the recognition of production stripping costs, and the initial and subsequent measurement of stripping activity assets.

To the extent that benefits from production stripping are realised in the form of inventory produced, the related production stripping costs are accounted for in accordance with IAS 2 Inventories.

Production stripping costs that improve access to ore to be mined in the future are recognised as a non-current asset if, and only if, all of the following criteria are met:

- it is probable that future economic benefits will flow to the entity;
- the entity can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably.

The stripping activity asset shall be accounted for as an addition to, or as an enhancement of, an existing asset.

The stripping activity asset shall initially be recognised at cost, while after initial recognition it shall be carried at either its cost or its revalued amount, less depreciation or amortization and impairment losses, in the same way as the existing asset of which it is a part.

The Interpretation also requires that when the costs of the stripping activity asset and of the inventory produced are not separately identifiable, the entity allocates production stripping costs between the two based on a 'relevant' production measure.

The entity does not expect the Interpretation to have any impact on the financial statements since it does not have any stripping activities.

E. PRINCIPAL ASSUMPTIONS

For reported but not settled claims (RBNS), the separate case-by-case assessment with regard to the claim circumstances, information available from loss adjusters, and historical evidence of the size of similar claims provided by the cedents is used and checked. The Group's share of case reserves is reviewed regularly and is updated as and when new information arises.

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

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 Group's control.

Liability adequacy test - Non-life

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

The Group 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) risks: The core business of the Group 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 Group, 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 realize 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 risks: Strategic risk is a function of the incompatibility between two or more of the following components: a Group'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. 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 risks: 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 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 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.

F.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 Group 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 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. VIG Re 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

VIG Re assumes both reinsurance from VIG Group companies and reinsurance from external parties. In 2012 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. In 2012 the Group also entered into a financial reinsurance contract with a third party.

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 the Group. 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 Re and the Group.
- Selection of reinsurers – rating. For business segments where claims take a long time to be settled, especially for motor third party 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 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 the Group's acceptances. The Group does not assume any credit, bond or other financial risk, and does not assume the run-off of losses to treaties incepted prior to 1 January 2009. Moreover, the Group assumes natural catastrophe risks only if and only to the extent it enjoys full natural catastrophe 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 20 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 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 Group's need to comply with the arm's length principle.

The Group's aim is to 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.

F.2.4. Concentration risk

In general, the Group writes business only in the CEE region, Austria and Germany. See G.18 for geographical concentration measured by premium written. The tables also show premium split according to lines and classes of business. The concentration risk for the Group 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 the Group 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, term 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´s 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.

F.3.2. Credit risk - Receivables due from 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, relieve 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	
	2012	2011	2012	2011
in EUR '000				
Individually impaired:				
Gross amount	5	52		
Carrying amount	4	1		
Collectively impaired:				
Gross amount	21			
Carrying amount	13			
Past due but not impaired:				
Gross amount				
Up to 30 days after maturity	30 546	27 538		
31 days to 90 days after maturity	2 385	3 762		
91 days to 180 days after maturity	1 270	1 014		
181 days to 1 year after maturity	504	768		
1 year to 2 years after maturity	360	332		
Neither past due nor impaired – carrying amount	**9 188**		**603 952**	**552 278**
Total carrying amount	**44 270**	**33 415**	**603 952**	**552 278**

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 related party disclosures G.26.) and therefore the Group has enough information to evaluate the quality of the counterparty.

Cash and cash equivalents are neither individually nor collectively impaired.

Credit risk exposure			2012			
Standard & Poor's rating	AAA	AA	A	B / BB / BBB	No Rating	Carrying value in balance sheet
in EUR '000						
Financial investments*	31 407	29 959	187 643	9 268	13 181	271 458
Deposits due from cedents			97 016		143 401	240 417
Cash and cash equivalents		4 600		59	2 966	7 625
Receivables from reinsurance and ceded share of reinsurance liabilities		46 389	37 483	6 776	37 807	128 455
Other receivables					267	267
Total	**31 407**	**80 948**	**322 142**	**16 103**	**197 622**	**648 222**
In %	4.85	12.49	49.70	2.48	30.49	100

* Except for deposits due from cedents

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	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

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 Group 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 of 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:

Expected remaining contractual maturities of assets:	2012					
	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	34 873	108 983	146 476	186 338	35 205	511 875
Financial assets held to maturity	11 956	74 440	91 530	26 670		204 596
Financial assets available for sale	501	6 944	20 892		34 307	62 644
Loans – Term deposits	2 980	340			898	4 218
Deposit due from cedents *	19 436	27 259	34 054	159 668		240 417
Receivables	43 969					43 969
Ceded share of reinsurance liabilities *	32 818	17 253	19 663	14 717		84 451
Cash and cash equivalents	7 625					7 625
Other receivables	267				34	301
Total	**119 552**	**126 236**	**166 139**	**201 055**	**35 239**	**648 221**

*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.

	2012				
	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*	111 464	82 169	69 216	184 602	447 451
Unearned premiums	25 152	1 491			26 643
Outstanding claims	74 660	53 618	35 391	25 060	188 729
Life reinsurance provision	10 147	27 060	33 825	64 267	135 299
Other	1 505			95 275	96 780
Other liabilities - issued bonds					
Payables	77 008	39			77 047
Tax liabilities	909				909
Other liabilities	440				440
Total	**189 821**	**82 208**	**69 216**	**184 602**	**525 847**

*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:

Expected remaining contractual maturities of assets:	2011					
	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 contractual maturities of relevant liabilities (measured in the same way as in the financial statements) as required by IFRS are provided below:

Expected contractual maturities of liabilities:	2011				
	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

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 VIG 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 money market and short term bond funds and liquid AFS securities.
- The majority of debt securities are held Ito 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:

	2012		
Currency	Total Assets	Total Liabilities	Net Amount
in EUR '000			
EUR	619 701	494 413	125 288
CZK*	22 441	7 933	14 508
RSD	7 053	14 210	-7 157
HUF	2 638	8 502	-5 864
Other	3 042	2 839	203
Total	**654 875**	**527 897**	**126 978**

*The Group hedged the long position during 2012. The nominal value of the contract was 407 000 TCZK (16 411 TEUR). This hedging contract finished on 28 December 2012.

A 10% negative movement in exchange rates can cause a total loss of 888 TEUR.
Such a EUR/CZK change can cause a loss of 1 450 TEUR, and in EUR/HUF a loss of 586 TEUR.

	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 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.

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.

2012	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	3.27%		6 253	343	481	21 261		28 338
Financial assets available for sale – investment funds							34 306	34 306
Financial assets held to maturity – debt securities	4.31%	13	12 842	40 376	31 310	120 055		204 596
Loans – Term deposits	5.54%	668	2 311	110	231		898	4 218
Deposit due from cedents	2.89%		19 436	27 259		193 722		240 417
Cash and cash equivalents	0.26%	2 966	4 600				59	7 625
Total financial assets		**3 647**	**45 442**	**68 088**	**32 022**	**335 038**	**35 263**	**519 500**

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**

F.5.3. Equity risk

The Group 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 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:

VaR including HTM as of 31 December	2012	2011
in EUR '000		
Market value of portfolio	291 762	217 032
Historical VaR 60d; 99%	8 241	9 869
Relative VaR (%) 60d; 99%	2.82%	4.55%

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.

F.6. CAPITAL MANAGEMENT

The Group operates in the insurance/reinsurance sector, which is a regulated industry. The Group 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		2012	2011
in EUR '000			
Required solvency margin	Life and non-life reinsurance	68 005	45 655
Available solvency elements	Life and non-life reinsurance	115 101	136 807

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	2012	2011
in EUR '000		
Software and licenses	1 226	1 416
Total intangible assets	**1 226**	**1 416**

2012	Software	Licences	Total
in EUR '000			
Balance as of 1 January	97	1 705	1 802
Additions	4	1	5
Balance as of 31 December	101	1 706	1 807
Balance as of 1 January	45	341	386
Amortization	28	167	195
Balance as of 31 December	73	508	581
Book value as of 1 January	52	1 364	1 416
Book value as of 31 December	28	1 198	1 226

2011	Software	Licences	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

G.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment – 2012	Vehicles	Other	Total
in EUR '000			
Balance as of 1 January	105	151	256
Additions	59	82	141
Disposals	43	1	44
Balance as of 31 December	121	232	353
Balance as of 1 January	53	41	94
Depreciation	25	27	52
Disposals	37	1	38
Balance as of 31 December	41	67	108
Book value as of 1 January	52	110	162
Book value as of 31 December	80	165	245

