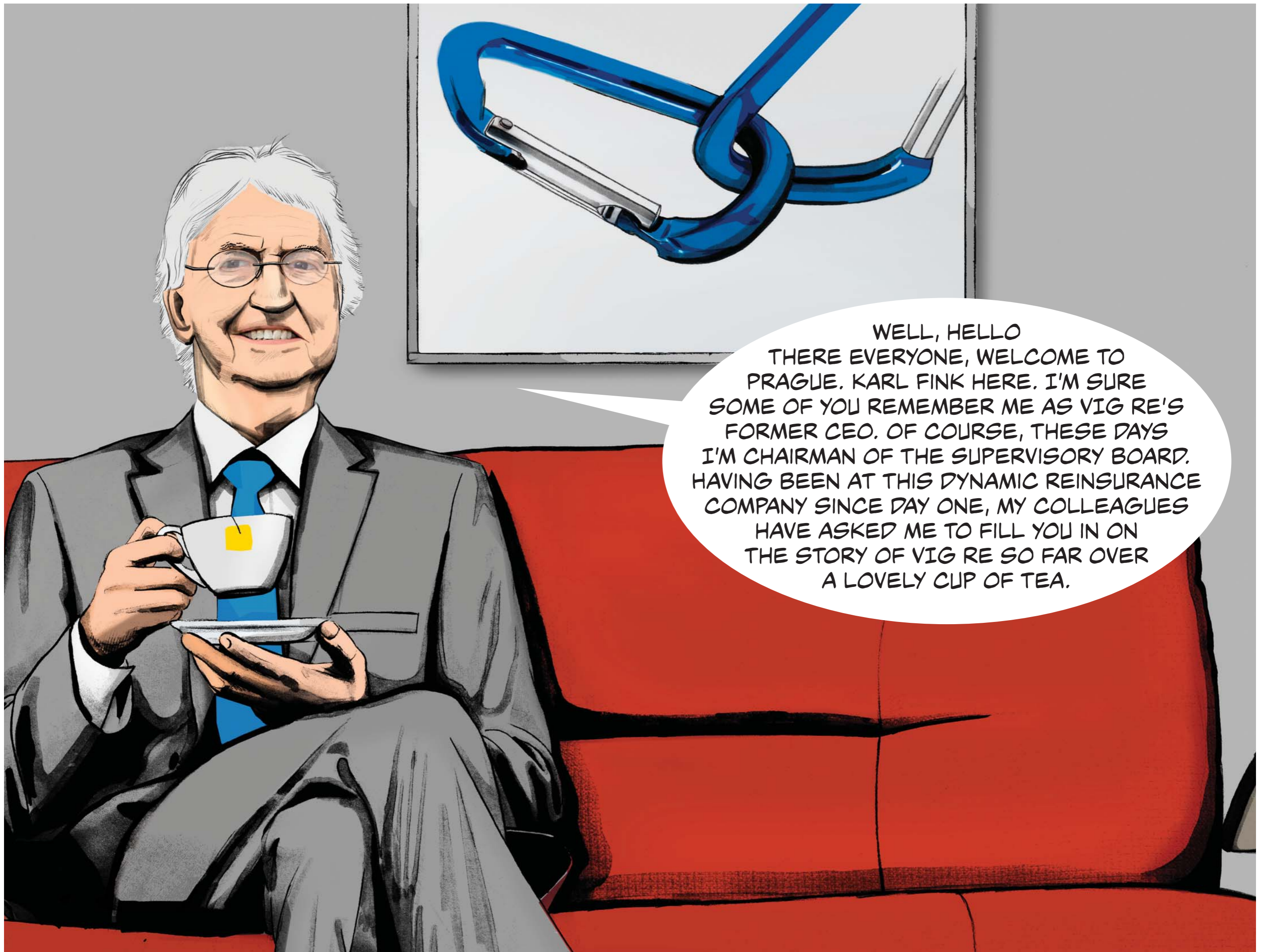


HITTING THE ROAD



VIG RE PRESENTS

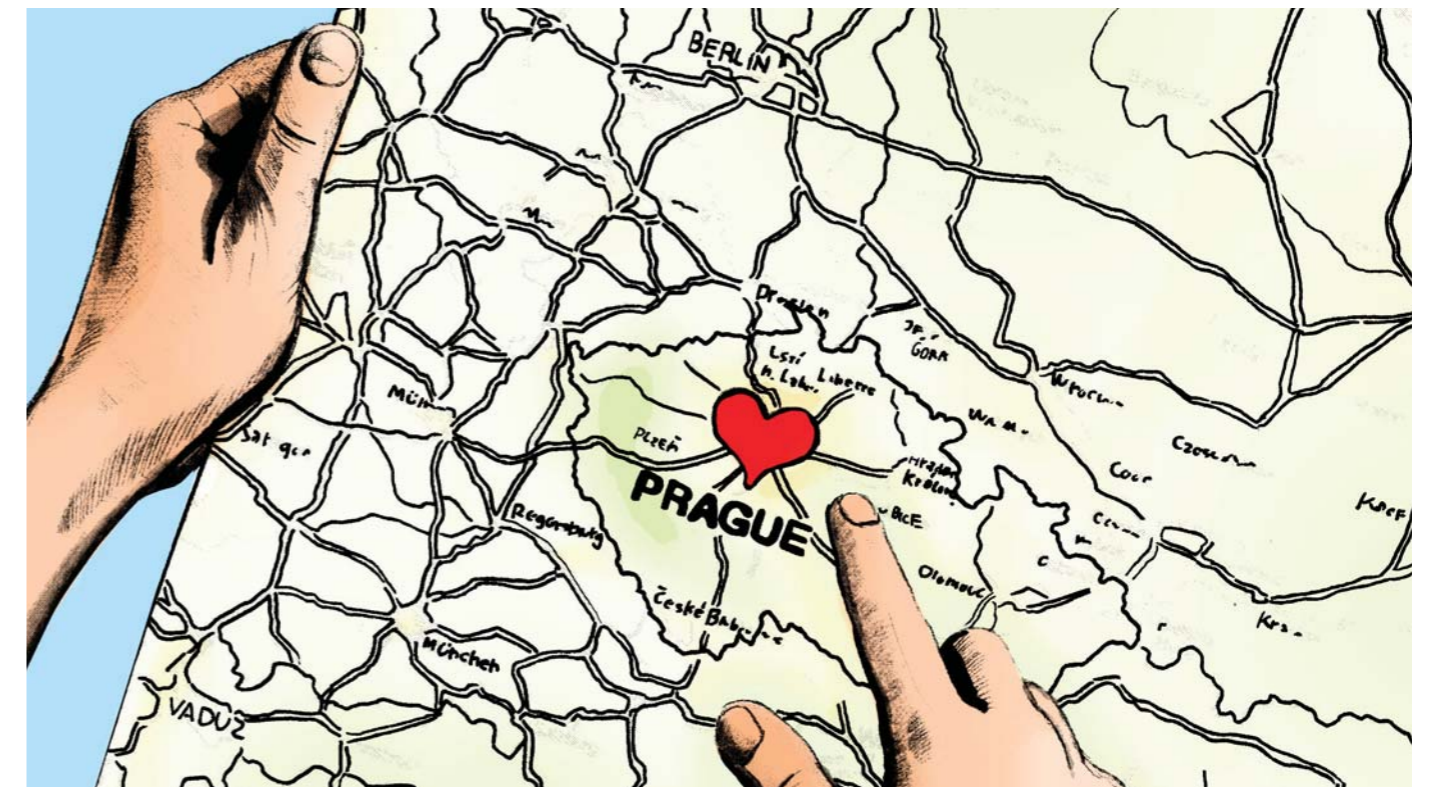
THE FIVE-YEAR STORY OF AN UP-AND-COMING REINSURER IN THE CEE



WELL, HELLO
THERE EVERYONE, WELCOME TO
PRAGUE. KARL FINK HERE. I'M SURE
SOME OF YOU REMEMBER ME AS VIG RE'S
FORMER CEO. OF COURSE, THESE DAYS
I'M CHAIRMAN OF THE SUPERVISORY BOARD.
HAVING BEEN AT THIS DYNAMIC REINSURANCE
COMPANY SINCE DAY ONE, MY COLLEAGUES
HAVE ASKED ME TO FILL YOU IN ON
THE STORY OF VIG RE SO FAR OVER
A LOVELY CUP OF TEA.

BACK IN 2008, A HANDFUL OF PEOPLE CAME UP WITH THE IDEA OF SETTING UP A NEW REINSURER THAT WOULD OFFER AN ALTERNATIVE TO THE TRADITIONAL MARKET PLAYERS WHILE RELYING ON THE VIG GROUP'S EXPERTISE AND MARKET KNOW-HOW. AMONG THEM WERE PETER HAGEN, EVA-MARIA STACKL, CLAUDIA STRÁNSKÝ, AND YOURS TRULY.

INDEED, AS NEGOTIATIONS ADVANCED SMOOTHLY, IT WAS ONLY A MATTER OF TIME BEFORE THE FIRST REINSURER TO HOLD A CZECH LICENCE SET UP SHOP IN PRAGUE, IN THE VERY HEART OF EUROPE.

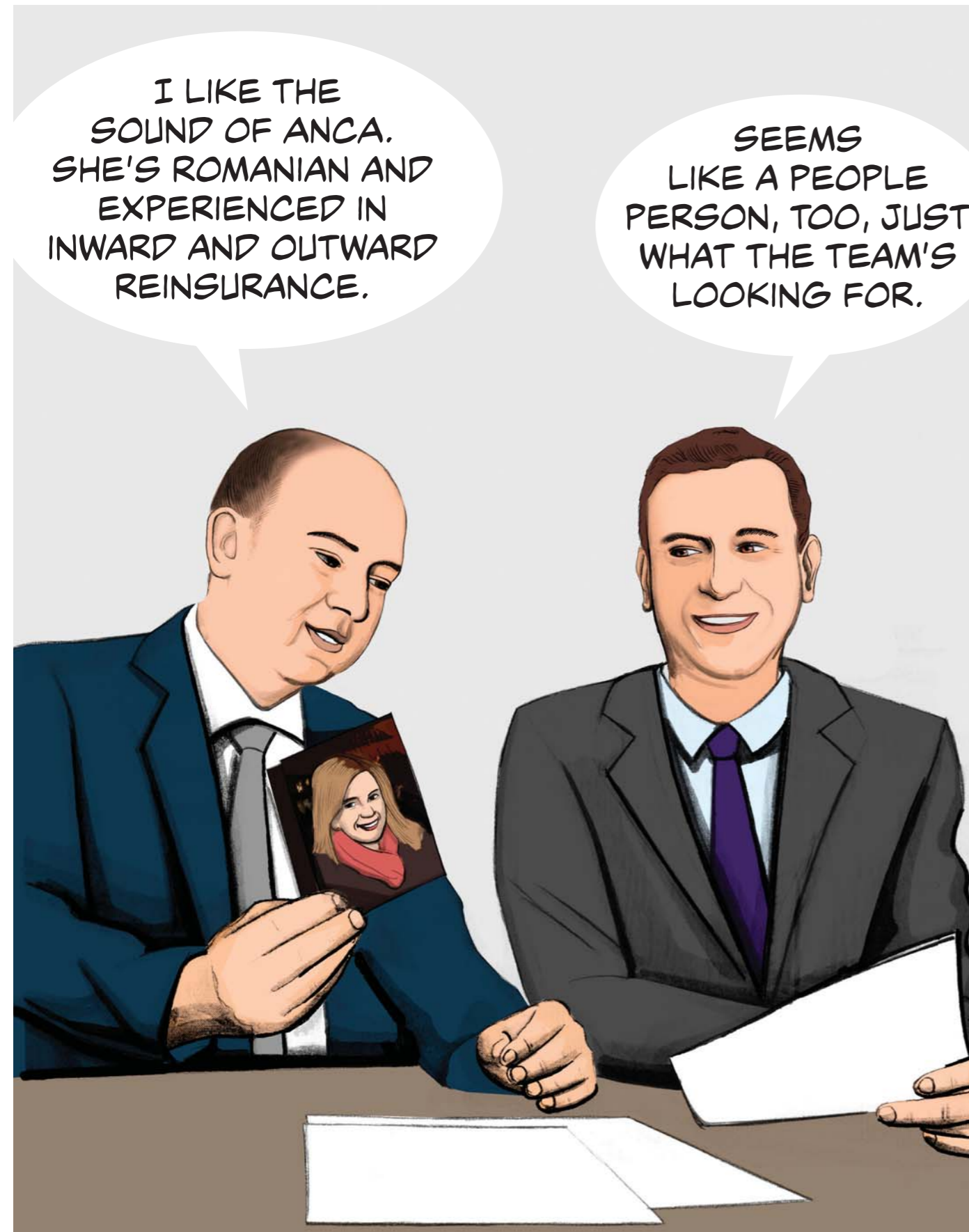


GERALD KLEMENSICH AND HIS PROJECT TEAM POINTED US IN THE RIGHT DIRECTION WITH A SOUND FEASIBILITY STUDY.



WITH VIG RE WRITING BUSINESS AND MAKING A NAME FOR ITSELF ON THE MARKET, WE FOUND OURSELVES CREATING AND FILLING POSITIONS WITH PEOPLE KEEN TO ADOPT OUR CORPORATE VALUES AND DRIVE US FORWARD...

WE CHALKED UP OUR FIRST SUCCESS RIGHT OFF THE BAT, WHEN STANDARD & POOR'S AWARDED US THE A+ RATING WE CONTINUE TO HOLD TODAY. THIS WAS A PROJECT SUCCESSFULLY LED BY LENKA, IN COOPERATION WITH MILAN, BOTH FOUNDING TEAM MEMBERS OF VIG RE I WOULD LIKE TO MENTION.



BY 2009 WE WERE FIRMLY ESTABLISHED IN OUR FIRST OFFICIAL OFFICES IN KLIMENTSKÁ STREET, WHERE WE SPENT THREE YEARS GROWING, LEARNING AND DEVELOPING.

WHO CAN FORGET THAT GREAT MEETING ROOM, A HIVE OF PROFESSIONAL ACTIVITY AND HUB OF TEAM SPIRIT?



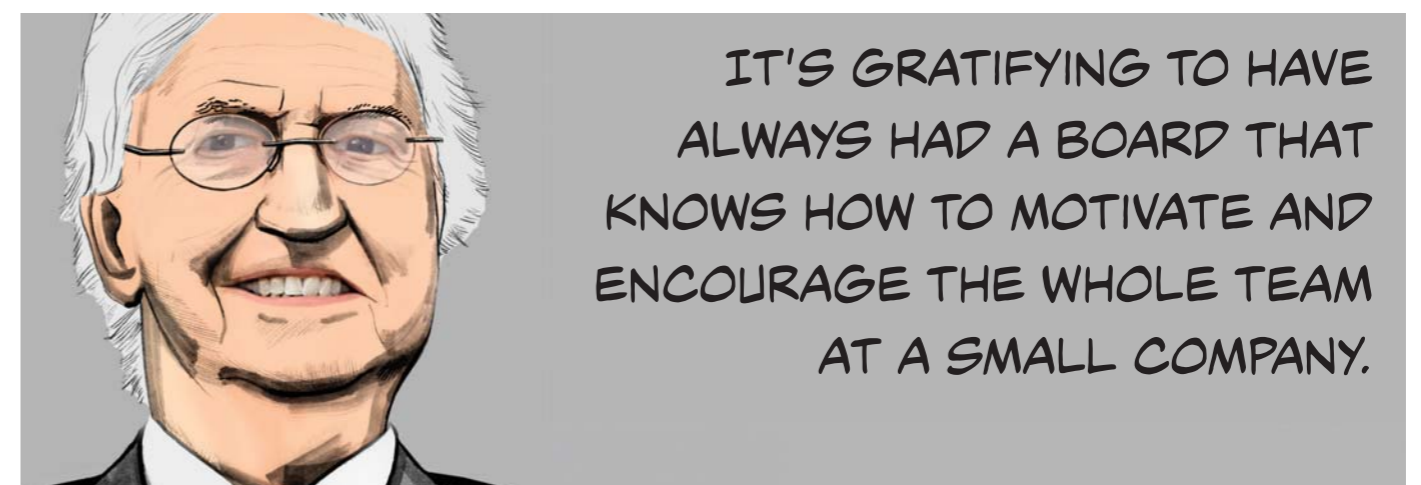
STRATEGY MEETING, 3 P.M.,
24 MARCH 2010



WATCHING THE ICE-HOCKEY DURING
THE VANCOUVER OLYMPICS, 5 A.M., 19 FEBRUARY 2010

EMPLOYEE FLUCTUATION AT THE COMPANY IS LOW BECAUSE PEOPLE RECOGNISE WHEN THEY HAVE JOINED A QUALITY TEAM. WHEN VIG RE WAS STARTING OUT, A PIVOTAL FIGURE WHO BUILT UP A SOLID CLIENT BASE BEFORE RETURNING TO HIS HOME COUNTRY WAS DENIS PEHAR.

IN 2012, JOHANNES MARTIN HARTMANN JOINED US. HIS MANDATE AS CHAIRMAN OF THE BOARD OF DIRECTORS IS TO CULTIVATE VIG RE'S MARKET POSITION AND TO PROVIDE OUTSIDE EXPERTISE.