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

G.3. FINANCIAL INVESTMENTS

Financial investments	2012	2011
in EUR '000		
Available for sale financial assets	62 644	29 450
Held to maturity financial assets	204 596	188 374
Loans and receivables	244 635	255 494
Total	**511 875**	**473 318**

G.3.1. Financial assets available for sale

Financial assets available for sale	2012	2011
in EUR '000		
Debt securities		
Government bonds	28 338	18 077
Investment funds	29 303	6 378
Shares in other related parties	5 003	4 995
Total	**62 644**	**29 450**

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

Amortized value	Amortized value/ Purchase price	FX differences	Unrealized gains or losses	Impairment	Fair value
in EUR '000					
Debt securities	26 248		2 090		28 338
Investment funds	29 671		-368		29 303
Shares in affiliated non-consolidated companies	5 003				5 003
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**		**Total**
Financial assets available for sale	57 641		5 003		62 644

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	2012	2011
in EUR '000		
Debt securities		
Government bonds	190 665	174 420
Other public sector bonds	503	505
Corporate bonds	13 428	13 449
Total	**204 596**	**188 374**

Financial assets held to maturity	Carrying amount	Fair value
in EUR '000		
Debt securities		
Government bonds	190 665	212 940
Other public sector bonds	503	547
Corporate bonds	13 428	15 576
Total	**204 596**	**229 063**

G.3.3. Loans and deposits

Loans and deposits	2012	2011
in EUR '000		
Loans - Term deposits	4 218	17 705
Deposits due from cedents	240 417	237 789
Total	**244 635**	**255 494**

Deposits due from cedents in relation to reinsurance liabilities			
in EUR ’000			
Assets		Liabilities	
Deposits due from cedents	240 417	Unearned premiums	6 661
		Outstanding claims	1 833
		Life reinsurance provision	135 143
		Other - Ageing reserves	95 275
		Other - Provision for bonuses and rebates	1 505
Total gross	**240 417**		**240 417**

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 is generally dependent on the run-off of the corresponding provisions.

G.4. RECEIVABLES

Receivables	2012	2011
in EUR ’000		
Receivables arising out of assumed reinsurance - cedents	38 717	27 904
Receivables arising out of reinsurance operations - retrocession	5 286	5 358
Trade and other receivables	261	200
Prepayments	6	3
Total gross	44 270	33 465
Impairment		50
Total net	**44 270**	**33 415**

G.5. CEDED SHARE OF REINSURANCE LIABILITIES

Ceded share of reinsurance liabilities	2012	2011
in EUR ’000		
Unearned premiums	9 600	6 350
Outstanding claims	74 851	72 132
Total	**84 451**	**78 482**

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	2012		2011	
Balance sheet position	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
in EUR '000				
Property, plant and equipment		7		3
Intangible assets		230		153
Available for sale		8		2
Receivables		1		2
Provisions	3			32
Equalization reserve		25		1
Total	3	271		193
Net Balance		**268**		**193**

Movement in deferred tax	2012	2011
in EUR '000		
Net deferred tax assets/(liability) – opening balance	-193	-171
Deferred tax (expense)/income for the period	-75	-22
Net deferred tax asset/(liability) – closing balance	**-268**	**-193**

In accordance with the accounting method described in C.7., the amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date, which is 19% for the year in question (2011: 19%).

G.7. OTHER ASSETS

Other Assets	2012	2011
in EUR '000		
Prepaid expenses	1 926	1 043
Total	**1 926**	**1 043**

G.8. DEFERRED ACQUISITION COSTS

Development of DAC	2012	2011
in EUR '000		
Book value – opening balance	3 488	2 641
Costs deferred during the current year	2 755	3 009
DAC released during the current year	2 986	2 162
Book value – closing balance	**3 257**	**3 488**

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

G.9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2012	2011
in EUR ’000		
Cash and cash equivalents	67	3
Cash at bank	7 558	475
Total	**7 625**	**478**