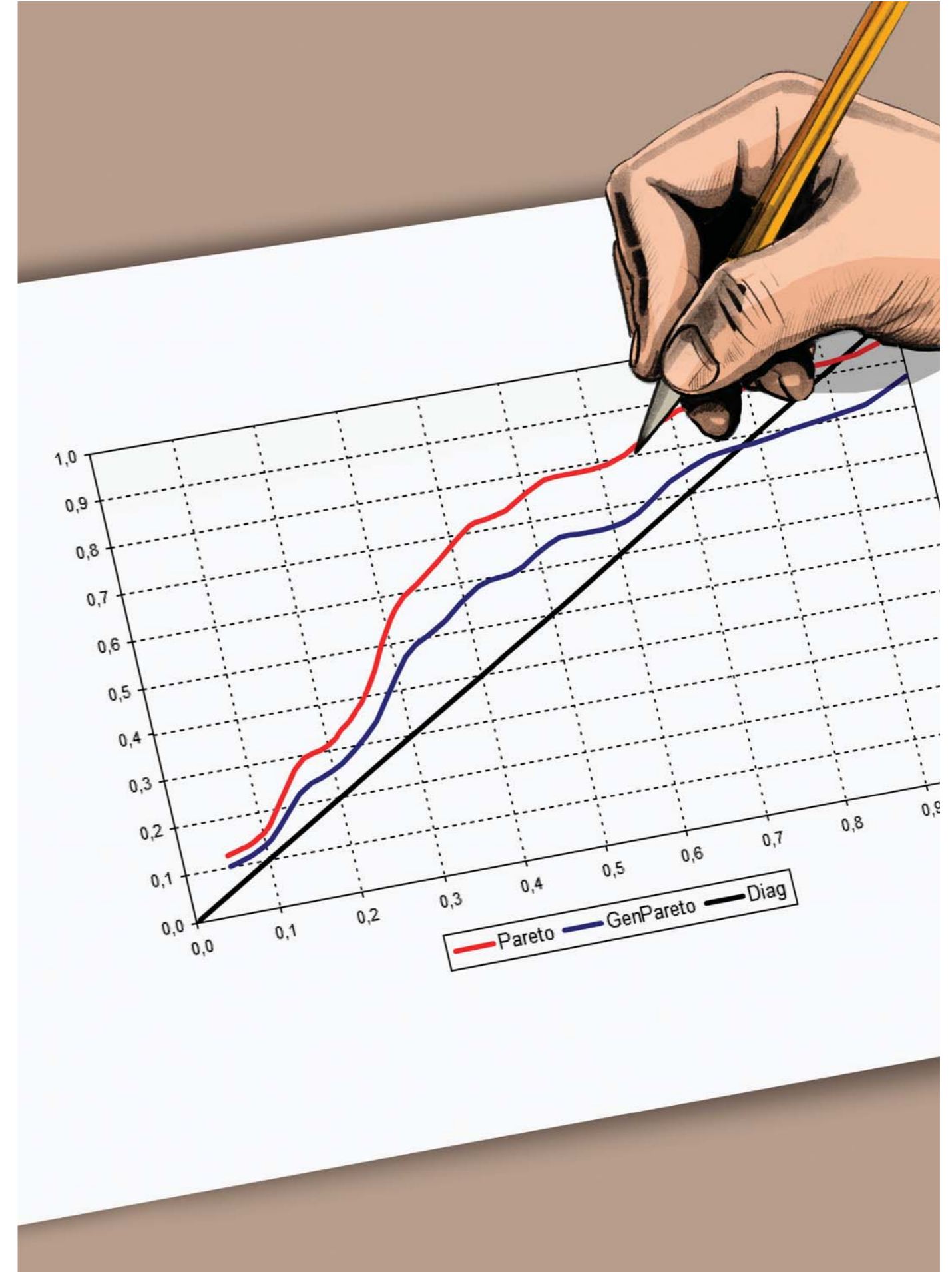


THE CARABINER HAS ALWAYS BEEN A SIGN OF OUR TRUSTWORTHINESS AND STABILITY, REASSURING CLIENTS WE'LL BE THERE EVEN WHEN TIMES ARE TOUGH. THE DESIGN HAS EVOLVED OVER YEARS, REFLECTING OUR GROWTH.

AS WE HAVE DEMONSTRATED IN THE FACE OF PAST CHALLENGES, IT SYMBOLISES THE STRENGTH AND SECURITY WE PROVIDE EVEN WHEN A LARGE PART OF OUR REGION IS CONSUMED BY EVENTS THAT RECOGNISE NO MAN-MADE BORDERS.



WE REVIEW OUR ANNUAL CONTRACTS ON RENEWAL. WE ALSO VALUE CUSTOMERS' INPUT AS THEIR SATISFACTION IS IMPORTANT TO US.



WHEN WE ARE NOT OUT OF THE OFFICE OR ESTABLISHING HANDS-ON RELATIONSHIPS WITH CLIENTS, WE BUCKLE DOWN TO WORK AT OUR DESKS IN PURSUIT OF CORPORATE PLANS, SUCH AS THAT TIME WE BOUGHT WIENER RE IN SERBIA. STEP FORWARD DUŠAN BOGDANOVIĆ, BRIDGING TWO RELIABLE TEAMS ACROSS THE CONTINENT.



STRIVING TO KEEP OUR FINGER ON THE MARKET PULSE, OUR TEAM IS ALWAYS ON THE GO, SORTING OUT CLIENTS' NEEDS REGARDLESS OF THE CIRCUMSTANCES.

THE VIG RE TEAM IS READY TO WORK AROUND THE CLOCK AS WE ARE AWARE THAT THIS IS A BUSINESS THAT DOES NOT ALWAYS FIT INTO THE 9 TO 5.



PETR SWOOPS INTO A MEETING IN BUCHAREST...



... VIERA, THE ULTIMATE MULTITASKER IN AND OUT OF THE OFFICE...



... JITKA, JARMILA AND PETKO, PREPARING FOR A CLIENT MEETING...



... JAKUB AND LENKA CONTRIBUTE TO VIG RE'S KNOWLEDGE BANKS AT THE LEARNING POOL...

AS THE SAYING GOES, WE WORK HARD, WE PLAY HARD. RELAXING AND RECHARGING OUR BATTERIES TOGETHER IS ANOTHER FACTOR THAT MAKES US SUCH A COMPACT FAMILY.

IT'S IMPORTANT FOR EVERYONE AT VIG RE TO KNOW WHY WE ARE DOING WHAT WE ARE DOING. THIS LENDS THE TEAM BALANCE AND ALLOWS EVERYONE TO PITCH IN TOGETHER.



... ZUZANA DOCUMENTS HISTORY IN THE MAKING...



... LUCKA, ZDENKA AND ONDRA GLADLY PLAN THEIR WORK OVER LUNCH...

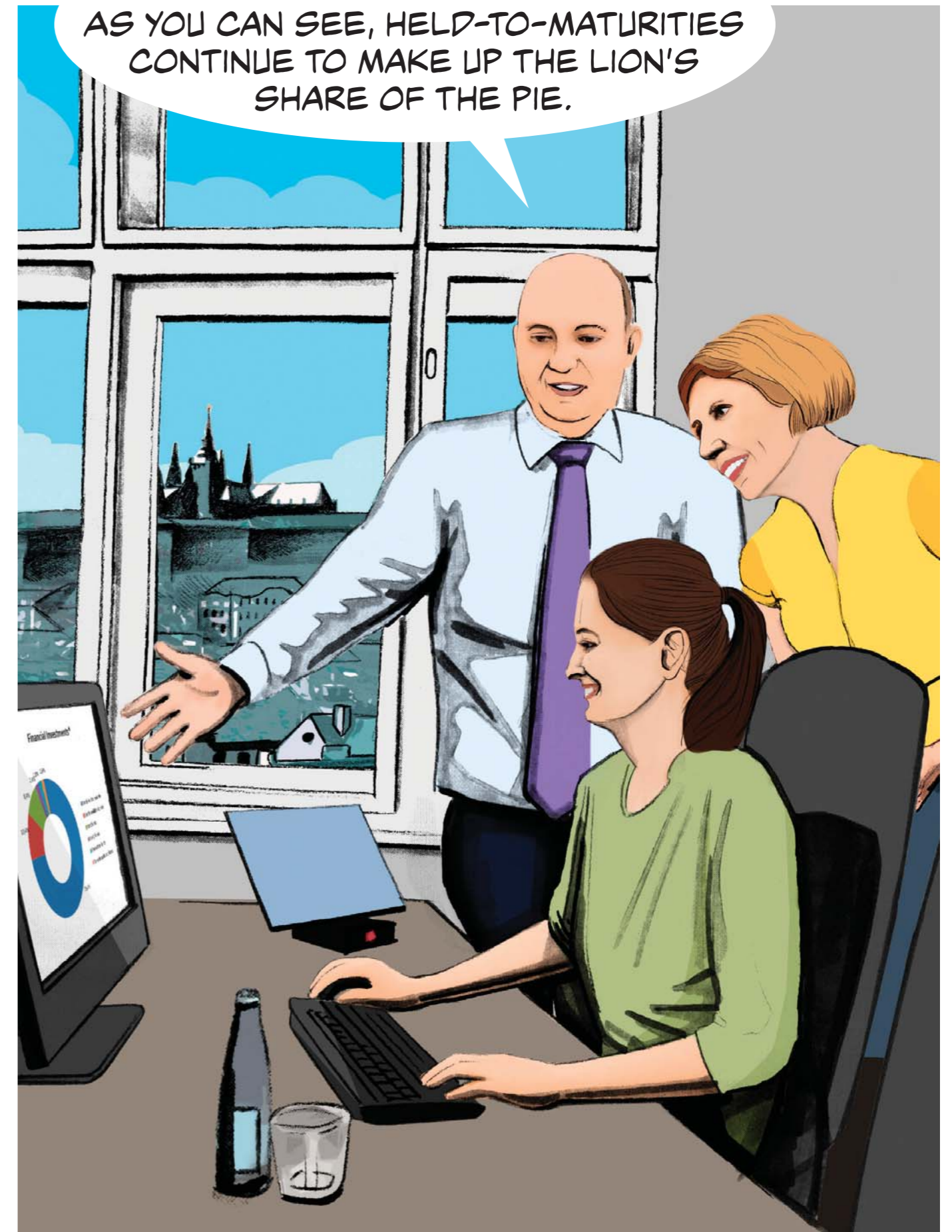


... ALEX KEEPS TRACK OF IMF DATA ON HIS IPAD...



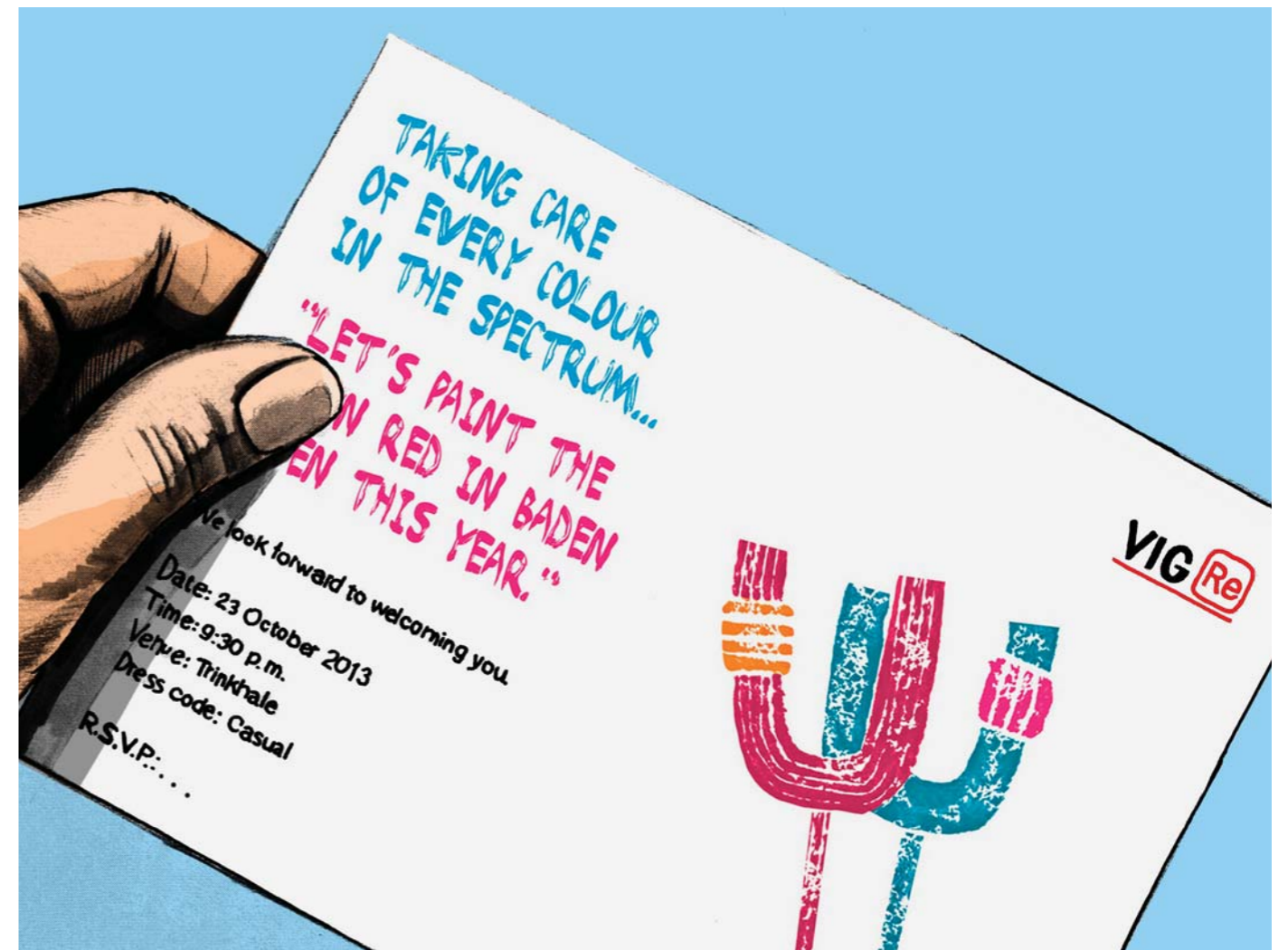
... NATÁLIE AND MARCELA KEEP A LID ON COSTS.

SINCE VIG RE STARTED DOING BUSINESS, WE HAVE WITNESSED TURMOIL ON FINANCIAL MARKETS AND DEALT WITH THE OBSTACLES PLACED IN OUR WAY BY DRAWING ON THE SAFETY AND PROTECTION OF OUR INVESTMENT STRATEGY.



WE HAVE ALWAYS PURSUED A CONSERVATIVE LOW-RISK INVESTMENT STRATEGY RELYING ON SOLID RETURNS AND STRONG RATINGS TO INSULATE US AGAINST MARKET SHOCKS WHILE MAINTAINING A SOUND CAPITAL BASE.

BADEN BADEN MAKES FOR AN IDEAL EUROPEAN CENTRE POINT WHERE WE CAN ALL MEET UP. AFTER A DAY OF CONFERENCING, IT'S TIME FOR DELEGATES TO RELAX AT VIG RE'S PARTY.



OUR FIVE-YEAR JOURNEY HAS SEEN US CLOCK UP KILOMETRES ON THE ROAD AND MILES IN THE AIR AS WE REACH OUT PERSONALLY TO OUR CLIENTS.



WE PRIORITISE PERSONAL COMMUNICATION AND ARE PREPARED AND HAPPY TO TAKE TO THE ROAD OR THE SKIES IN ORDER TO MEET CLIENTS ON THEIR HOME GROUND SO THAT WE CAN GET A GOOD FEELING ABOUT WHAT REALLY MATTERS TO THEM.



THE KLIMENTSKÁ KITCHEN WAS NOT ONLY AN INFORMAL NERVE CENTRE, A PLACE FOR OFFICE CHITCHAT, BUT ALSO THE IDEAL PLACE TO NOTCH UP RECORDS OF OUR TRAVELS AND MORE.

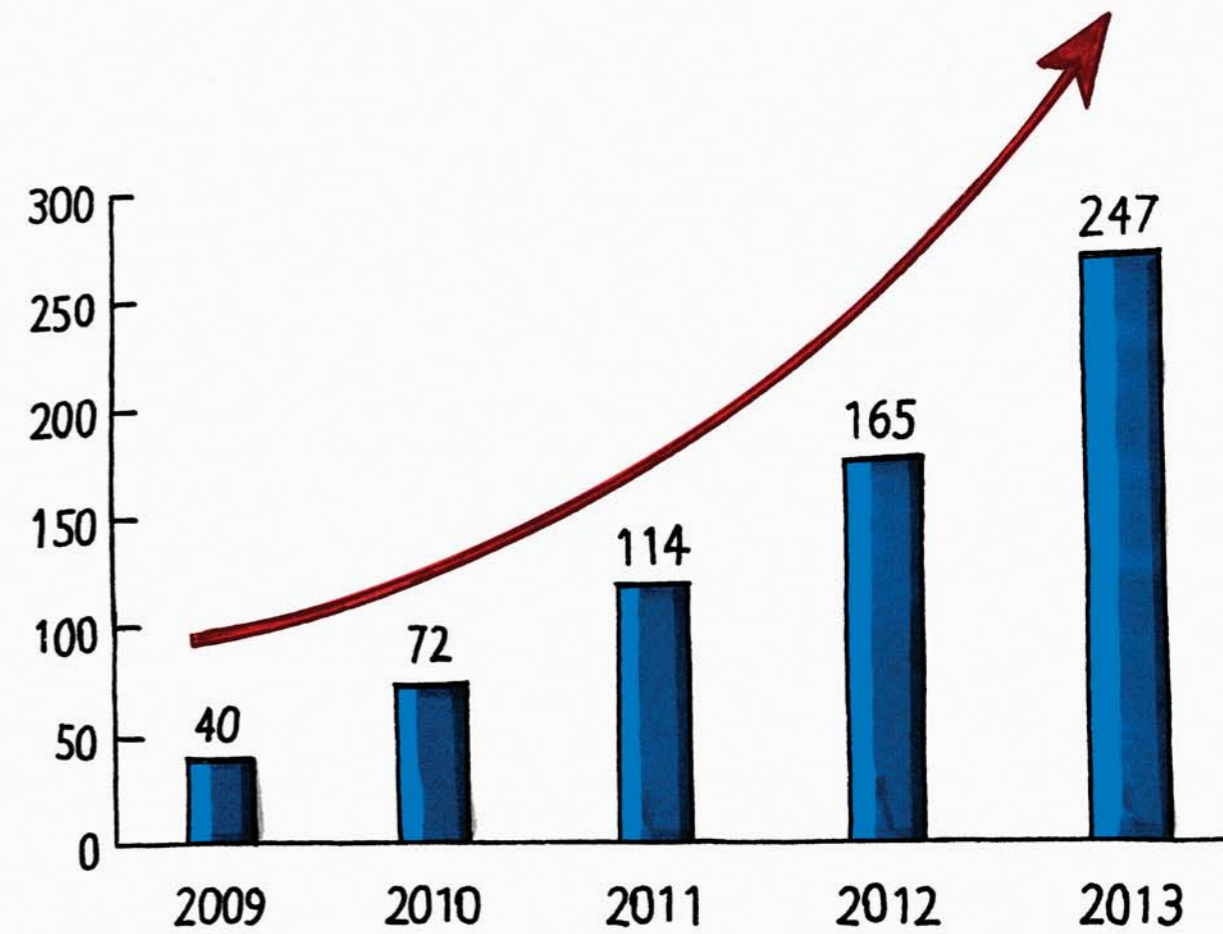


IN 2012 WE FOUND IDEAL HEADQUARTERS IN TEMPLOVÁ STREET IN PRAGUE. OUR MAGNETS MIGRATED WITH US, RELOCATING FROM THE FRIDGE DOOR TO A BOARD IN THE SOCIAL ROOM. AND IF YOU'RE NOT SURE WHERE THAT IS, READ ON!

A CENTRAL FEATURE OF OUR NEW OFFICES HAS BEEN A SOCIAL ROOM WHERE WEEKLY COMPANY-WIDE MEETINGS CAN BE HELD TO KEEP EVERYBODY ON THE BALL AND IN TOUCH WITH THE COMPANY VISION. WE ARE KEEN FOR THE TEAM TO KNOW THAT WE VALUE THEIR PERSONAL CONTRIBUTION JUST AS MUCH AS THE RESULTS THAT THEIR WORK RETURNS ON PAPER.



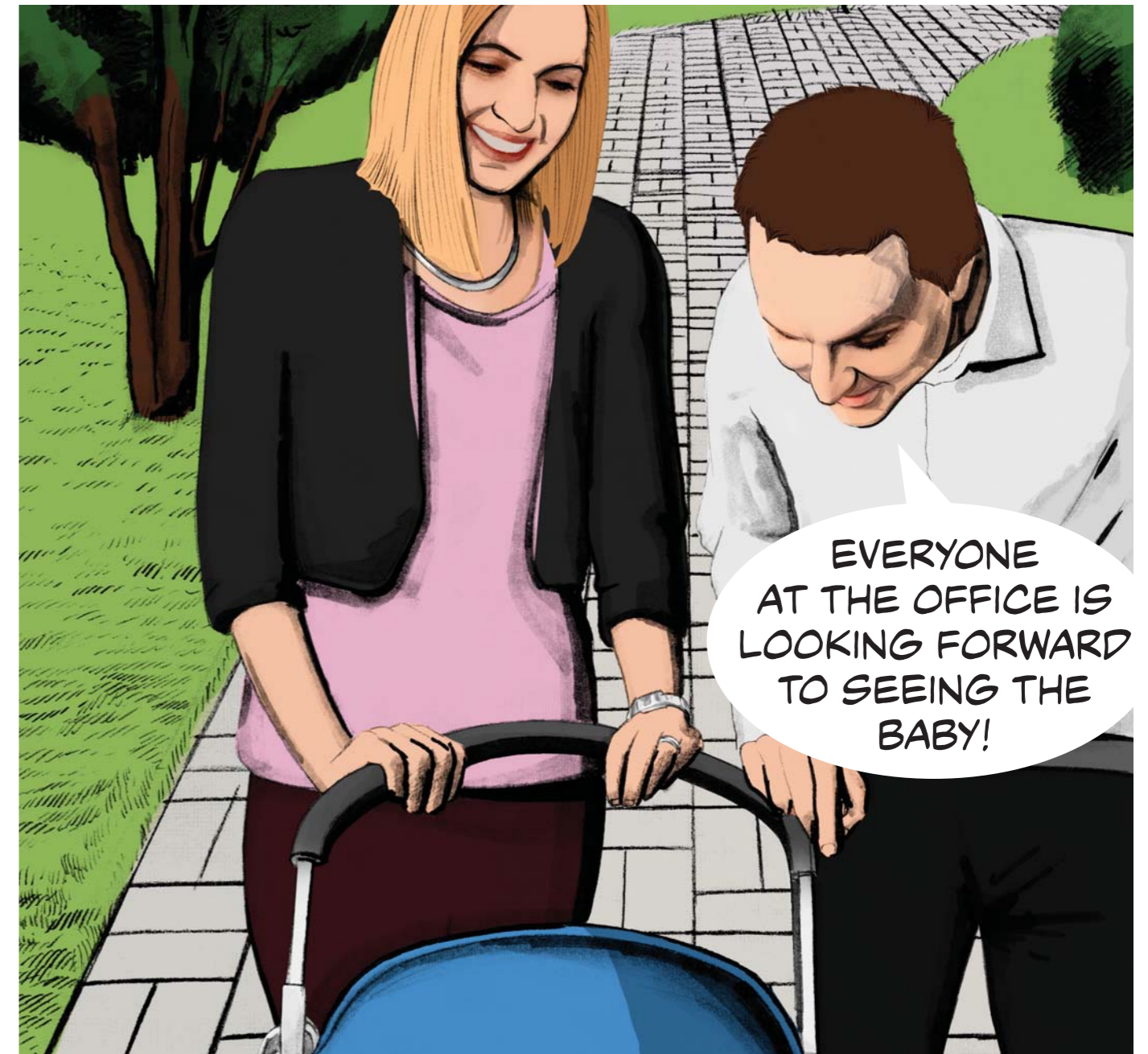
SEE HOW OUR CLIENT NUMBERS ARE GROWING? NOT BAD, EH?



WOMEN AT VIG RE ARE MORE THAN A MATCH FOR THEIR MALE COLLEAGUES, ON AND OFF THE FIELD! TAKE NIKOLA AND ZUZANA, FOR INSTANCE - AN INTEGRAL PART OF THE VIG RE TEAM AT THE ANNUAL FOOTBALL TOURNAMENT HOSTED BY OUR BUSINESS PARTNER.



WHEN COLLEAGUES COME BACK AFTER MATERNITY LEAVE AND FIND THEMSELVES JUGGLING THEIR MATERNAL AND WORK DUTIES, WE SCHEDULE THEIR HOURS SO THAT THEY CAN COPE.



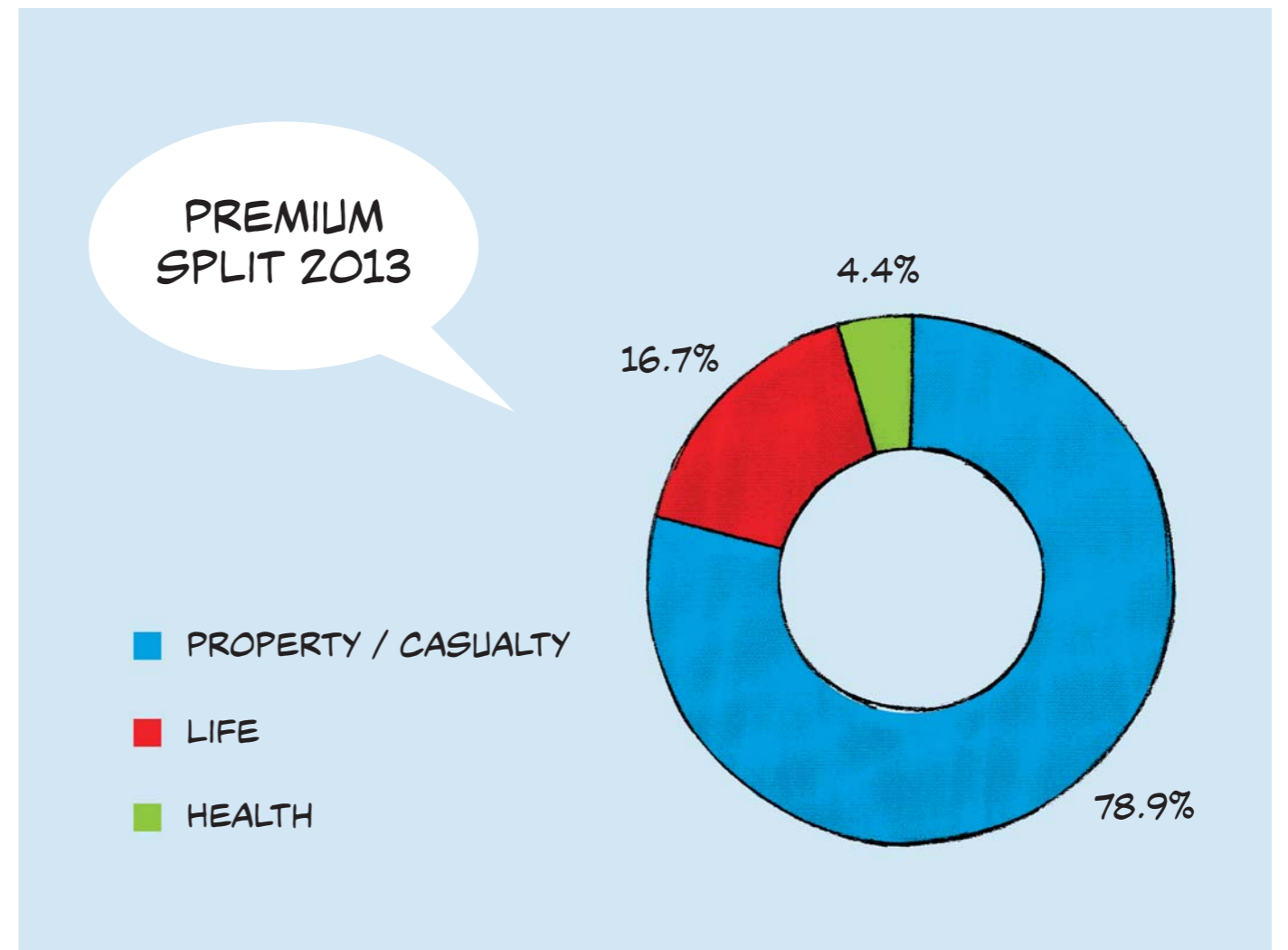
AND ON WE MARCH TO 2013, A YEAR IN WHICH WE MARKED OUR FIFTH ANNIVERSARY BY HOLDING A VIG FAMILY ROOFTOP GET-TOGETHER IN PRAGUE AND LOOK OUT OVER THE CITY THAT HAS MADE US WHAT WE ARE TODAY AND REFLECT ON THE VIRTUES OF HAVING...

... FOLLOWED OUR OWN ROAD, SPICING UP THE INDUSTRY'S TECHNICAL AND RATIONAL APPROACH WITH CREATIVITY AND, AS WE HOPE, A PERSONAL TOUCH. NATURALLY, WE COULDN'T HAVE ACHIEVED THIS WITHOUT THE MORE THAN 50 RELIABLE OUTSOURCERS WE WORK WITH... AND YOU!



SO THAT, IN A NUTSHELL, IS OUR HISTORY UP TO 2013. BUT WHAT ABOUT THE NITTY-GRITTY, WHAT CAN WE ACTUALLY SAY ABOUT 2013?

2013 WAS A SUCCESSFUL YEAR FOR US.
AND IT'S ALL DOWN TO TEAMWORK.



PREMIUM INCOME IN THE LIFE AND HEALTH SEGMENT AMOUNTED TO 87 MILLION EUROS.



WE REPORTED FACULTATIVE BUSINESS OF 6.6 MILLION EUROS IN 2013.



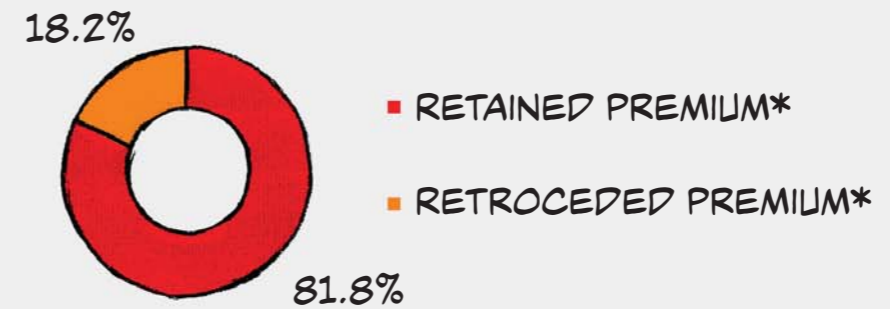
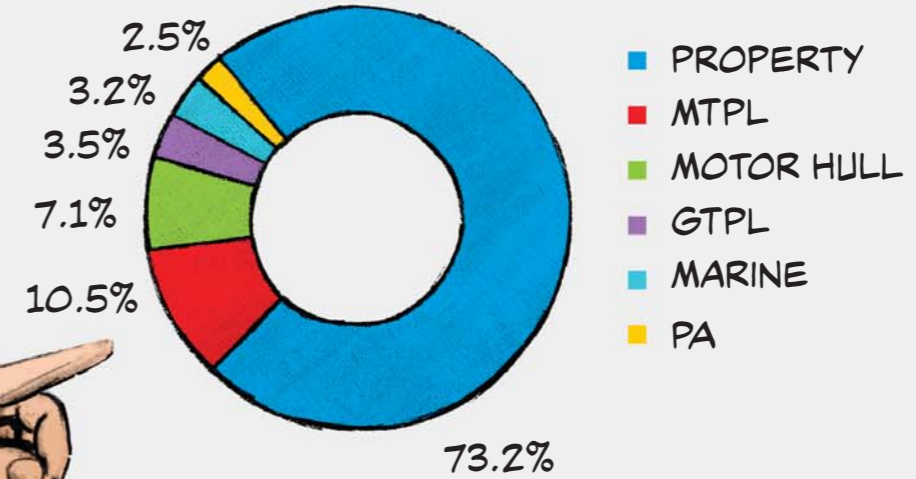
WE ARE PROUD OF OUR 1.6% ADMINISTRATIVE COST RATIO.



WE HAVE MAINTAINED A COMBINED RATIO AT A SUSTAINABLE 97.4%.



GWP PROPERTY / CASUALTY PER LOB AND RETROCEDED AND RETAINED PREMIUM



* WITHOUT LARGELY RETROCEDED BUNDLED REINSURANCE PROGRAMMES FOR VIG COMPANIES

WE WILL CONTINUE TO DO OUR
UTMOST TO REMAIN YOUR RELIABLE
PARTNER. ON BEHALF OF THE
WHOLE TEAM, THANK YOU FOR
YOUR CONFIDENCE IN US.

THANK YOU
FOR TAKING THE
TIME TO GET
TO KNOW OUR
TEAM.

I LOOK
FORWARD TO
MEETING YOU ALL
IN PERSON.



I EXPECT YOU'RE CURIOUS TO KNOW WHERE OUR ROAD
WILL TAKE US. IT WON'T ALWAYS BE STRAIGHT, BUT I AM
CONFIDENT THAT, UNITED AS A TEAM, WE WILL SMOOTHLY
NEGOTIATE THE CHALLENGES THAT LIE AHEAD.



IT IS MY PLEASURE TO
INTRODUCE YOU TO THE
HEROES OF OUR COMIC.

THIS IS OUR BOARD
OF DIRECTORS.



JOHANNES MARTIN HARTMANN
CHAIRMAN OF THE BOARD

- MAIN RESPONSIBILITIES:
- CORPORATE ISSUES
AND LEGAL
 - PROPERTY AND CASUALTY
REINSURANCE
 - REINSURANCE UNDERWRITING
SYSTEMS AND IT



DUŠAN BOGDANOVIĆ
MEMBER OF THE BOARD

- MAIN RESPONSIBILITIES:
- LIFE AND HEALTH
REINSURANCE
 - FINANCE
 - ORGANIZATION
 - VIG RE SUBSIDIARIES



CLAUDIA STRÁNSKÝ
MEMBER OF THE BOARD

- MAIN RESPONSIBILITIES:
- PROTECTION PROGRAMME
 - PROPERTY REINSURANCE -
VIG COMPANIES
 - REINSURANCE ACCOUNTING
 - CLAIMS
 - HUMAN RESOURCES