G.10. SHAREHOLDERS’ EQUITY

Share capital	2012	2011
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 - 2012	Gross	Reinsurance	Net
in EUR ’000			
Book value - opening balance	21 382	6 587	14 795
Premium written during the current year	470 914	142 273	328 641
Less premium earned during the current year	-466 213	-138 657	-327 556
Novation			
Clean cut system	645	-10	655
FX translation	-85	-593	508
Book value – closing balance	**26 643**	**9 600**	**17 043**

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

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**

G.12. OUTSTANDING CLAIMS

Provisions (RBNS, IBNR) - 2012	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	160 376	72 225	88 151
Claims incurred and reported	234 932	21 913	213 019
Less claims paid	-202 605	-13 684	-188 921
Novation	36	101	-65
Clean cut system	-4 463	-5 329	866
FX translation	453	-375	828
Book value – closing balance	**188 729**	**74 851**	**113 878**

Claims development table - Property/casualty on a gross basis	UY 2012	UY 2011	UY 2010	UY 2009	Total
in EUR '000					
Estimate of total cumulative claims at the end of the year	106 244	76 801	209 282	158 102	550 429
One year later		89 294	223 048	177549	489 891
Two years later			223 135	177 081	400 216
Three years later				169 058	169 058
Estimate of cumulative claims	106 244	89 294	223 135	169 058	587 731
Cumulative payment	51 305	48 739	168 239	136 871	405 154
Value recognized in balance sheet	**54 939**	**40 556**	**54 895**	**32 187**	**182 577**

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 (4.9 MIO EUR) and life (1.7 MIO EUR) are not included in the above table due to their relative insignificance.

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
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 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**

G.13. LIFE REINSURANCE PROVISION

Life reinsurance provision	2012	2011
in EUR '000		
Gross	135 299	133 763
Retrocession		
Net	**135 299**	**133 763**

Development in 2012	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance	133 763		133 763
Additions	1 536		1 536
Book value – closing balance	**135 299**		**135 299**

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**

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

G.14. OTHER

Other provisions consist of health insurance provisions.

Ageing reserves	2012	2011
in EUR '000		
Gross	95 275	90 056
Retrocession		
Net	**95 275**	**90 056**

Development in 2012	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance	90 056		90 056
Additions	5 219		5 219
Book value – closing balance	**95 275**		**95 275**

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**

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

Reserves for premium and rebates	2012	2011
in EUR '000		
Gross	1 505	1 505
Retrocession		
Net	**1 505**	**1 505**

Development in 2012	Gross	Reinsurance	Net
in EUR '000			
Book value - opening balance	1 505		1 505
Additions			
Book value – closing balance	**1 505**		**1 505**

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**

G.15. PROVISIONS

Non-technical provisions	2012	2011
in EUR '000		
Miscellaneous provisions	1	219
Total	**1**	**219**

In 2011 the non-technical provisions were mainly created for invoices for IT services where the exact scope was under negotiation.

G.16. PAYABLES

Payables	2012	2011
in EUR '000		
Payables arising out of reinsurance operations - cedents	60 830	50 856
Payables arising out of reinsurance operations - retrocession	15 845	10 205
Deposit on ceded reinsurance business	277	219
Trade payables	82	2
Wages and salaries	273	120
Social security and health insurance	88	21
Other payables	92	586
Total	**77 487**	**62 009**

G.17. OTHER LIABILITIES

Other liabilities	2012	2011
in EUR '000		
Accruals	1 781	1 255
Total	**1 781**	**1 255**

G.18. PREMIUM

Premium written – Reinsurance premium	Property/ Casualty 2012	Health 2012	Life 2012	Total 2012
in EUR '000				
Gross				
Austria	112 059	42 488	14 126	168 673
Czech Republic	44 894		99	44 993
Slovakia	23 556		536	24 092
Romania	20 284		10	20 294
Hungary	11 307		133	11 440
Poland	10 077		123 761	133 838
Turkey	8 485	1 022		9 507
Germany	7 174	735	268	8 177
Croatia	5 160		6 362	11 522
Other CEE*	38 127		251	38 378
Premium written	281 123	44 245	145 546	470 914
Retroceded premium	-141 382		-891	-142 273
Premium written – Retained	**139 741**	**44 245**	**144 655**	**328 641**

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

Premium written – Reinsurance premium	Property/ Casualty 2011	Health 2011	Life 2011	Total 2011
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, Georgia, Estonia, Latvia, Lithuania, Macedonia, Moldavia, Russia, Slovenia, Switzerland, and Ukraine.