AND THIS IS OUR
SUPERVISORY BOARD

KARL FINK
CHAIRMAN

HANS-PETER HAGEN
VICE-CHAIRMAN

WOLFGANG EILERS
MEMBER

ROLAND GRÖLL
MEMBER

PETER HÖFINGER
MEMBER

JURAJ LELKES
MEMBER

VLADIMÍR MRÁZ
MEMBER

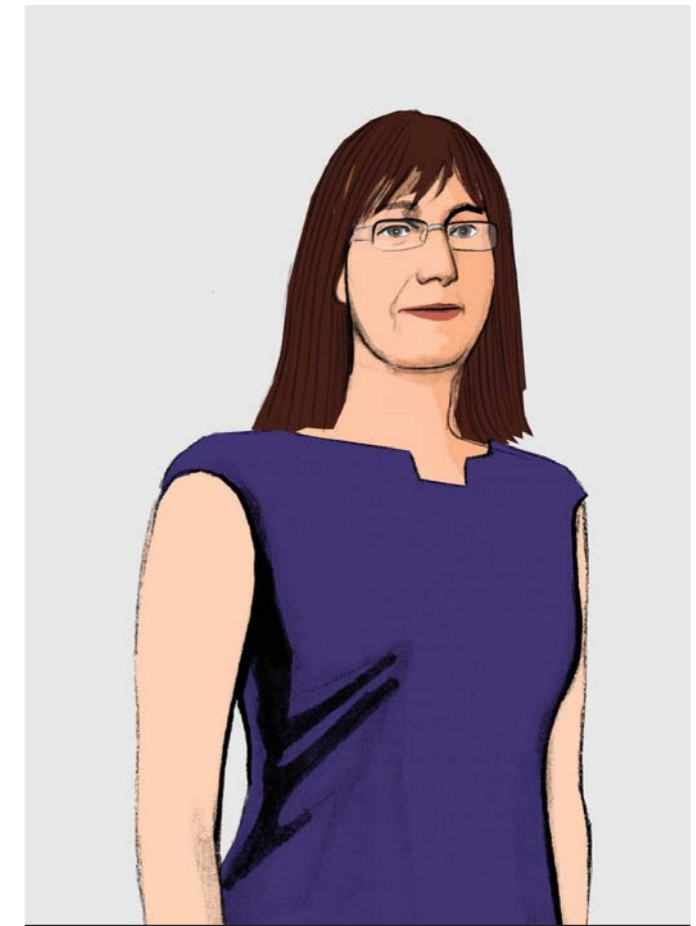
HERE'S OUR
UNDERWRITING
TEAM



MARTIN POSPÍŠIL
UNDERWRITER



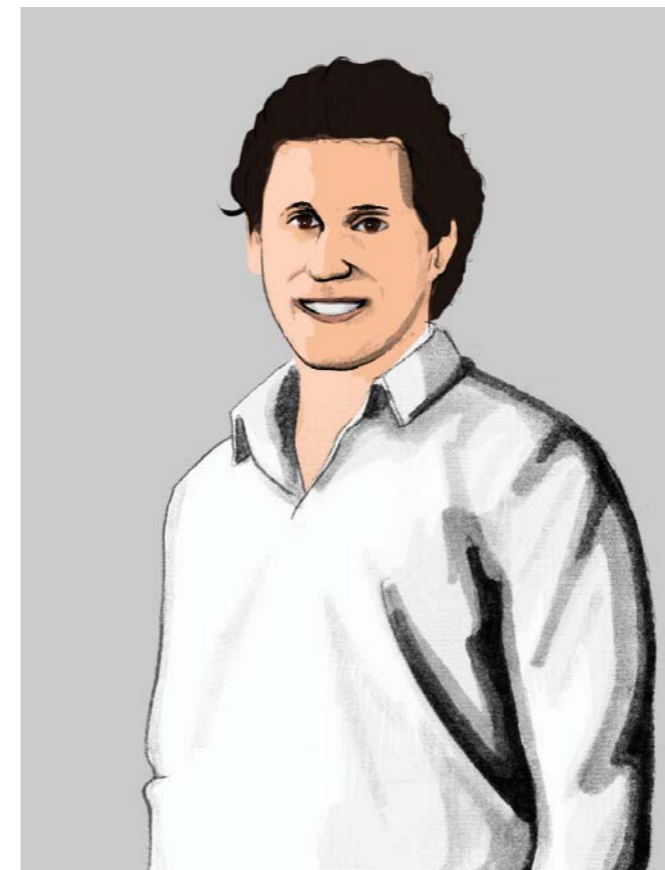
JITKA KYNCLOVÁ
UNDERWRITER



EVA VRBKOVÁ
PERSONAL LINES



ALEXANDER URIAN
UNDERWRITER



PETR MAREŠ
UNDERWRITER,
FACULTATIVE REINSURANCE



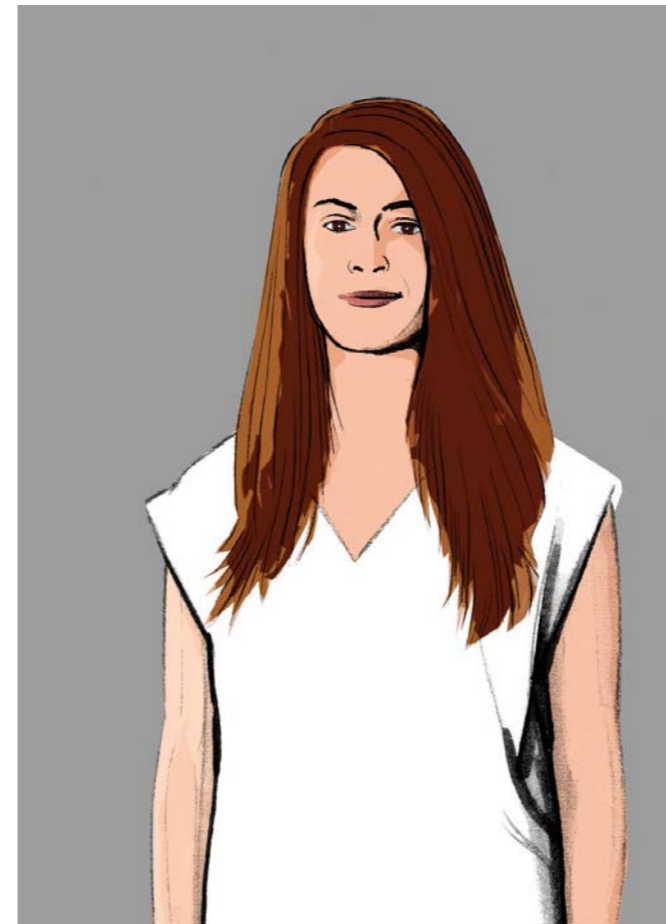
VIERA HORÁKOVÁ
UNDERWRITER



MICHAL TEPLÝ
RETROCESSION



ONDŘEJ ROZTOMILÝ
UNDERWRITER



ANNA TĚŠÍNSKÁ
ASSISTANT UNDERWRITER



MONIKA PŮHONÁ
ASSISTANT UNDERWRITER



PETKO KOEV
UNDERWRITER



JARMILA IVANOVÁ
ASSISTANT UNDERWRITER



ANETA STLOUKALOVÁ
ASSISTANT UNDERWRITER



MICHAELA MRZENOVÁ
ASSISTANT UNDERWRITER

AND THESE
ARE OUR
ACCOUNTANTS



MILAN PŘIBYL
FINANCIAL, ACCOUNTING
AND CLAIMS MANAGER



ZUZANA MÁDROVÁ
FINANCIAL, ACCOUNTING
AND CLAIMS SPECIALIST



LUCIE HOLOMELOVÁ
FINANCIAL, ACCOUNTING
AND CLAIMS SPECIALIST



PETRA VRKOČOVÁ
FINANCIAL, ACCOUNTING
AND CLAIMS SPECIALIST



ZDEŇKA LEDEROVÁ
FINANCIAL, ACCOUNTING
AND CLAIMS ASSISTANT



NIKOLA ROUBALOVÁ
FINANCIAL, ACCOUNTING
AND CLAIMS SPECIALIST



ONDŘEJ BROUKAL
FINANCIAL, ACCOUNTING
AND CLAIMS JUNIOR

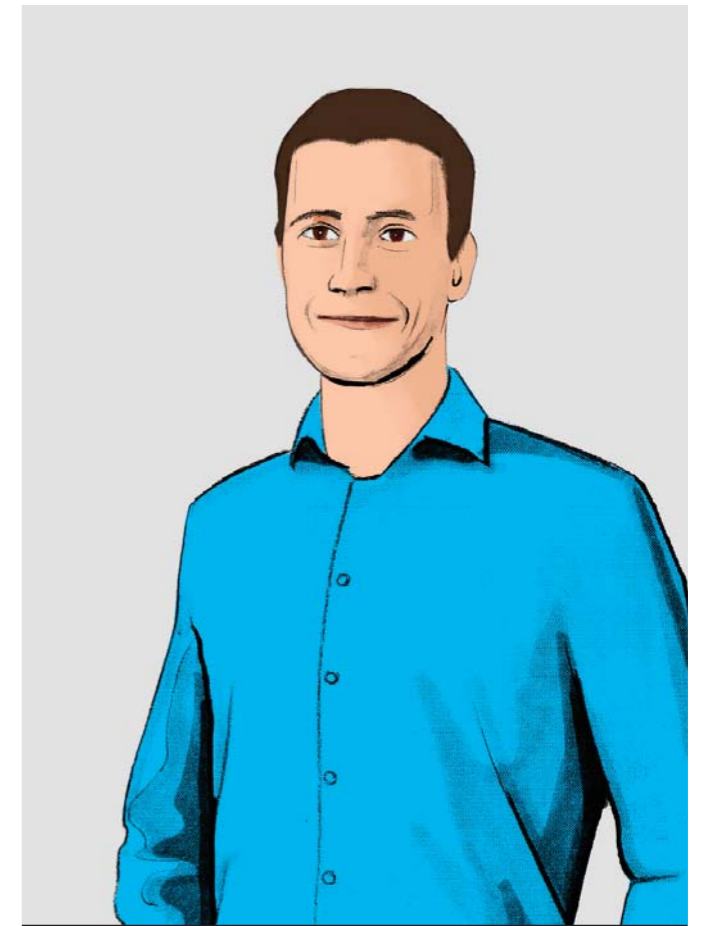
HERE'S
THE OFFICE
TEAM



DUŠAN KLIMEŠ
BOARD OFFICE MANAGER



NATÁLIE KARANOVÁ
ASSISTANT TO THE BOARD



JAKUB VĚŘÍŠ
BUSINESS ANALYST



LENKA HAVRÁNEK MALENKOVÁ
BOARD OFFICE MANAGER



MARCELA VONDRÁKOVÁ
ASSISTANT TO THE BOARD

PROFILE

Our Background

We are a solidly capitalised, CEE-based reinsurance company with a conservative investment strategy and a prudent underwriting and reserving policy.

We have maintained an A+ rating with a stable outlook from Standard & Poor's since our establishment in 2008.

Our Seat

Our headquarters are in Prague.

We are a team of professionals with backgrounds in insurance, reinsurance and CEE.

We understand the challenges our partners face in managing their costs and protection.

Our Offer To You

Fast and effective service is our priority.

We are a performance, not process, driven company.

We write long tail and short tail business, proportional and non-proportional.

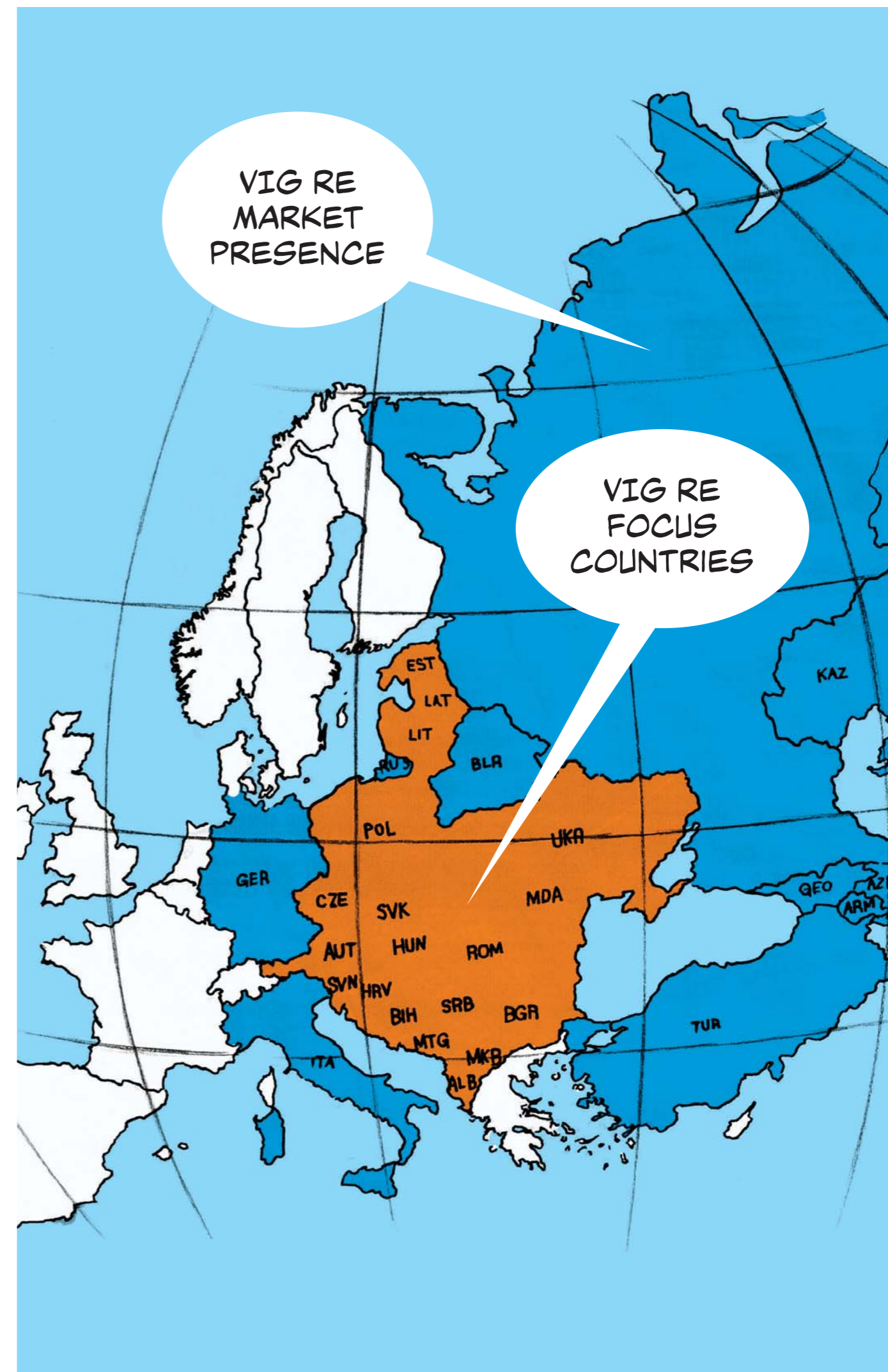
We offer services in property and casualty, life and health, and we also provide facultative reinsurance.

VIG RE KEY FIGURES

(Consolidated Financial Statements)

Income statement	2011	2012	2013
in EUR '000			
Premiums written	292 287	470 914	411 900
Property/Casualty	228 844	281 123	325 032
Life	22 344	145 546	68 698
Health	41 099	44 245	18 170
Combined ratio	95.8%	94.6%	97.4%
Result from investments	14 841	16 452	13 620
Profit before taxes	20 618	24 297	18 367
Profit for the period	16 263	20 181	13 807

Balance sheet	2011	2012	2013
in EUR '000			
Investments	473 318	511 875	413 868
Total assets	591 864	654 875	634 461
Shareholders' equity	119 706	126 978	124 259
Underwriting provisions	407 082	447 451	422 425



SUPERVISORY BOARD REPORT


The Supervisory Board has received from the Board of Directors the Financial statements as of 31 December 2013, and the Report on business activities and the state of the company dating to 31 December 2013, which has been carefully read and reviewed. Based on this review, the Supervisory Board has unanimously agreed to approve the Financial statements prepared by the Board of Directors and also the Board of Directors' proposal for the distribution of profit.

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

In 2013, one ordinary shareholders' meeting, and four meetings of the Supervisory Board were held.

The Supervisory Board hereby informs the shareholders' meeting that the Financial statements for 2013 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, 25 March 2014



.....
Dkfm. Karl Fink
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.

Non-consolidated Financial Statements

On the basis of our audit, on 7 March 2014 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

“We have audited the accompanying financial statements of VIG RE zajišťovna, a.s., which comprise the statement of financial position as of 31 December 2013, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note A.1. to these financial statements.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.”

Consolidated Financial Statements

On the basis of our audit, on 24 March 2014 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 statement of financial position as of 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the 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 International Financial Reporting Standards as adopted by the European Union and for such internal controls as the statutory body determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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



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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of VIG RE zajišťovna, a.s. as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.”

Report on relations between related parties

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of VIG RE zajišťovna, a.s. for the year ended 31 December 2013 prepared in accordance with the applicable provisions of Act No. 513/1991 Coll., the Commercial Code. 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 2013 contains material factual misstatements.

Consolidated Annual Report

We have audited the consistency of the consolidated annual report with the audited non-consolidated and 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 non-consolidated and 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 non-consolidated and consolidated financial statements.

Prague
7 May 2014

KPMG Česká republika Audit

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

Gascoigne

Roger Gascoigne
Partner

Benešová

Romana Benešová
Partner
Licence number 1834

FINANCIAL STATEMENTS

VIG RE ZAJIŠŤOVNA, A.S.

SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2013

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STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2013

ASSETS	Notes	2013	2012
in EUR '000			
Intangible assets	F.1.	1 070	1 211
Property, plant and equipment	F.2.	125	178
Investment in subsidiaries	F.3.	10 722	10 722
Financial investments	F.4.	401 567	503 961
Financial assets held to maturity		194 429	201 112
Financial assets available for sale		67 220	61 507
Loans – Term deposits		1 475	1 233
Deposits due from cedents		138 443	240 109
Trade and other receivables	F.5.	50 220	35 232
Ceded share of reinsurance liabilities	F.6.	141 105	77 092
Other assets	F.8.	936	1 033
Deferred acquisition costs	F.9.	3 210	3 375
Cash and cash equivalents	F.10.	6 134	2 901
TOTAL ASSETS		615 089	635 705

EQUITY AND LIABILITIES	Notes	2013	2012
Shareholders' equity	F.11.		
Share capital		101 958	101 958
Other components of equity		4 908	3 782
Retained earnings		17 185	21 295
TOTAL EQUITY		124 051	127 035
Reinsurance liabilities		413 786	438 819
Unearned premiums	F.12.	19 668	20 174
Outstanding claims	F.13.	262 394	186 568
Life reinsurance provision	F.14.	131 724	135 297
Other	F.15.	0	96 780
Provisions		0	0
Financial liabilities	F.16.	9	0
Payables	F.17.	75 540	67 827
Deferred tax liabilities	F.7.	94	231
Current tax liabilities	F.26.	413	896
Other liabilities	F.18.	1 196	897
TOTAL LIABILITIES		491 038	508 670
TOTAL EQUITY AND LIABILITIES		615 089	635 705

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

Income Statement	Notes	2013	2012
in EUR '000			
Premiums	F.19.		
Premiums written – Gross		390 890	450 259
Premiums written – Ceded		-145 177	-124 546
Premiums written – Retention			
Change due to provision for premiums – Gross		1 164	-1 859
Change due to provision for premiums – Ceded		1 002	841
Net earned premiums		247 879	324 695
Investment Result	F.20.		
Investment and interest income		15 422	16 897
Investment and interest expenses		-1 855	-1 207
Total investment result		13 567	15 690
Other income	F.21.	1 223	402
Claims and insurance benefits	F.22.		
Expenses for claims and insurance benefits – Gross		-258 777	-198 051
Expenses for claims and insurance benefits – Ceded		70 754	8 909
Claims and insurance benefits – retention			
Change in claims and other reinsurance liabilities – Gross		-59 040	-80 050
Change in claims and other reinsurance liabilities – Ceded		62 875	7 707
Total expenses for claims and insurance benefits		-184 188	-261 485
Acquisition expenses			
Commission expenses	F.23.	-70 336	-59 551
Other acquisition expenses		-868	-743
Change in deferred acquisition expenses		532	186
Commission income from retrocessionaires		12 972	7 540
Total acquisition expenses		-57 700	-52 568
Other operating expenses	F.24.	-2 816	-2 727
Other expenses	F.25.	-20	-389
Profit before taxes		17 945	23 618
Tax expense	F.26.	-4 437	-4 044
Profit for the period		13 508	19 574
Attributable to owners of the Company		13 508	19 574
Attributable to owners of non-controlling interest		0	0

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

Statement of comprehensive income	2013			2012		
in EUR '000	Gross	Tax*)	Net	Gross	Tax*)	Net
Profit for the period	17 945	-4 437	13 508	23 618	-4 044	19 574
Other comprehensive income						
Gains (losses) recognized in equity– Available for sale financial assets	182	-35	147	2 216	-421	1 795
Other comprehensive income for the year	182	-35	147	2 216	-421	1 795
Comprehensive income for the period	18 127	-4 472	13 655	25 834	-4 465	21 369
Attributable to owners of the Company	18 127	-4 472	13 655	25 834	-4 465	21 369
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 2013

Shareholders' equity	Share capital	Available for sale reserve	Legal and statutory reserves	Other reserves	Retained earnings	Shareholders' equity attributable to owners of the Company
in EUR '000						
As of 1 January 2013	101 958	1 353	2 429		21 295	127 035
Total comprehensive income for the period		147			13 508	13 655
Dividends					-16 639*)	-16 639
Allocation to legal and statutory reserves			979		-979	
As of 31 December 2013	101 958	1 500	3 408		17 185	124 051

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

*) Dividend per share was EUR 666.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

Cash flow statement	Notes	2013	2012
in EUR '000			
Profit for the period		17 945	23 618
Adjustments to profit for the period			
– interest and other investment income		-9 467	-15 135
– exchange differences		1 330	-399
– depreciation		393	191
– change in deferred acquisition costs		165	186
– dividends		-571	-72
Cash flows from operating activities			
Change in reinsurance liabilities		-25 033	37 294
Change in ceded share of reinsurance liabilities		-64 013	-3 135
Change in receivables		-14 988	-10 694
Change in deposits due from cedents		101 424	-3 777
Change in payables		7 713	15 291
Change in provisions		0	-218
Change in other assets and liabilities		396	-354
Income tax paid		-5 062	-4 853
Net cash flow from operating activities		10 232	37 943
Cash flows from investing activities			
Interest received		8 995	14 335
Dividends received		543	72
Subscription to share capital		0	-500
Payment for acquisition of intangible assets and property, plant and equipment		-270	-114
Cash proceeds from the sale of intangible assets and property, plant and equipment		78	44
Payment for acquisition of available for sale financial assets		-78 440	-45 714
Cash proceeds from the sale of available for sale financial assets		73 675	15 073
Payment for acquisition of held to maturity financial assets		0	-16 501
Cash proceeds from the maturity/sale of held to maturity financial assets		5 167	4 239
Net cash flow from investing activities		9 748	-29 066
Cash flows from financing activities			
Dividend payment		-16 639	-14 292
Net cash flow from financing activities		-16 639	-14 292
Net change in cash and cash equivalents		3 341	-5 415
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at beginning of period		2 901	8 316
Foreign currency translation differences on cash balances		-108	
Net change in cash and cash equivalents		3 341	-5 415
Cash and cash equivalents at end of period		6 134	2 901

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	
	2013	2012	2013	2012	2013	2012	2013	2012
in EUR '000								
Premiums written – Gross	304 098	260 497	18 170	44 245	68 622	145 517	390 890	450 259
Premiums written – Ceded	-144 391	-123 681			-786	-865	-145 177	-124 546
Change due to provision for premiums – Net	1 392	-1 072		-23	774	77	2 166	-1 018
1. Net earned premiums	161 099	135 744	18 170	44 222	68 610	144 729	247 879	324 695
Interest revenue	8 962	5 476	11	3 988	5 633	5 533	14 606	14 997
Other income and expense from investments	960	500	1	263	78	-70	1 039	693
2. Investment result	8 002	5 976	10	4 251	5 555	5 463	13 567	15 690
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Gross	-249 066	-105 371	-1 251	-29 277	-67 500	-143 453	-317 817	-278 101
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	133 447	16 583			182	33	133 629	16 616
3. Claims and insurance benefits	-115 619	-88 788	-1 251	-29 277	-67 318	-143 420	-184 188	-261 485
Commission expenses including change in deferred acquisition expenses	-60 692	-51 309	-6 926	-5 486	-2 186	-2 570	-69 804	-59 365
Other acquisition expenses	-647	-474	-39	-80	-182	-189	-868	-743
Commission income from retrocessionaires	12 698	7 168			274	372	12 972	7 540
4. Acquisition expenses	-48 641	-44 615	-6 965	-5 566	-2 094	-2 387	-57 700	-52 568
Operating profit measured on the segment basis	4 841	8 317	9 964	13 630	4 753	4 385	19 558	26 332
5. Administrative expenses	-2 313	-1 858	-138	-315	-365	-554	-2 816	-2 727
Operating profit	2 528	6 459	9 826	13 315	4 388	3 831	16 742	23 605
6. Other income							1 223	402
7. Other expenses							-20	-389
Profit before tax							17 945	23 618
Income tax							-4 437	-4 044
Profit after tax							13 508	19 574

The investment result was allocated among individual segments based on the balance of reinsurance liabilities as of 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL INFORMATION

A.1. DESCRIPTION OF THE COMPANY

VIG RE zajišťovna, a.s. (the "Company" or "VIG Re") was the first professional reinsurance company to be 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, 110 01. VIG Re received a licence to carry out reinsurance business and related activities on 8 August 2008 and has engaged in 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 2013:

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

The members of the Board of Directors as of 31 December 2013 were as follows:

Chairman:	Johannes Martin Hartmann, Munich, Germany
Member:	Claudia Stránský, Vienna, Austria
Member:	Dušan Bogdanović, Belgrade, Serbia

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

The members of the Supervisory Board as of 31 December 2013 were as follows:

Chairman:	Karl Fink, Vienna, Austria
Vice-Chairman:	Hans-Peter Hagen, Vienna, Austria
Member:	Peter Höfingler, Vienna, Austria
Member:	Vladimír Mráz, 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

Based on current legislation (563/1991 Sb., § 19a/7), the Company keeps accounts and prepares 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, i.e. 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, as well as 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 judgements about the carrying values of assets and liabilities that cannot readily be determined from other sources. The actual values may differ from these estimates.

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

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

B. SIGNIFICANT ACCOUNTING POLICIES

B.1. INTANGIBLE ASSETS

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

Intangible assets are amortized using the straight-line method.

B.2. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

<u>Item</u>	<u>Useful lives of assets</u>
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 expense" 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 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

The 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 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 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 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.

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 reinsurance 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 composed 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 the 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 the ageing provision in the health and reinsurance provision for contractual non-discretionary bonuses in non-life business. These provisions are calculated according to reinsurance contracts. The assumptions used for the calculation of the provisions are very conservative so that they are sufficient and include enough safety margins. Furthermore, in health insurance business, 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, where appropriate, the gender of the insured. This provision represents the value of the Company's liabilities calculated using actuarial methods.

The provision for contractual non-discretionary bonuses in non-life business covers future benefits in the form of additional payments to original policyholders or reductions in policyholders' payments, which are a result of 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

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

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

Outward ceded premiums are recognized as an expense.

B.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 financial asset and the sale price, adjusted for any cumulative gain or loss that had been recognized directly in the 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 the provision for outstanding claims and other technical provisions are also shown in the expenses for claims item as well as bonuses and rebates.

Bonuses comprise all amounts chargeable for the financial year, representing 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 insurance contracts. Moreover, the life reinsurance contracts transfer significant insurance risk (death benefits) and therefore they are regarded 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 focused not only on managing underwriting risk, but also on explicitly recognizing 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 2013:

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.

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 IFRS. 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 IFRS 13 does not have a material impact on the disclosures in the notes to financial statements since the methods and assumptions currently used to measure the fair value of assets are consistent with IFRS 13.

Standards not yet in force

IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements¹

(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.)

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 Company 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 in its consolidated financial statements.

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 consolidated financial statements.

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

IFRS 12 Disclosure of Interests in Other Entities²

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively, except not required to present comparative information for unconsolidated structured entities for any periods before the first annual period for which IFRS 12 is applied. 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.

¹ *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) issued on 31 October 2012 by the IASB have NOT been endorsed by the EU as at 21 August 2013. This amendment provides consolidation relief for qualifying investment entities.*

² *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.*

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. In addition, 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 a 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.)

Limited amendments are 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 not be remeasured.

The entity does not expect the amendments to the Standard to have a 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, although 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 amendments to IAS 32.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

(Effective for annual periods beginning on or after 1 January 2014; early adoption is permitted; to be applied retrospectively subject to transitional provisions.)

The Amendments provide an exception to the consolidation requirements in IFRS 10 and require qualifying investment entities to measure their investments in controlled entities – as well as investments in associates and joint ventures – at fair value through profit or loss, rather than consolidating them.

The consolidation exemption is mandatory (i.e. not optional), with the only exception being that subsidiaries that are considered as an extension of the investment entity's investing activities, must still be consolidated.

An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity. According to these essential elements an investment entity

- obtains funds from investors to provide those investors with investment management services;
- commits to its investors that its business purpose is to invest for returns solely from appreciation and/or investment income; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

The amendments also set out disclosure requirements for investment entities.

The Company does not expect the new standard to have any impact on the financial statements, since does not qualify as an investment entity.

Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted, although the entity must not apply the amendments in periods (including comparative periods) in which it does not also apply IFRS 13.)

The Amendments clarify that a recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognized or reversed during the period.

The Amendments also require the following additional disclosures when an impairment for individual assets (including goodwill) or cash-generated units has been recognized or reversed in the period and the recoverable amount is based on fair value less costs to disposal:

- the level of IFRS 13 “Fair value hierarchy”, within which the fair value measurement of the asset or cash-generating unit is categorized;
- for fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique together with the reason for making it;
- for fair value measurements categorized within Level 2 and Level 3, each key assumption (i.e. assumptions to which the recoverable amount is most sensitive) used in determining fair value less costs of disposal. If fair value less costs of disposal is measured using a present value technique, discount rate(s) used both in current and previous measurement should be disclosed.

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

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively³. Earlier application is permitted, although the entity must not apply the amendments in periods (including comparative periods) in which it does not also apply IFRS 13.)

The Amendments allow hedge accounting to continue in a situation where a derivative which has been designated as a hedging instrument is novated to effect clearing with a central counterparty as a result of laws and regulations, subject to compliance with the following criteria:

- the novation is made as a consequence of laws or regulations;
- a clearing counterparty becomes a new counterparty to each of the original counterparties of the derivative instrument;
- changes to the terms of the derivative are limited to those necessary to replace the counterparty.

The entity does not expect the new standard to have any impact on the financial statements, since it does not novate derivatives designated as hedging instruments to central counterparties as a consequence of laws and regulations.

³ Although the amendments are applied retrospectively, if an entity had previously discontinued hedge accounting as a result of a novation, the previous hedge accounting (pre-novation) for that relationship cannot be reinstated. This is because doing so would be consistent with the requirements for hedge accounting – i.e. hedge accounting cannot be applied retrospectively.

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 are 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 (ILR) methodology, 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 Professor 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 are 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, 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 an 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 2013 the majority of reinsurance assumed was from VIG Group companies. VIG Re writes long tail as well as short tail business, both proportional and non-proportional reinsurance business, and also provides facultative reinsurance.

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

E.2.2. INSURANCE RISKS

The Company assumes insurance risks transferred from client to insurer and, through a reinsurance contract, to VIG Re. The risk under any one reinsurance contract is the possibility that the insured event will occur. 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, vehicle 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 on its net, 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 comprehensive 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.

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 the 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. 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 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'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.

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	
	2013	2012	2013	2012
in EUR '000				
Individually impaired:				
Gross amount	0	0	0	0
Carrying amount	0	0	0	0
Collectively impaired:				
Gross amount	0	0	0	0
Carrying amount	0	0	0	0
Past due but not impaired:				
Gross amount				
Up to 30 days after maturity	31 092	30 915	0	0
31 days to 90 days after maturity	7 945	2 237	0	0
91 days to 180 days after maturity	7 192	1 254	0	0
181 days to 1 year after maturity	3 630	466	0	0
1 year to 2 years after maturity	361	360	0	0
Neither past due nor impaired – carrying amount	0	0	548 806	583 954
Total carrying amount	50 220	35 232	548 806	583 954

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.

Standard & Poor's rating	2013					Carrying value in balance sheet
	AAA	AA	A	B / BB / BBB	No Rating	
in EUR '000						
Financial investments*)	34 666	27 554	176 731	8 211	15 962	263 124
Deposits due from cedents	0	100 719	37 718	0	6	138 443
Cash and cash equivalents	0	0	0	0	6 134	6 134
Receivables from reinsurance and ceded share of reinsurance liabilities	0	72 428	101 095	8 727	8 696	190 946
Other receivables	0	0	0	0	379	379
Total	34 666	200 701	315 544	16 938	31 177	599 026
<i>In %</i>	<i>5.79</i>	<i>33.50</i>	<i>52.68</i>	<i>2.83</i>	<i>5.20</i>	<i>100</i>

*) Except for deposits due from cedents

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	0	0	97 016	0	143 093	240 109
Cash and cash equivalents	0	0	0	0	2 901	2 901
Receivables from reinsurance and ceded share of reinsurance liabilities	0	45 748	35 069	6 678	24 692	112 187
Other receivables	0	0	0	0	137	137
Total	31 407	75 707	319 728	8 679	183 665	619 186
<i>In %</i>	<i>5.07</i>	<i>12.23</i>	<i>51.64</i>	<i>1.40</i>	<i>29.66</i>	<i>100</i>

*) 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 (the 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

2013

	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	53 405	103 552	122 192	102 933	19 485	401 567
Financial assets held to maturity	37 123	69 500	60 304	27 502		194 429
Financial assets available for sale	0	6 114	28 819	12 802	19 485	67 220
Loans – Term deposits	0	1 475	0	0	0	1 475
Deposit due from cedents*)	16 282	26 463	33 069	62 629	0	138 443
Receivables	49 841	0	0	0	0	49 841
Ceded share of reinsurance liabilities*)	74 257	25 860	23 527	17 461	0	141 105
Cash and cash equivalents	6 134	0	0	0	0	6 134
Other receivables	379	0	0	0	0	379
Total	184 016	129 412	145 719	120 394	19 485	599 026

*) 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.

	2013				Carrying value in balance sheet
	Up to one year	From one to five years	From five to ten years	More than ten years	
in EUR '000					
Reinsurance liabilities*)	149 913	89 570	79 137	95 166	413 786
Unearned premiums	19 668	0	0	0	19 668
Outstanding claims	120 366	63 225	46 206	32 597	262 394
Life reinsurance provision	9 879	26 345	32 931	62 569	131 724
Other	0	0	0	0	0
Payables	74 017	0	0	0	74 017
Tax liabilities	413	0	0	0	413
Other liabilities	1 523	0	0	0	1 523
Total	225 866	89 570	79 137	95 166	489 739

*) 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

	2012					Carrying value in balance sheet
	Up to one year	From one to five years	From five to ten years	More than ten years	Not specified	
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	0	201 112
Financial assets available for sale	389	6 121	20 892	0	34 105	61 507
Loans – Term deposits	893	340	0	0	0	1 233
Deposit due from cedents*)	19 128	27 259	34 054	159 668	0	240 109
Receivables	35 095	0	0	0	0	35 095
Ceded share of reinsurance liabilities*)	26 947	15 765	19 663	14 717	0	77 092
Cash and cash equivalents	2 901	0	0	0	0	2 901
Other receivables	137	0	0	0	0	137
Total	95 928	121 959	166 139	201 055	34 105	619 186

*) 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

	2012				Carrying value in balance sheet
	Up to one year	From one to five years	From five to ten years	More than ten years	
in EUR '000					
Reinsurance liabilities*)	104 325	80 678	69 215	184 601	438 819
Unearned premiums	20 174	0	0	0	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	0	0	95 275	96 780
Other liabilities – issued bonds	0	0	0	0	0
Payables	67 387	0	0	0	67 387
Tax liabilities	896	0	0	0	896
Other liabilities	440	0	0	0	440
Total	173 048	80 678	69 215	184 601	507 542

*) 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 to maturity; the AFS debt securities portfolio represents the lower part.
- 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 a currency other 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:

Currency	2013		
	Total Assets	Total Liabilities	Net Amount
in EUR '000			
EUR	585 832	456 324	129 508
CZK	17 408	10 950	6 458
USD	3 593	5 485	-1 892
TRY	3 385	4 641	-1 256
PLN	3 136	5 883	-2 747
Other	1 735	7 755	-6 020
Total	615 089	491 038	124 051

A 10% negative movement in exchange rates can result in a total profit of 545.79 TEUR.

Such a EUR/CZK change can cause a loss of 646 TEUR, and in EUR/HUF a profit of 544 TEUR.

Currency	2012		
	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

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.