In 2012 the Group wrote premium of 427.2 MIO EUR from VIG Group companies and 43.4 MIO EUR from external parties (in 2011 240.9 MIO EUR from VIG Group companies and 51.4 MIO EUR from external parties).

In 2012 the Parent Company entered into a new single premium Q/S treaty agreement with written premium of 123 MIO EUR with the related party Benefia Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Poland.

Premium written – Reinsurance premium	Gross 2012	Ceded 2012	Net 2012
in EUR '000			
Property/Casualty			
MTPL	29 570	-12 376	17 194
Other motor vehicle reinsurance	13 825	-4 251	9 574
Casualty	4 724	-3 686	1 038
Liability	6 748	-1 296	5 452
Property	217 779	-115 723	102 056
Marine	8 477	-4 050	4 427
Premium written	**281 123**	**-141 382**	**139 741**

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**

G.19. INVESTMENT RESULT

Investment income	2012	2011
in EUR '000		
Interest income		
Loans and term deposits	251	437
Deposits due from cedents	5 955	5 689
Financial investments held to maturity	8 449	7 148
Financial investments available for sale	735	765
FX gains	915	
FX derivative revaluation	892	
Total current income	17 197	14 039
Gains from the disposal of financial investments		
Financial investments held to maturity		444
Financial investments available for sale	259	1 183
Total gains from disposals of investments	259	1 627
FX derivative – Income from sale	222	
Kick-back and other fees	**64**	
Total	**17 742**	**15 666**

Investment expense	2012	2011
in EUR '000		
Management fees	331	275
FX losses	65	550
Total current expenses	396	825
FX derivative	894	
Total losses from disposals of investments	**1 290**	**825**

G.20. OTHER INCOME

Other income	2012	2011
in EUR '000		
Foreign currency gains	515	556
Release of other provisions	344	
Reversal of impairment of receivables	45	
Income from sale of inventory	18	
Disposal of other provision		14
Total	**922**	**570**

G.21. CLAIMS AND INSURANCE BENEFITS

Expenses for claims and insurance benefits – 2012	Gross	Retrocession	Net
in EUR '000			
Property/casualty/health			
Expenses for insurance claims			
Claims and benefits	105 598	14 172	91 426
Changes in provision for outstanding claims	30 877	8 151	22 726
Subtotal	136 475	22 323	114 152
Changes in other insurance liabilities	5 219		5 219
Total non-life expenses for claims and insurance benefits	**141 694**	**22 323**	**119 371**

Expenses for claims and insurance benefits – 2012	Gross	Retrocession	Net
in EUR '000			
Life			
Expenses for insurance claims			
Claims and benefits	98 826	33	98 793
Changes in provision for outstanding claims	1 507	2	1 505
Subtotal	100 333	35	100 298
Changes in mathematical reserve	43 124		43 124
Changes in other insurance liabilities			
Total life expenses for claims and insurance benefits	143 457	35	143 422
Total	**285 151**	**22 358**	**262 793**

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**

G.22. ACQUISITION EXPENSES

	2012			2011		
Commission expenses	Property/ Casualty	Health	Life	Property/ Casualty	Health	Life
in EUR ’000						
Reinsurance commission – Fix	20 997	3 754	128	11 467	3 501	67
Reinsurance commission – Sliding scale	24 953			30 220		
Reinsurance commission – Profit commission	11 460		2 458	14 677		2 107
Reinsurance commission – Health (administration)		1 576			1 540	
Total	**57 410**	**5 330**	**2 586**	**56 364**	**5 041**	**2 174**

G.23. OTHER OPERATING EXPENSES

Other operating expenses	2012	2011
in EUR ’000		
Personnel expenses	1 263	1 299
Mandatory social security contributions and expenses	239	185
Depreciation of property, plant and equipment	44	32
Amortization of intangible assets	192	195
Rental expenses	145	162
IT expenses	659	539
Services	156	70
Other administrative expenses	421	320
Total	**3 119**	**2 802**

Management and employee statistics	2012	2011
in EUR ’000		
Management – BoD	5	4
Other employees	25	14
Total	**30**	**18**