2013	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Not specified	Total
in EUR '000								
Financial instruments								
Financial assets available for sale – debt securities	2.97%	0	6 114	0	0	41 621	0	47 735
Financial assets available for sale – investment funds		0	0	0	0		19 485	19 485
Financial assets held to maturity – debt securities	4.33%	17 783	19 340	28 458	41 042	87 806	0	194 429
Loans – Term deposits	6.47%	0	0	0	1 475	0	0	1 475
Deposit due from cedents	3.37%	0	16 282	26 463	0	95 698	0	138 443
Cash and cash equivalents		6 134	0	0	0	0	0	6 134
Total financial assets		23 917	41 736	54 921	42 517	225 125	19 485	407 701

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%	0	6 141	0	0	21 261	0	27 402
Financial assets available for sale – investment funds		0	0	0	0	0	34 105	34 105
Financial assets held to maturity – debt securities	4.28%	0	11 337	38 684	31 036	120 055	0	201 112
Loans – Term deposits	6.43%	19	873	110	231	0	0	1 233
Deposit due from cedents	2.89%	0	19 128	27 259	0	193 722	0	240 109
Cash and cash equivalents		2 901	0	0	0	0	0	2 901
Total financial assets		2 920	37 479	66 053	31 267	335 038	34 105	506 862

E.5.3. EQUITY RISK

The Company also invests a 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 per cent 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 is reduced 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	2013	2012
in EUR '000		
Market value of portfolio	291 552	275 321
Historical VaR 60d; 99%	10 050	11 070
Relative VaR (%) 60d; 99%	3.45%	4.02%

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

VaR excluding HTM as of 31 December	2013	2012
in EUR '000		
Market value of portfolio	62 087	58 610
Historical VaR 60d; 99%	3 164	1 405
Relative VaR (%) 60d; 99%	5.10%	2.40%

The VaR figures can be interpreted as giving a 1% probability that the portfolio will fall in value by more than 10 050 TEUR or 3 164 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 and Regulation No 434/2004, 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		2013	2012
in EUR '000			
Required solvency margin	Life and non-life reinsurance	51 084	68 005
Available solvency elements	Life and non-life reinsurance	122 980	115 101

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	2013	2012
in EUR '000		
Software and licences	1 070	1 211
Total intangible assets	1 070	1 211

2013	Software	Licence	Total
in EUR '000			
Balance as of 1 January	85	1 705	1 790
Additions	246	0	246
Balance as of 31 December	331	1 705	2 036
Balance as of 1 January	71	508	579
Amortization	217	170	387
Balance as of 31 December	288	678	966
Book value as of 1 January	14	1 197	1 211
Book value as of 31 December	43	1 027	1 070

2012	Software	Licence	Total
in EUR '000			
Balance as of 1 January	85	1 705	1 790
Additions	0	0	0
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

F.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment – 2013	Vehicles	Other	Total
in EUR '000			
Balance as of 1 January	74	186	260
Additions	0	31	31
Disposals	0	78	78
Balance as of 31 December	74	139	213
Balance as of 1 January	30	52	82
Depreciation	16	23	39
Disposals	0	33	33
Balance as of 31 December	46	42	88
Book value as of 1 January	44	134	178
Book value as of 31 December	28	97	125

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

F.3. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries	31 December 2013	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				

Investment in subsidiaries	31 December 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				

Investment in subsidiaries	Date of acquisition	Assets acquired	Liabilities acquired
in EUR '000			
MuVi Re S.A.	24 October 2008	5 263	855
Wiener Re a.d.o. Serbia	22 July 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	2013	2012
in EUR '000		
Available for sale financial assets	67 220	61 507
Held to maturity financial assets	194 429	201 112
Loans and receivables	139 918	241 342
Total	401 567	503 961

F.4.1. FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale	2013	2012
in EUR '000		
Debt securities		
Government bonds	47 735	27 403
Investment funds	14 482	29 101
Shares in other related parties	5 003	5 003
Total	67 220	61 507

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	46 355	0	1 380	0	47 735
Investment funds	14 010	0	472	0	14 482
Shares in affiliated non-consolidated companies	5 003	0	0	0	5 003
Fair value hierarchy	Level 1	Level 2	Level 3		Total
Financial assets available for sale	62 217	0	5 003		67 220

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

Level 2 represents marked-to-market – the comparable financial instrument is calculated 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 the 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	2013	2012
in EUR '000		
Debt securities		
Government bonds	176 691	187 520
Other public sector bonds	500	503
Corporate bonds	11 085	13 089
Bonds from banks	6 153	0
Total	194 429	201 112

Financial assets held to maturity	Carrying amount	Fair value
in EUR '000		
Debt securities		
Government bonds	176 691	194 784
Other public sector bonds	500	511
Corporate bonds	11 085	12 560
Bonds from banks	6 153	6 199
Total	194 429	214 054

F.4.3. LOANS AND DEPOSITS

Loans and deposits	2013	2012
in EUR '000		
Loans – Term deposits	1 475	1 233
Deposits due from cedents	138 443	240 109
Total	139 918	241 342

Deposits due from cedents in relation to reinsurance liabilities

in EUR '000			
Assets		Liabilities	
Deposits due from cedents	138 443	Unearned premiums	5 505
		Outstanding claims	1 368
		Life reinsurance provision	131 570
Total gross	138 443		138 443

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	2013	2012
in EUR '000		
Receivables arising out of assumed reinsurance – cedents	29 470	33 430
Receivables arising out of reinsurance operations – retrocession	20 370	1 665
Trade and other receivables	377	136
Prepayments	3	1
Total gross	50 220	35 232
Impairment		
Total net	50 220	35 232

F.6. CEDED SHARE OF REINSURANCE LIABILITIES

Ceded share of reinsurance liabilities	2013	2012
in EUR '000		
Unearned premiums	4 444	3 288
Outstanding claims	136 661	73 804
Total	141 105	77 092

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	2013		2012	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Balance sheet position				
Property, plant and equipment	0	4	0	4
Intangible assets	0	161	0	230
Provisions	71	0	3	0
Total	71	165	3	234
Net Balance		94		231

Movement in deferred tax	2013	2012
Net deferred tax assets/(liability) – opening balance	231	115
Deferred tax (expense)/income for the period	-137	116
Net deferred tax asset/(liability) – closing balance	94	231

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, i.e. 19% for the year in question (2012: 19%).

F.8. OTHER ASSETS

Other Assets	2013	2012
in EUR '000		
Prepaid expenses	936	1 033
Total	936	1 033

F.9. DEFERRED ACQUISITION COSTS

Development of DAC	2013	2012
in EUR '000		
Book value – opening balance	3 375	3 562
Costs deferred during the current year	2 779	2 827
DAC released during the current year	2 870	3 014
FX translation	-74	0
Book value – closing balance	3 210	3 375

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

F.10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2013	2012
in EUR '000		
Cash and cash equivalents	6	2
Cash at bank	6 128	2 899
Total	6 134	2 901

F.11. SHAREHOLDERS' EQUITY

Share capital	2013	2012
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 – 2013	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	20 174	3 288	16 886
Premiums written during the current year	390 890	145 177	245 713
Less premiums earned during the current year	-392 054	-144 175	-247 879
Novation	0	0	0
Effect of clean cut	1 046	178	868
FX translation	-388	-24	-364
Book value – closing balance	19 668	4 444	15 224

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

Unearned premium provision – 2012	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	17 462	2 530	14 932
Premiums written during the current year	450 259	124 546	325 713
Less premiums earned during the current year	-448 400	-123 705	-324 695
Novation	0	0	0
Effect of clean cut	570	-83	653
FX translation	283	0	283
Book value – closing balance	20 174	3 288	16 886

F.13. OUTSTANDING CLAIMS

Provisions (RBNS, IBNR) – 2013	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	186 568	73 804	112 764
Claims incurred and reported	338 274	133 686	204 588
Less claims paid	-258 777	-70 754	-188 023
Novation	0	0	0
Effect of clean cut	-1 960	0	-1 960
FX translation	-1 711	-75	-1 636
Book value – closing balance	262 394	136 661	125 733

**Claims development table – Property/
casualty on a gross basis**

	UY 2013	UY 2012	UY 2011	UY 2010	UY 2009	Total
in EUR '000						
Estimate of total cumulative claims at the end of the year	248 954	99 028	69 418	206 227	155 120	
One year later		115 795	82 973	214 401	175 798	
Two years later			79 040	217 175	177 081	
Three years later				209 765	167 027	
Four year later					161 648	
Estimate of cumulative claims	248 954	115 795	79 040	209 765	161 648	815 202
Cumulative payment	127 445	71 422	49 520	167 007	137 694	553 088
Value recognized in balance sheet	121 509	44 373	29 520	42 758	23 954	262 114

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 (0.28 MIO EUR) and life (2.08 MIO EUR) are not included in the above table due to their relative insignificance.

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	0	0	0
Effect of clean cut	-4 463	-5 329	866
FX translation	585	0	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 underwriting year	99 028	69 418	206 227	155 120	
One year later		82 973	214 401	175 798	
Two years later			217 175	177 081	
Three years later				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	285 785
Value recognized in balance sheet	53 518	39 969	54 760	32 171	180 418

F.14. LIFE REINSURANCE PROVISION

Life reinsurance provision

	2013	2012
in EUR '000		
Gross	131 724	135 297
Retrocession	0	0
Net	131 724	135 297

Development in 2013

	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	135 297	0	135 297
Additions	879	0	879
Disposals	4 452	0	4 452
Book value – closing balance	131 724	0	131 724

Development in 2012

	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	133 763	0	133 763
Additions	1 534	0	1 534
Book value – closing balance	135 297	0	135 297

F.15. OTHER

Other provisions consist of health insurance provisions.

Ageing reserves	2013	2012
in EUR '000		
Gross	0	95 275
Retrocession	0	0
Net	0	95 275*)

*) Cancellation of health treaty with Wiener Städtische.

Development in 2013	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	95 275	0	95 275
Disposals	95 275	0	95 275
Book value – closing balance	0	0	0

Development in 2012	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	90 056	0	90 056
Additions	5 219	0	5 219
Book value – closing balance	95 275	0	95 275

Reserves for premium and rebates	2013	2012
in EUR '000		
Gross	0	1 505
Retrocession	0	0
Net	0	1 505

Development in 2013	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	1 505	0	1 505
Disposals	1 505	0	1 505
Book value – closing balance	0	0	0

Development in 2012	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	1 505	0	1 505
Additions	0	0	0
Book value – closing balance	1 505	0	1 505

F.16. FINANCIAL LIABILITIES

Financial liabilities	2013	2012
in EUR '000		
FX Derivative revaluation	9	0
Total	9	0

F.17. PAYABLES

Payables	2013	2012
in EUR '000		
Payables arising out of reinsurance operations – cedents	61 316	57 546
Payables arising out of reinsurance operations – retrocession	12 701	9 841
Trade payables	1 118	82
Wages and salaries	86	242
Social security and health insurance	53	71
Other payables	266	45
Total	75 540	67 827

F.18. OTHER LIABILITIES

Other liabilities	2013	2012
in EUR '000		
Accruals	1 196	897
Total	1 196	897

F.19. PREMIUMS

Premiums written – Reinsurance premiums	Property/Casualty 2013	Health 2013	Life 2013	Total 2013
in EUR '000				
Gross				
Austria	134 399	16 434	12 243	163 076
Czech Republic	49 540	0	104	49 644
Slovakia	23 896	0	686	24 582
Romania	19 059	0	150	19 209
Poland	18 385	0	48 986	67 371
Hungary	7 997	0	114	8 111
Kazakhstan	7 768	0	0	7 768
Germany	7 741	739	328	8 808
Turkey	7 249	997	0	8 246
Serbia	5 130	0	24	5 154
Croatia	4 567	0	5 805	10 372
Other*)	18 367	0	182	18 550
Premiums written	304 098	18 170	68 622	390 890
Retroceded premiums	-144 391	0	-786	-145 177
Premiums written – retained	159 707	18 170	67 835	245 713

*) "Other" comprises the following countries: Albania, Azerbaijan, Bosnia, Bulgaria, Estonia, Georgia, United Kingdom, Italy, Kosovo, Latvia, Lithuania, Luxemburg, Macedonia, Moldova, Montenegro, Russia, Slovenia, Switzerland and Ukraine.

Premiums written – Reinsurance premiums	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	0	99	44 993
Slovakia	23 556	0	536	24 092
Romania	20 284	0	10	20 294
Hungary	11 307	0	133	11 440
Poland	10 077	0	123 761	133 838
Turkey	8 485	1 022	0	9 507
Germany	7 174	734	268	8 176
Croatia	5 160	0	6 362	11 522
Other*)	17 845	0	221	18 066
Premiums written	260 497	44 245	145 517	450 259
Retroceded premiums	-123 681	0	-865	-124 546
Premiums written – retained	136 816	44 245	144 652	325 713

*) "Other" comprises the following countries: Albania, Baltic, Bosnia, Bulgaria, Estonia, Georgia, United Kingdom, Italy, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Russia, Serbia, Slovenia, Switzerland, and Ukraine.

In 2013 the Company wrote premiums of 343.4 MIO EUR from VIG Group companies and 47.4 MIO EUR from external parties (2012: 417.8 MIO EUR from VIG Group companies and 32.4 MIO EUR from external parties).

In 2012 the Company entered into a new single premium Q/S treaty agreement with written premiums of 49 MIO EUR in 2013 (2012: 123 MIO EUR) with the related party Benefia Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Poland.

Premiums written – Reinsurance premiums	Gross 2013	Ceded 2013	Net 2013
in EUR '000			
Property/Casualty			
MTPL	32 073	-11 271	20 802
Other motor vehicle reinsurance	19 106	-175	18 931
Casualty	5 430	-4 213	1 217
Liability	10 075	-1 347	8 728
Property	228 252	-123 421	104 831
Marine	9 162	-3 964	5 198
Premiums written	304 098	-144 391	159 707

Premiums written – Reinsurance premiums	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
Premiums written	260 497	-123 681	136 816

F.20. INVESTMENT RESULT

Investment Income	2013	2012
in EUR '000		
Interest income		
Loans and term deposits	92	33
Deposits due from cedents	4 865	5 955
Financial investments held to maturity	8 303	8 334
Financial investments available for sale	1 347	675
FX gains	0	464
FX derivative revaluation	0	892
Total current income	14 607	16 353
Gains from the disposal of financial investments	0	0
Financial investments held to maturity	0	0
Financial investments available for sale	439	259
Total gains from disposals of investments	439	259
FX Derivative – Income from sale	0	222
Kick-back and other fees	376	63
Total	15 422	16 897

Investment Expense	2013	2012
in EUR '000		
Losses from disposal of investments	1	0
Management fees	602	250
FX losses	1 243	65
Total current expenses	1 846	315
FX Derivative revaluation	9	892
Total losses from disposals of investments	1 855	1 207

F.21. OTHER INCOME

Other income	2013	2012
in EUR '000		
Foreign currency gains	1 216	0
Release of other provisions	0	344
Reversal of impairment of receivables	0	45
Income from sale of inventory	7	13
Total	1 223	402

F.22. CLAIMS AND INSURANCE BENEFITS

Expenses for claims and insurance benefits – 2013	Gross	Retrocession	Net
in EUR '000			
Property/casualty/health			
Expenses for insurance claims			
Claims and benefits	169 661	70 599	99 062
Changes in provision for outstanding claims	80 211	62 848	17 363
Subtotal	249 872	133 447	116 425
Changes in other insurance liabilities	445	0	446
Total non-life expenses for claims and insurance benefits	250 317	133 447	116 870

Expenses for claims and insurance benefits – 2013	Gross	Retrocession	Net
in EUR '000			
Life			
Expenses for insurance claims			
Claims and benefits	89 116	155	88 961
Changes in provision for outstanding claims	-719	27	-746
Subtotal	88 397	182	88 215
Changes in mathematical reserve	-20 897	0	-20 897
Changes in other insurance liabilities	0	0	0
Total life expenses for claims and insurance benefits	67 500	182	67 318
Total	317 817	133 629	184 188

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	0	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	0	1 505
Subtotal	100 329	33	100 296
Changes in mathematical reserve	43 124	0	43 124
Changes in other insurance liabilities	0	0	0
Total life expenses for claims and insurance benefits	143 453	33	143 420
Total	278 101	16 616	261 485

F.23. ACQUISITION EXPENSES

Commission expenses	2013			2012		
	Property/ Casualty	Health	Life	Property/ Casualty	Health	Life
in EUR '000						
Reinsurance commission – Fix	27 097	497	167	19 143	3 754	115
Reinsurance commission – Sliding scale	18 511	162		21 073		
Reinsurance commission – Profit commission	15 529	6 540	2 019	11 437		2 453
Reinsurance commission – Health (administration)		-186			1 576	
Total	61 137	7 013	2 186	51 653	5 330	2 568

F.24. OTHER OPERATING EXPENSES

Other operating expenses	2013	2012
in EUR '000		
Personnel expenses	1 427	1 094
Mandatory social security contributions and expenses	268	221
Depreciation of property, plant and equipment	83	37
Amortization of intangible assets	189	192
Rental expenses	146	113
IT expenses	723	656
Services	167	134
Other administrative expenses	-187	280
Total	2 816	2 727

Management and employee statistics	2013	2012
Number of members		
Management – BoD	3	5
Other employees	24	15
Total	27	20

Personal expenses	2013	2012
in EUR '000		
Wages and salaries	1 418	1 086
Mandatory social security contribution expenses	268	221
Other social security expenses	9	8
Total	1 695	1 315

Board of Directors and Supervisory Board compensation	2013	2012
in EUR '000		
Board of Directors compensation	559	739
Supervisory Board compensation	31	28
Total	590	767

F.25. OTHER EXPENSES

Other expenses	2013	2012
in EUR '000		
Foreign currency losses	3	245
Interests from retrocession operations	17	19
Allocation of other provision	0	120
Disposal of inventory	0	5
Total	20	389

F.26. TAX EXPENSE

Tax expense	2013	2012
in EUR '000		
Current taxes		
– Actual taxes current period	4 509	3 907
– Actual taxes related to other periods	37	21
Total current taxes	4 546	3 928
Deferred taxes	-137	116
Other income tax	28	0
Total taxes	4 437*)	4 044*)

*) Tax calculation 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 2013.

Tax rate reconciliation	2013	2012
in EUR '000		
Expected tax rate in %	19	19
Profit before tax	17 945	23 618
Expected tax expense	3 409	4 487
Adjusted for tax effects due to:		
– Tax exempt income	-151	-43
– Non-deductible expenses – other	136	65
– Income exempted from tax	-80	-5
– Expense exempted from tax	29	0
– Taxes from previous years	37	22
– Changes in tax rates	0	0
Other adjustments	0	0
– FX differences**)	1 057	-482
Income tax expense	4 437	4 044
Effective tax rate in %	24.73	17.12

**) FX effect caused by difference between functional currency (EUR) and currency used for calculation of tax duty and preparation of tax return (CZK). The development in FX differences was influenced by the CNB intervention to weaken CZK by approximately 8%.

F.27. RELATED PARTIES

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 2013:

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	2013	2012
in EUR '000		
Balance sheet		
Deposits due from cedents	0	0
Receivables	3 569	2 264
Unearned premiums	0	0
Premium reserve	0	0
Outstanding claims	14 449	11 022
Liabilities	2 392	751
Income statement		
Premiums written	14 717	8 189
Change due to provision for premiums	0	0
Investment and interest income	0	0
Expenses for claims and insurance benefits	-1 879	-18
Change in claims and other reinsurance liabilities	-3 122	-4 275
Commission expenses	-1 684	-80
Other operating expenses	-608	-588

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	2013	2012
in EUR '000		
Balance sheet		
Deposits due from cedents	301	287
Receivables	3 030	6 879
Unearned premiums	3 374	2 761
Premium reserve	301	287
Outstanding claims	49 188	22 403
Liabilities	21 624	7 856
Income statement		
Premiums written	88 198	81 139
Change due to provision for premiums	-757	-1 669
Investment and interest income	0	0
Expenses for claims and insurance benefits	-63 925	-11 467
Change in claims and other reinsurance liabilities	-28 577	675
Commission expenses	-7 963	-9 222
Intergroup outsourcing	- 505	-525

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, see B.3.).