Personal expenses	2012	2011
in EUR ’000		
Wages and salaries	1 256	1 287
Mandatory social security contribution expenses	238	189
Other social security expenses	8	8
Total	**1 502**	**1 484**

Board of Directors and Supervisory Board compensation	2012	2011
in EUR ’000		
Board of Directors compensation	806	578
Supervisory Board compensation	28	26
Total	**834**	**604**

G.24. OTHER EXPENSES

Other expenses	2012	2011
in EUR ’000		
Foreign currency losses	753	230
Impairment of receivables	16	58
Interests from retrocession operations	19	15
Allocation of other provision	120	218
Disposal of inventory	5	
Total	**913**	**521**

G.25. TAX EXPENSE

Tax expense	2012	2011
in EUR ’000		
Current taxes		
- Actual taxes current period	4 027	4 409
- Actual taxes related to other periods	21	-76
Total current taxes	4 048	4 333
Deferred taxes	68	22
Total taxes	**4 116***	**4 355**

* Tax calculated based on the tax base in the local currency (currency used for tax purposes). The final tax is recalculated using the FX rate as of 31 December 2012.

Tax rate reconciliation	2012	2011
in EUR '000		
Expected tax rate in %	19	19
Profit before tax	24 297	20 618
Expected tax expense	4 616	3 917
Adjusted for tax effects due to:		
- Effects of tax rates in foreign jurisdiction	-43	-13
- Non-deductible expenses – other	8	251
- Income exempted from tax	-5	-25
- Taxes from previous years	22	
- Changes in tax rates		-76
Other adjustments		
- FX differences**	-482	301
Income tax expense	**4 116**	**4 355**
Effective tax rate in %	16.94	21.12

** The FX effect caused by the difference between the functional currency (EUR) and the currency used for calculation of the tax duty and preparation of the tax return (local currency).

G.26. RELATED PARTIES

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

G.26.1. Shareholders

Shareholders as of 31 December 2012:

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	2012	2011
in EUR '000		
Balance sheet		
Deposits due from cedents	277	219
Receivables	2 269	1 645
Technical provisions	11 299	7 906
Liabilities	1 375	775
Income statement		
Premiums written	5 788	3 894
Change due to provision for premiums		-362
Investment and interest income		
Claims	-3 046	-4 474
Commission expenses	-1 160	-1 477
Other operating expenses	-588	-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	2012	2011
in EUR '000		
Balance sheet		
Deposits due from cedents	287	220
Receivables	6 885	3 919
Technical provisions	25 451	24 093
Liabilities	7 992	7 307
Income statement		
Premiums written	81 139	61 053
Change due to provision for premiums	-1 669	8
Investment and interest income		
Claims	-10 792	-7 470
Commission expenses	-9 222	-7 159
Intergroup outsourcing	-525	-537

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

G.26.2. 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 Board of Directors and the Supervisory Board, together with members of the Board of Directors of VIG, represent the key management personnel. Close family members of key management personnel are also deemed to be related parties. The Group has no transactions with family members of key management personnel.

G.26.3. Other related parties

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

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

Transactions with other related parties	2012	2011**
in EUR '000		
Balance sheet		
Deposits due from cedents	134 144	130 523
Receivables	34 076	27 669
Technical provisions	231 693	229 431
Other assets	110	
Liabilities	66 056	56 564
Income statement		
Premiums written*	326 066	184 993
Change due to provision for premiums	652	-520
Miscellaneous earnings of investment	1 112	318
Claims	-116 249	-70 317
Commission expenses	-39 119	-37 705
Intergroup outsourcing		

* In 2012 the Parent Company entered into a new single premium Q/S treaty agreement with written premium of 123 MIO EUR with the related party Benefia Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Poland.