Transactions with subsidiaries	2013	2012
in EUR '000		
Balance sheet		
Receivables	968	848
Unearned premiums	472	425
Outstanding claims	443	931
Liabilities	572	149
Income statement		
Premiums written	5 628	5 249
Change due to provision for premiums	-47	-189
Investment and interest income	298	0
Expenses for claims and insurance benefits	-3 296	-1 836
Change in claims and other reinsurance liabilities	-317	106
Commission expenses	-1 810	-1 608

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 comprise 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 comprise fellow subsidiaries, associates and joint ventures of the ultimate parent company.

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

Transactions with other related parties	2013	2012
in EUR '000		
Balance sheet		
Deposits due from cedents	37 416	133 836
Receivables	31 893	28 426
Unearned premiums	11 249	9 785
Premium reserve	35 572	129 983
Outstanding claims	109 147	87 028
Liabilities	56 581	63 117
Income statement		
Premiums written*)	233 655	318 643
Change due to provision for premiums	712	595
Miscellaneous earnings of investment	0	1 112
Expenses for claims and insurance benefits	-165 146	-164 731
Change in claims and other reinsurance liabilities	-39 893	52 257
Commission expenses	-42 491	-41 917

*) In 2012 the Company entered into a new single premium Q/S treaty agreement with written premium of 49 MIO EUR in 2013 (2012: 123 MIO EUR) with the related party Benefia Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Poland.

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

F.28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets	31 December 2013		31 December 2012	
	Fair value	Carrying amount	Fair value	Carrying amount
in EUR '000				
Financial investments	282 749	263 124	288 301	263 852
Financial assets held to maturity	214 054	194 429	225 561	201 112
Financial assets available for sale	67 220	67 220	61 507	61 507
Loans – Term deposits	1 475	1 475	1 233	1 233
Receivables	50 220	50 220	35 232	35 232
Cash and cash equivalents	6 134	6 134	2 901	2 901
Total financial assets	339 103	319 478	326 434	301 985
Financial liabilities				
	Fair value	Carrying amount	Fair value	Carrying amount
in EUR '000				
FX derivative	9	9	0	0
Payables	75 540	75 540	67 827	67 827
Other liabilities	1 196	1 196	897	897
Total financial liabilities	76 745	76 745	68 724	68 724

The fair value of financial assets except for loans is determined through either the 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 138,443 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 are 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; or a breach of contract, such as default on interest or principal payments).

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

F.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 the application of management's judgement, 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.

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 2014.

VIG RE ZAJIŠŤOVNA, A.S.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2013

ASSETS	Notes	2013	2012
in EUR '000			
Intangible assets	G.1.	1 089	1 226
Property, plant and equipment	G.2.	196	245
Financial investments	G.3.	413 868	511 875
Financial assets held to maturity		198 028	204 596
Financial assets available for sale		70 741	62 644
Loans – Term deposits		6 409	4 218
Deposits due from cedents		138 690	240 417
Trade and other receivables		58 134	44 270
Ceded share of reinsurance liabilities	G.3.	148 925	84 451
Current tax assets	G.5.	81	0
Other assets	G.7.	2 076	1 926
Deferred acquisition costs	G.8.	3 070	3 257
Cash and cash equivalents	G.9.	7 022	7 625
TOTAL ASSETS		634 461	654 875

EQUITY AND LIABILITIES	Notes	2013	2012
Shareholders' equity	G.10.		
Shareholders' equity attributable to the Group		124 212	126 932
Share capital		101 958	101 958
Other components of equity		4 450	3 356
Retained earnings		17 804	21 564
Equalization reserve		0	54
Shareholders' equity attributable to minority interests		47	46
TOTAL EQUITY		124 259	126 978
Reinsurance liabilities		422 425	447 451
Unearned premiums	G.11.	26 202	26 643
Outstanding claims	G.12.	264 499	188 729
Life reinsurance provision	G.13.	131 724	135 299
Other	G.14.	0	96 780
Provisions	G.16.	2	1
Financial liabilities	G.15.	9	0
Payables	G.17.	84 936	77 487
Deferred tax liabilities	G.6.	109	268
Current tax liabilities	G.26.	414	909
Other liabilities	G.18.	2 307	1 781
TOTAL LIABILITIES		510 202	527 897
TOTAL EQUITY AND LIABILITIES		634 461	654 875

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

Income Statement	Notes	2013	2012
in EUR '000			
Premiums	G.19.		
Premiums written – Gross		411 900	470 914
Premiums written – Ceded		-163 035	-142 273
Premiums written – Retention			
Change due to provision for premiums – Gross		1 041	-4 745
Change due to provision for premiums – Ceded		1 088	3 661
Net earned premiums		250 994	327 557
Investment Result	G.20.		
Investment and interest income		15 605	17 742
Investment and interest expenses		-1 985	-1 290
Total investment result		13 620	16 452
Other income	G.21.	1 230	922
Claims and insurance benefits	G.22.		
Expenses for claims and insurance benefits – Gross		-267 041	-204 424
Expenses for claims and insurance benefits – Ceded		77 190	14 205
Claims and insurance benefits – retention			
Change in claims and other reinsurance liabilities – Gross		-58 686	-80 727
Change in claims and other reinsurance liabilities – Ceded		63 004	8 153
Total expenses for claims and insurance benefits		-185 533	-262 793
Acquisition expenses	G.23.		
Commission expenses		-77 017	-65 326
Other acquisition expenses		-984	-864
Change in deferred acquisition expenses		704	9
Commission income from retrocessionaires		18 625	12 372
Total acquisition expenses		-58 672	-53 809
Other operating expenses	G.24.	-3 243	-3 119
Other expenses	G.25.	-29	-913
Profit before taxes		18 367	24 297
Tax expense	G.26.	-4 560	-4 116
Profit for the period		13 807	20 181
Attributable to owners of the Group		13 806	20 179
Attributable to owners of non-controlling interest		1	2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

Statement of comprehensive income	2013			2012		
in EUR '000	Gross	Tax*)	Net	Gross	Tax*)	Net
Profit for the period	18 367	-4 560	13 807	24 297	-4 116	20 181
Other comprehensive income						
Gains (losses) recognized in equity – Available for sale financial assets	201	-37	164	2 251	-424	1 827
Translation reserve	-49	0	-49	-443	0	-443
Other comprehensive income for the year	152	-37	115	1 808	-424	1 384
Comprehensive income for the period	18 519	-4 597	13 922	26 105	-4 540	21 565
Attributable to owners of the Company	18 518	-4 597	13 921	26 103	-4 540	21 563
Attributable to owners of non-controlling interest	1		1	2		2

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

CONSOLIDATED SHAREHOLDERS' EQUITY

AS OF 31 DECEMBER 2013

Shareholders' equity	Share capital	Available for sale reserve	Legal and statutory reserves	Equalization reserve**)	Retained earnings	Translation reserve	Attributable to equity holders of Parent Group	Attributable to non-controlling interest	Total
in EUR '000									
As of 1 January 2013	101 958	1 360	2 429	54	21 564	-433	126 932	46	126 978
Effect of acquisition									
Total comprehensive income for the period		164			13 807	-49	13 922	1	13 923
Dividends					-16 642*)		-16 642		-16 642
Allocation to legal and statutory reserve			979		-979				0
Change of equalization reserve				-54	54				0
As of 31 December 2013	101 958	1 524	3 408	0	17 804	-482	124 212	47	124 259

	Share capital	Available for sale reserve	Legal and statutory reserves	Equalization reserve**)	Retained earnings	Translation reserve	Attributable to equity holders of Parent Group	Attributable to non-controlling interest	Total
in EUR '000									
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				0
Change of equalization reserve				-240	240				0
As of 31 December 2012	101 958	1 360	2 429	54	21 564	-433	126 932	46	126 978

*) The dividend per share was EUR 666.

**) 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 2013

Cash flow statement	Notes	2013	2012
in EUR '000			
Profit for the period		18 367	24 297
Adjustments to profit for the period			
– interest and other investment income		-9 887	-15 529
– exchange differences		1 269	-850
– depreciation		410	204
– impairment of financial investments		55	0
– change in deferred acquisition costs		42	11
– dividends		-303	-72
Cash flows from operating activities			
Change in reinsurance liabilities		-25 026	40 369
Change in ceded share of reinsurance liabilities		-64 474	-5 969
Change in receivables		-13 864	-10 855
Change in deposits due from cedents		101 485	-3 842
Change in payables		7 449	15 479
Change in provisions		1	-218
Change in other assets and liabilities		457	-106
Income tax paid		-5 304	-4 893
Net cash flow from operating activities		10 677	38 026
Cash flows from investing activities			
Interest received		9 327	14 596
Dividends received		275	72
Payment for acquisition of intangible assets and property, plant and equipment		-296	-141
Cash proceeds from the sale of intangible assets and property, plant and equipment		78	44
Payment for acquisition of available for sale financial assets		-80 760	-45 967
Cash proceeds from the sale of available for sale financial assets		73 675	15 073
Payment for acquisition of held to maturity financial assets		-42	-19 584
Cash proceeds from the maturity/sale of held to maturity financial assets		5 167	4 239
Net cash flow from investing activities		7 424	-31 668
Cash flows from financing activities			
Dividend payment		-16 642	-14 293
Net cash flow from financing activities		-16 642	-14 293
Net change in cash and cash equivalents		1 459	-7 935
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at beginning of period		10 610	18 183
Foreign currency translation differences on cash balances		-113	362
Net change in cash and cash equivalents		1 459	-7 935
Cash and cash equivalents at end of period		11 956	10 610

Cash and cash equivalents is represented by cash and cash equivalents and demand deposits recognized as Loans – Term deposits (In 2013 cash and cash equivalents consisted of 7 022 TEUR cash and 4 934 TEUR demand deposits, remaining part of 1 475 TEUR is represented as a loan. In 2012 the balance consists of 7 625 TEUR cash and 2 985 TEUR demand deposits, remaining part of 1 233 TEUR is represented as a loan).

SEGMENT REPORTING

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

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

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

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

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

SEGMENT REPORTING

CONSOLIDATED INCOME STATEMENT BY LINES OF BUSINESS

INCOME STATEMENT	Property/Casualty		Health		Life		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
in EUR '000								
Premiums written – Gross	325 032	281 123	18 170	44 245	68 698	145 546	411 900	470 914
Premiums written – Ceded	-162 179	-141 382	0	0	-856	-891	-163 035	-142 273
Change due to provision for premiums – Net	1 355	-1 138	0	-23	774	77	2 129	-1 084
1. Net earned premiums	164 208	138 603	18 170	44 222	68 616	144 732	250 994	327 557
Interest revenue	9 085	5 869	11	3 988	5 633	5 533	14 729	15 390
Other income and expense from investments	1 026	872	1	263	82	-73	1 109	1 062
2. Investment result	8 059	6 741	10	4 251	5 551	5 460	13 620	16 452
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Gross	-263 503	-112 417	-1 251	-29 277	-67 573	-143 457	-332 327	-285 151
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	146 544	22 323	0	0	250	35	146 794	22 358
3. Claims and insurance benefits	-116 959	-90 094	-1 251	-29 277	-67 323	-143 422	-185 533	-262 793
Commission expenses including change in deferred acquisition expenses	-67 193	-57 241	-6 926	-5 486	-2 194	-2 590	-76 313	-65 317
Other acquisition expenses	-759	-591	-39	-80	-186	-193	-984	-864
Commission income from retrocessionaires	18 342	11 982	0	0	283	390	18 625	12 372
4. Acquisition expenses	-49 610	-45 850	-6 965	-5 566	-2 097	-2 393	-58 672	-53 809
Operating profit measured on the segment basis	5 698	9 400	9 964	13 630	4 747	4 377	20 409	27 407
5. Administrative expenses	-2 726	-2 238	-138	-315	-379	-566	-3 243	-3 119
Operating profit	2 972	7 162	9 826	13 315	4 368	3 811	17 166	24 288
6. Other income							1 230	922
7. Other expenses							-29	-913
Profit before tax							18 367	24 297
Income tax							-4 560	-4 116
Profit after tax							13 807	20 181
Profit after tax attributable to owners of the Group							13 806	20 179
Profit after tax attributable to owners of non-controlling interest							1	2

The investment result was allocated among individual segments based on the balance of reinsurance liabilities as of 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL INFORMATION

A.1. DESCRIPTION OF THE COMPANY

VIG RE zajišťovna, a.s. ("VIG RE" or "Parent Company") was 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 a licence to carry out reinsurance business and related activities on 8 August 2008 and has conducted reinsurance business in property/casualty, life and health since 2009.

The consolidated financial statements of the Parent Company for the year ended 31 December 2013 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 2013 and 2012.

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 2013:

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 as of 31 December 2013 were as follows:

Chairman:	Johannes Martin Hartmann, Munich, Germany
Member:	Claudia Stránský, Vienna, Austria
Member:	Dušan Bogdanović, Belgrade, Serbia

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

The members of the Supervisory Board as of 31 December 2013 were as follows:

Chairman:	Karl Fink, Vienna, Austria
Vice-Chairman:	Hans-Peter Hagen, Vienna, Austria
Member:	Peter Höfingler, Vienna, Austria
Member:	Vladimír Mráz, 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

Based on the current legislation (563/Sb.1991, § 19a/7) VIG RE accounts and prepares the separate financial statements in accordance with IFRS (as adopted by the EU – refer to B.2.). The Parent Company also prepares its consolidated financial statements for the same period in accordance with the IFRS adopted by the EU.

The financial statements are presented in the functional currency of the Group, i.e. 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 historical 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 historical 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 are 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 2013 are as follows:

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.

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 are recognized in profit or loss as incurred.

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

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

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

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

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

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

C.3. FINANCIAL INVESTMENTS

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

Financial investments are recognized in 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, which 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 companies in case of financial reinsurance (C.22.). Loans and receivables (C.4.) are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than being classified as available for sale. Loans and receivables are measured at amortized cost using the effective interest method and are reported net of allowances for loan losses to reflect the estimated recoverable amounts.

Deposits due from cedents

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

C.4. RECEIVABLES

The receivables shown 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.5. CEDED SHARE OF REINSURANCE LIABILITIES

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

C.6. TAXES

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

The current tax is calculated using the Group's 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 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.7. OTHER ASSETS

Other assets are valued at acquisition cost less impairment losses.

C.8. DEFERRED ACQUISITION COSTS

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

For deferred acquisition costs in life see point C.10. Reinsurance liabilities, Life reinsurance provision.

C.9. CASH AND CASH EQUIVALENTS

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

C.10. REINSURANCE LIABILITIES

Unearned premiums

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

Outstanding claims

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

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

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

Life reinsurance provision

Life reinsurance provisions comprise 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 for 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 remain unchanged except where liability inadequacy occurs. A liability adequacy test (LAT) is performed at each reporting date by the Group's actuaries using current estimates of future cash flows under its insurance contracts (see 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 in the life reinsurance provision.

Other

Other reinsurance liabilities consist mainly of the ageing provision in the health and reinsurance provision for contractual non-discretionary bonuses in the non-life business. These provisions are calculated according to reinsurance contracts. The assumptions used for the calculation of the provisions are very conservative so that they are sufficient and include enough safety margins. Furthermore, in the health insurance business, yearly premium indexations in case of increases in claims expenses are usually contractually agreed with policyholders.

The ageing provision is created for those classes of non-life reinsurance where the premium amount depends on the entry age or, where appropriate, the gender of the insured. This provision represents the value of the Group's liabilities calculated using actuarial methods.

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

C.11. 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.12. 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.13. PREMIUMS

Premiums written relates to business incepted during the year (irrespective of whether they relate in whole or in part to a later accounting period), together with any differences between booked premiums for prior years and those previously recognized and includes estimates of premiums 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.14. 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 financial asset and the sale price, adjusted for any cumulative gain or loss that had been recognized directly in the other comprehensive income.

C.15. 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.16. 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.8.

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

C.17. 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.18. 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.19. 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 the subsidiary is tested for impairment annually. The Group observes if there were any events or any changes in the subsidiary business which could result in any 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 the 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 attributed objectively to an event occurring after the impairment loss was recognized.

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

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

C.20. 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 insurance contracts. Moreover, the life reinsurance contracts transfer significant insurance risk (death benefits) and therefore they are considered 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.21. NOVATION

Where the Group 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.22. FINANCIAL REINSURANCE

Financial reinsurance is a risk management tool, especially useful when the motivations of the ceding insurance company are focused 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 the transfer of an insignificant risk and financing risk, adds value to an insurer's risk management by providing flexibility and liquidity.

C.23. CLEAN CUT

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

D. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS

The following published amendments and interpretations to existing standards are mandatory and relevant for the Group accounting periods and have been applied by the Group since 1 January 2013:

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

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.

IFRS 13 Fair Value Measurement

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.

IFRS 13 does not have a material impact on the disclosures in the notes to financial statements since the methods and assumptions currently used to measure the fair value of assets are consistent with IFRS 13.

Standards not yet in force

IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements¹

(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.)

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 Group 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 in its consolidated financial statements.

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 consolidated financial statements.

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

IFRS 12 Disclosure of Interests in Other Entities²

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively, except not required to present comparative information for unconsolidated structured entities for any periods before the first annual period for which IFRS 12 is applied. 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 Group does not expect the new Standard to have a material impact on the financial statements.

¹ *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)* issued on 31 October 2012 by the IASB has NOT been endorsed by the EU as at 31 December 2013. This amendment provides consolidation relief for qualifying investment entities.

² *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.*

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. In addition, 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.

In consolidated financial statements there is no need to separately disclose the change in IAS 27 since the remaining portion of IAS 27 relates only to separate financial statements and the portion of IAS 27 that relates to the consolidated financial statements should be addressed as part of the IFRS 10 discussion.

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 not be remeasured.

The Group does not expect the amendments to Standard to have a 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, but 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 Group 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 amendments to IAS 32.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

(Effective for annual periods beginning on or after 1 January 2014; early adoption is permitted; to be applied retrospectively subject to transitional provisions.)