** Newly, Wiener Re data are excluded from 2011 figures

G.27. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	31.12.2012		31.12.2011	
Financial assets	Fair value	Carrying amount	Fair value	Carrying amount
in EUR '000				
Financial investments	295 925	271 458	238 342	235 529
Financial assets held to maturity	229 063	204 596	191 187	188 374
Financial assets available for sale	62 644	62 644	29 450	29 450
Loans – Term deposits	4 218	4 218	17 705	17 705
Receivables	44 270	44 270	33 415	33 415
Cash and cash equivalents	7 625	7 625	478	478
Total financial assets	**347 820**	**323 353**	**272 235**	**269 422**

Financial liabilities	Fair value	Carrying amount	Fair value	Carrying amount
Payables	77 487	77 487	62 009	62 009
Other liabilities	1 781	1 781	1 255	1 255
Total financial liabilities	**79 268**	**79 268**	**63 264**	**63 264**

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 240 109 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.28. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

G.28.1. Assumptions used in reinsurance liabilities

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

G.28.2. Impairment of loans and receivables

At each balance sheet date the Group assesses whether there is objective evidence that any loan, receivable or reinsurance assets are impaired. They are impaired if there is objective evidence of impairment as a result of one or more events that have occurred since 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. Loans and receivables are grouped on the basis of similar credit risk characteristics for the purposes of the collective evaluation of impairment.

G.28.3. Income taxes

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

G.28.4. Fair value of financial instruments

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

G.28.5. Contract classification

When entering into an arrangement, certain judgement is used to determine the appropriate classification of the contracts entered into according to International Financial Reporting Standards. When applying its judgement, the management considers the substance of the contractual arrangement rather than the legal terms, especially with regard to contractual arrangements that are complex in nature. The application of the substance of the arrangement includes the consideration of all information available when the contract becomes binding.

G.29. SUBSEQUENT EVENTS

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

The financial statements were approved by the Board of Directors of the Parent Company on 15 March 2013.

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 THE HOLDING

1. Controlled Party

VIG RE zajišťovna, a.s.

registered office at Templová 747/5, 110 01 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 reinsurance 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, 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 2012 to 31 December 2012.

PART IV.

CONTRACTS AND AGREEMENTS CONCLUDED BETWEEN HOLDING PARTIES IN 2012

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

Re-insurance contracts between VIG AG and VIG Re.

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

Re-insurance contracts between VIG Re and WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group.

Re-insurance contracts between VIG Re and ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A.

Re-insurance contracts between VIG Re and S.C. BCR Asigurari de Viata Vienna Insurance Group S.A.

Re-insurance contracts between VIG Re and BENEFIA TU S.A. Vienna Insurance Group.

Re-insurance contract between VIG Re and BENEFIA TU Na Zycie S.A. Vienna Insurance Group.

Re-insurance contracts between VIG Re and Bulgarski Imoti Non-Life Insurance Company AD.

Re-insurance contract between VIG Re and BULSTRAD LIFE VIENNA INSURANCE GROUP JSC.

Re-insurance contracts between VIG Re and BULSTRAD VIENNA INSURANCE GROUP PLC.

Re-insurance contracts between VIG Re and Compensa TU S.A. Vienna Insurance Group.

Re-insurance contracts between VIG Re and Compensa TU Na Życie Spolka Akcyjna Vienna Insurance Group.

Re-insurance contracts between VIG Re and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group.

Re-insurance contracts between VIG Re and DONAU Versicherung AG Vienna Insurance Group.

Re-insurance contracts between VIG Re and IC Globus.

Re-insurance contracts between VIG Re and Helios Vienna Insurance Group d.d.

Re-insurance contracts between VIG Re and InterRisk Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group.

Re-insurance contracts between VIG Re and InterRisk Versicherungs-AG Vienna Insurance Group.

Re-insurance contracts between VIG Re and INTERSIG Sh.a.

Re-insurance contracts between VIG Re and Komunálna poisťovňa, a.s., Vienna Insurance Group.

Re-insurance contracts between VIG Re and Kooperativa poisťovňa, a.s., Vienna Insurance Group.

Re-insurance contracts between VIG Re and Kooperativa pojišťovna, a.s., Vienna Insurance Group.

Re-insurance contracts between VIG Re and Kvarner Vienna Insurance Group d.d.

Re-insurance contracts between VIG Re and Polski Zwiazek Motorowy TU S.A. Vienna Insurance Group.

Re-insurance contracts between VIG Re and UNION Vienna Insurance Group Biztosító Zrt.

Re-insurance contracts between VIG Re and OMNIASIG VIENNA INSURANCE GROUP S.A.

Re-insurance contract between VIG Re and Sparkassen Versicherung AG Vienna Insurance Group.

Re-insurance contracts between VIG Re and Joint Stock insurance company WINNER - Vienna Insurance Group.

Re-insurance contracts between VIG Re and Interalbanian Vienna Insurance Group Sh.a.

Re-insurance contracts between VIG Re and JSC “Insurance Company GPI Holding”.

Re-insurance contracts between VIG Re and International Insurance Company IRAO Ltd.

Re-insurance contracts between VIG Re and SIGMA J.S.C. Branch Kosovo.

Re-insurance contracts between VIG Re and “WIENER RE” akcionarsko društvo ze reosiguranje.

Re-insurance contracts between VIG Re and Ray Sigorta A.S.

Re-insurance contracts between VIG Re and PJSC “Ukrainian Insurance Company Kniazha Vienna Insurance Group”.

Re-insurance contracts between VIG Re and PJSC “Insurance Company Ukrainian Insurance Group”.

The contract for the lease of non-residential space at Templová 747, Prague 1 and Amendment No. 1 between VIG Re and Kooperativa pojišťovna, a.s., Vienna Insurance Group.

The contract for the sublease of commercial space at Klimentská 1216/46, Prague 1 between VIG Re and ČPP Servis, s.r.o.

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 2012 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 to other information and facts – to any party of the holding.
2. In order to prevent any harm to the Controlled Party pursuant to paragraph 1 hereof, the report of the statutory body does not 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 Audit, s.r.o., the auditor that audited the statement of balances as of 31 December 2012. 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, 12 February 2013.

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.:

Dkfm. Karl Fink

Chairman of the Board

Mag. Dušan Bogdanović

Member of the Board

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
BULSTRAD LIFE VIENNA INSURANCE GROUP Joint Stock Company, Sofia	Bulgaria	95.11
BULSTRAD VIENNA INSURANCE GROUP PUBLIC LIMITED COMPANY, Sofia	Bulgaria	98.00
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	100.00
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	100.00
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
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
ELVP Beteiligungen GmbH	Austria	100.00
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	91.11
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
INTERSIG Sh.A., Tirana	Albania	75.00
JAHORINA OSIGURANJE a.d., Pale	Bosnia and Herzegovina	97.56
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	100.00
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	90.00
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	98.56
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
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	100.00
Projektbau Holding GmbH, Vienna	Austria	94.26
Ray Sigorta A.S., Istanbul	Turkey	94.26
S.C. BCR Asigurari de Viata Vienna Insurance Group S.A., Bucharest	Romania	92.36

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
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 Biztositó Zrt., Budapest	Hungary	100.00
V.I.G. ND, uzavřený investiční fond a.s., Prague	Czech Republic	100.00
Vienna-Life Lebensversicherung Aktiengesellschaft, Bendern	Lichtenstein	100.00
VIG FUND uzavřený investiční fond, a.s., Prague	Czech Republic	100.00
VIG RE zajišt'ovna, 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
WGPV Holding GmbH, Vienna	Austria	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
WSV Immoholding GmbH, Vienna	Austria	100.00

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
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99.77
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., Ostromer	Czech Republic	100.00
KIP, a.s., Prague	Czech Republic	100.00
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.63
Mělnická zdravotní, a.s., Prague	Czech Republic	100.00
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	50.12
S IMMO AG, Vienna	Austria	10.04
Sanatorium Astoria, a.s., Carlsbad	Czech Republic	75.06
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	50.12
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
Urbanbau Gemeinnützige Bau-,Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	Austria	50.12

Non-consolidated companies		
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Podgorica	Montenegro	100.00
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00
BB C- Building C, s.r.o., Prague	Czech Republic	100.00
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	99.99
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	Austria	100.00
GEO HOSPITALS LLC, Tbilisi	Georgia	100.00
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00
“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
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
Towarzystwo Ubezpieczen na Zycie “Polisa-Zycie” Spolka Akcyjna, Warsaw	Poland	96.49
Untere Donaulände 40 GmbH	Austria	100.00
Untere Donaulände 40 GmbH & Co KG	Austria	100.00
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	23.56
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
WILA GmbH, Vienna	Austria	100.00
WNH Liegenschaftsbesitz GmbH, Vienna	Austria	100.00
Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	100.00
WSV Vermőgensverwaltung GmbH, Vienna	Austria	100.00

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.

Dkfm. Karl Fink

Chairman of the Board

Mag. Dušan Bogdanović

Member of the Board