The Amendments provide an exception to the consolidation requirements in IFRS 10 and require qualifying investment entities to measure their investments in controlled entities – as well as investments in associates and joint ventures – at fair value through profit or loss, rather than consolidating them.

The consolidation exemption is mandatory (i.e. not optional), with the only exception being that subsidiaries that are considered an extension of the investment entity's investing activities must still be consolidated.

A Group qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity. According to these essential elements an investment entity

- obtains funds from investors to provide those investors with investment management services;
- commits to its investors that its business purpose is to invest for returns solely from appreciation and/or investment income; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

The amendments also set out disclosure requirements for investment entities.

The Group does not expect the new standard to have any impact on the financial statements, since does not qualify as an investment entity.

Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted, but an entity shall not apply the amendments in periods (including comparative periods) in which it does not also apply IFRS 13.)

The Amendments clarify that the recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognized or reversed during the period.

The Amendments also require the following additional disclosures when an impairment for individual assets (including goodwill) or cash-generated units has been recognized or reversed in the period and the recoverable amount is based on fair value less costs to disposal:

- the level of IFRS 13 “Fair value hierarchy” within which the fair value measurement of the asset or cash-generating unit is categorized;
- for fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique together with the reason for making them;
- for fair value measurements categorized within Level 2 and Level 3, each key assumption (i.e. assumptions to which recoverable amount is most sensitive) used in determining fair value less costs of disposal. If fair value less costs of disposal is measured using a present value technique, discount rate(s) used both in current and previous measurement should be disclosed.

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

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively³. Earlier application is permitted, but an entity shall not apply the amendments in periods (including comparative periods) in which it does not also apply IFRS 13.)

The Amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulations, when the following criteria are met:

- The novation is made as a consequence of laws or regulations.
- A clearing counterparty becomes a new counterparty to each of the original counterparties of the derivative instrument.
- Changes to the terms of the derivative are limited to those necessary to replace the counterparty.

The Group does not expect the new standard to have any impact on the financial statements, since it does not novate derivatives designated as hedging instruments to central counterparties as a consequence of laws and regulations.

³ Although the amendments are applied retrospectively, if an entity had previously discontinued hedge accounting as a result of a novation, the previous hedge accounting (pre-novation) for that relationship cannot be reinstated. This is because doing so would be consistent with the requirements for hedge accounting – i.e. hedge accounting cannot be applied retrospectively.

E. PRINCIPAL ASSUMPTIONS

For reported but not settled claims (RBNS), separate case-by-case assessment with regard to the claim circumstances, information available from loss adjusters, and historical evidence of the size of similar claims provided by the cedents is used and checked. The 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 Professor 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 from 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 are 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, 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 contract. 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 Group (VIG RE). The reinsurance business of the Group and the insurance business of the Group's clients consist of deliberately assuming diverse risks and managing them profitably. One of the primary responsibilities of risk management is to ensure that the obligations assumed under reinsurance contracts can be satisfied.

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 the Group. 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 the Group believes have adequate creditworthiness in order to minimize the risk (credit risk) due to the insolvency of one reinsurer.

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

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

F.1.3. AREAS INVOLVED IN RISK MONITORING AND CONTROL AT VIG AND 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 an 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. The Group regularly monitors and controls its business development by comparing plans and reinsurance contracts signed.

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

F.2. UNDERWRITING RISK

F.2.1. INTRODUCTION

The Group assumes both reinsurance from VIG Group companies and reinsurance from external parties. In 2013 the majority of reinsurance assumed was from VIG Group companies. The Group writes long tail as well as short tail business, both proportional and non-proportional reinsurance business, and also provides facultative reinsurance.

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

F.2.2. INSURANCE RISKS

The Group assumes insurance risk transferred from client to insurance and through reinsurance contract to the Group. The risk under any one reinsurance contract is the possibility that the insured event will occur. 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 maximum Group retention per individual loss is less than 4 MIO EUR, and the retention per event of loss due to natural catastrophe is less than 17.5 MIO EUR.
- Selection of reinsurers – diversification. The Group divides its reinsurance coverage among many different international reinsurance companies of appropriate credit quality so as to minimize the risk arising from a reinsurer being unable to pay. No significant default of a reinsurer has occurred in the history of VIG and VIG RE.
- Selection of reinsurers – rating. For business segments where claims take a long time to be settled, especially for 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 on its net, 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 comprehensive 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 primary in the CEE region.

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

F.2.4. CONCENTRATION RISK

In general, the Group writes business primary in the CEE region. See G.19 for geographical concentration measured by premiums written. The tables also show premiums 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. 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 a net base.

F.3. CREDIT RISK

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

F.3.1. CREDIT RISK FROM FINANCIAL INVESTMENTS

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

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

According to the Group investment guidelines, financial investments (debt securities and term deposits) are made almost exclusively in investments with a Standard & Poor's rating of "AAA" to "BBB" (or with a Moody's rating of "Aaa" to "Baa"). There are also specific limits for investments in bonds and investments in banks (term deposits, treasury notes etc.) which differ according to the level of rating (i.e. the better the rating, the higher the investment limit). Investments outside the limits sets 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 the 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	
	2013	2012	2013	2012
in EUR '000				
Individually impaired:				
Gross amount	155	5	158	0
Carrying amount	120	4	103	0
Collectively impaired:				
Gross amount	0	21	0	0
Carrying amount	0	13	0	0
Past due but not impaired:				
Gross amount				
Up to 30 days after maturity	29 972	30 546	0	0
31 days to 90 days after maturity	8 181	2 385	0	0
91 days to 180 days after maturity	7 192	1 270	0	0
181 days to 1 year after maturity	3 630	504	0	0
1 year to 2 years after maturity	361	360	0	0
Neither past due nor impaired – carrying amount	8 678	9 188	569 712	603 952
Total carrying amount	58 134	44 270	569 815	603 952

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

Cash and cash equivalents are neither individually nor collectively impaired.

Credit risk exposure

Standard & Poor's rating	2013					Carrying value in balance sheet
	AAA	AA	A	B / BB / BBB	No Rating	
in EUR '000						
Financial investments*)	34 666	31 554	176 731	15 939	16 288	275 178
Deposits due from cedents	0	100 719	37 718	0	253	138 690
Cash and cash equivalents	0	0	0	616	6 406	7 022
Receivables from reinsurance and ceded share of reinsurance liabilities	0	73 148	109 463	8 816	15 104	206 531
Other receivables	0	0	0	0	528	528
Total	34 666	205 421	323 912	25 371	38 579	627 949
In %	5.52	32.71	51.58	4.04	6.15	100

*) Except for deposits due from cedents

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	0	0	97 016	0	143 401	240 417
Cash and cash equivalents	0	4 600	0	59	2 966	7 625
Receivables from reinsurance and ceded share of reinsurance liabilities	0	46 389	37 483	6 776	37 807	128 455
Other receivables	0	0	0	0	267	267
Total	31 407	80 948	322 142	16 103	197 622	648 222
<i>In %</i>	<i>4.85</i>	<i>12.49</i>	<i>49.70</i>	<i>2.48</i>	<i>30.49</i>	<i>100</i>

*) 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

2013

	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	60 445	108 307	122 192	102 932	19 992	413 868
Financial assets held to maturity	38 909	71 314	60 304	27 501	0	198 028
Financial assets available for sale	358	9 055	28 819	12 802	19 707	70 741
Loans – Term deposits	4 649	1 475	0	0	285	6 409
Deposit due from cedents*)	16 529	26 463	33 069	62 629	0	138 690
Receivables	57 193	413	0	0	0	57 606
Ceded share of reinsurance liabilities*)	80 798	27 139	23 527	17 461	0	148 925
Cash and cash equivalents	7 022	0	0	0	0	7 022
Current tax assets	81	0	0	0	0	81
Other receivables	528	0	0	0	0	528
Total	206 067	135 859	145 719	120 393	19 992	628 030

*) 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.

	2013				Carrying value in balance sheet
	Up to one year	From one to five years	From five to ten years	More than ten years	
in EUR '000					
Reinsurance liabilities*)	157 271	90 852	79 137	95 165	422 425
Unearned premiums	24 920	1 282	0	0	26 202
Outstanding claims	122 472	63 225	46 206	32 596	264 499
Life reinsurance provision	9 879	26 345	32 931	62 569	131 724
Other	0	0	0	0	0
Payables**)	83 370	44	0	0	83 414
Tax liabilities	414	0	0	0	414
Other liabilities	1 522	0	0	0	1 522
Total	242 577	90 896	79 137	95 165	507 775

*) Expected timing of cash flows

**) Payables and Other liabilities represent total payables

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					Carrying value in balance sheet
	Up to one year	From one to five years	From five to ten years	More than ten years	Not specified	
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	0	204 596
Financial assets available for sale	501	6 944	20 892	0	34 307	62 644
Loans – Term deposits	2 980	340	0	0	898	4 218
Deposit due from cedents*)	19 436	27 259	34 054	159 668	0	240 417
Receivables	43 969	0	0	0	0	43 969
Ceded share of reinsurance liabilities*)	32 818	17 253	19 663	14 717	0	84 451
Cash and cash equivalents	7 625	0	0	0	0	7 625
Other receivables	267	0	0	0	34	301
Total	119 552	126 236	166 139	201 055	35 239	648 221

*) 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

	2012				Carrying value in balance sheet
	Up to one year	From one to five years	From five to ten years	More than ten years	
in EUR '000					
Reinsurance liabilities*)	111 464	82 169	69 216	184 602	447 451
Unearned premiums	25 152	1 491	0	0	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	0	0	95 275	96 780
Other liabilities – issued bonds	0	0	0	0	0
Payables	77 008	39	0	0	77 047
Tax liabilities	909	0	0	0	909
Other liabilities	440	0	0	0	440
Total	189 821	82 208	69 216	184 602	525 847

*) 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 practises 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 is held till maturity, AFS debt securities portfolio represents lower part.
- 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 a currency other 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:

Currency	2013		
	Total Assets	Total Liabilities	Net Amount
in EUR '000			
EUR	593 272	457 014	136 258
CZK	17 408	10 950	6 458
USD	3 593	5 485	-1 892
RSD	11 143	17 691	-6 548
TRY	3 385	4 641	-1 256
PLN	3 136	5 883	-2 747
Other	2 524	8 538	-6 014
Total	634 461	510 202	124 259

A 10% negative movement in exchange rates can cause a total loss of 12 426 TEUR.

Such a EUR/CZK change can cause a loss of 13 626 TEUR, and in EUR/HUF a profit of 655 TEUR.

Currency	2012		
	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

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.

2013	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	3.12%	0	6 472	628	2 313	41 620	0	51 033
Financial assets available for sale – investment funds		0	0	0	0	0	19 708	19 708
Financial assets held to maturity – debt securities	4.35%	18 452	20 457	30 272	41 042	87 805	0	198 028
Loans – Term deposits	5.90%	934	4 000	0	1 475	0	0	6 409
Deposit due from cedents	3.36%	0	16 529	26 463	0	95 698	0	138 690
Cash and cash equivalents		6 406	0	0	0	0	616	7 022
Total financial assets		25 792	47 458	57 363	44 830	225 123	20 324	420 890

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%	0	6 253	343	481	21 261	0	28 338
Financial assets available for sale – investment funds		0	0	0	0	0	34 306	34 306
Financial assets held to maturity – debt securities	4.31%	13	12 842	40 376	31 310	120 055	0	204 596
Loans – Term deposits	5.54%	668	2 311	110	231	0	898	4 218
Deposit due from cedents	2.89%	0	19 436	27 259	0	193 722	0	240 417
Cash and cash equivalents	0.26%	2 966	4 600	0	0	0	59	7 625
Total financial assets		3 647	45 442	68 088	32 022	335 038	35 263	519 500

F.5.3. EQUITY RISK

The Group also invests 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 per cent 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 is reduced 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	2013	2012
<i>in EUR '000</i>		
Market value of portfolio	298 123	291 762
Historical VaR 60d; 99%	10 174	8 241
Relative VaR (%) 60d; 99%	3.41%	2.82%

The VaR including HTM is calculated on the total portfolio including held 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 and Regulation No 434/2004, 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		2013	2012
<i>in EUR '000</i>			
Required solvency margin	Life and non-life reinsurance	51 084	68 005
Available solvency elements	Life and non-life reinsurance	122 980	115 101

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	2013	2012
in EUR '000		
Software and licences	1 089	1 226
Total intangible assets	1 089	1 226

2013	Software	Licence	Total
in EUR '000			
Balance as of 1 January	101	1 706	1 807
Additions	253	1	254
Balance as of 31 December	354	1 707	2 061
Balance as of 1 January	73	508	581
Amortization	220	171	391
Balance as of 31 December	293	679	972
Book value as of 1 January	28	1 198	1 226
Book value as of 31 December	61	1 028	1 089

2012	Software	Licence	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

G.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment – 2013	Vehicles	Other	Total
in EUR '000			
Balance as of 1 January	121	232	353
Additions	0	49	49
Disposals	0	78	78
Balance as of 31 December	121	203	324
Balance as of 1 January	41	67	108
Depreciation	24	29	53
Disposals	0	33	33
Balance as of 31 December	65	63	128
Book value as of 1 January	80	165	245
Book value as of 31 December	56	140	196

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

G.3. FINANCIAL INVESTMENTS

Financial investments	2013	2012
in EUR '000		
Available for sale financial assets	70 741	62 644
Held to maturity financial assets	198 028	204 596
Loans and receivables	145 099	244 635
Total	413 868	511 875

G.3.1. FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale	2013	2012
in EUR '000		
Debt securities		
Government bonds	51 033	28 338
Investment funds	14 705	29 303
Shares in other related parties	5 003	5 003
Total	70 741	62 644

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
Debt securities	49 636	0	1 397	0	51 033
Investment funds	14 180	0	525	0	14 705
Shares in affiliated non-consolidated companies	5 003	0	0	0	5 003
Fair value hierarchy	Level 1	Level 2	Level 3		Total
Financial assets available for sale	65 738		5 003	70 741	67 220

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

Level 2 represents marked-to-market – the comparable financial instrument is calculated 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	2013	2012
in EUR '000		
Debt securities		
Government bonds	180 186	190 665
Other public sector bonds	500	503
Corporate bonds	11 189	13 428
Bonds from banks	6 153	0
Total	198 028	204 596

Financial assets held to maturity	Carrying amount	Fair value
in EUR '000		
Debt securities		
Government bonds	180 186	198 301
Other public sector bonds	500	511
Corporate bonds	11 189	12 711
Bonds from banks	6 153	6 199
Total	198 028	217 722

G.3.3. LOANS AND DEPOSITS

Loans and deposits	2013	2012
in EUR '000		
Loans – Term deposits	6 409	4 218
Deposits due from cedents	138 690	240 417
Total	145 099	244 635

Deposits due from cedents in relation to reinsurance liabilities

in EUR '000			
Assets		Liabilities	
Deposits due from cedents	138 690	Unearned premiums	5 505
		Outstanding claims	1 615
		Life reinsurance provision	131 570
Total gross	138 690		138 690

Deposits due from cedents serve directly as collateral for technical provisions covering business assumed from cedents in reinsurance. They do not trigger any cash flows and may not be used by the cedent independently. The credit risk is therefore limited. The amount of and changes in deposits retained on assumed reinsurance in the balance sheet year generally derive from the values for the changes in the related technical provisions for the reinsured business.

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

G.4. RECEIVABLES

Receivables	2013	2012
in EUR '000		
Receivables arising out of assumed reinsurance – cedents	34 061	38 717
Receivables arising out of reinsurance operations – retrocession	23 491	5 286
Trade and other receivables	582	261
Prepayments	7	6
Total gross	58 141	44 270
Impairment	7	0
Total net	58 134	44 270

G.5. CEDED SHARE OF REINSURANCE LIABILITIES

Ceded share of reinsurance liabilities	2013	2012
in EUR '000		
Unearned premiums	10 786	9 600
Outstanding claims	138 139	74 851
Total	148 925	84 451

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	2013		2012	
in EUR '000				
Balance sheet position	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	0	6	0	7
Intangible assets	0	161	0	230
Available for sale	0	11	0	8
Receivables	2	4	0	1
Provisions	71	0	3	0
Equalization reserve	0	0	0	25
Total	73	182	3	271
Net Balance		109		268

Movement in deferred tax	2013	2012
Net deferred tax assets/(liability) – opening balance	268	-193
Deferred tax (expense)/income for the period	-159	-75
Net deferred tax asset/(liability) – closing balance	109	-268

In accordance with the accounting method described in C.6., the amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date which is 19% for the year in question (2012: 19%).

G.7. OTHER ASSETS

Other Assets	2013	2012
in EUR '000		
Prepaid expenses	2 076	1 926
Total	2 076	1 926

G.8. DEFERRED ACQUISITION COSTS

Development of DAC	2013	2012
in EUR '000		
Book value – opening balance	3 257	3 488
Costs deferred during the current year	2 757	2 755
DAC released during the current year	2 870	2 986
FX translation	-74	0
Book value – closing balance	3 070	3 257

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

G.9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2013	2012
in EUR '000		
Cash and cash equivalents	6	67
Cash at bank	7 016	7 558
Total	7 022	7 625

G.10. SHAREHOLDERS' EQUITY

Share capital	2013	2012
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 – 2013	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	26 643	9 600	17 043
Premiums written during the current year	411 900	163 035	248 865
Less premiums earned during the current year	-412 941	-161 948	-250 993
Novation	0	0	0
Clean cut system	1 046	178	868
FX translation	-446	-80	-366
Book value – closing balance	26 202	10 785	15 417

Unearned premium provision – 2012	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	21 382	6 587	14 795
Premiums written during the current year	470 914	142 273	328 641
Less premiums earned during the current year	-466 213	-138 657	-327 556
Novation	0	0	0
Clean cut system	645	-10	655
FX translation	-85	-593	508
Book value – closing balance	26 643	9 600	17 043

G.12 OUTSTANDING CLAIMS

Provisions (RBNS, IBNR) – 2013	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	188 729	74 851	113 878
Claims incurred and reported	346 503	140 569	205 934
Less claims paid	-267 041	-77 190	-189 851
Novation	0	0	0
Clean cut system	-1 960	0	-1 960
FX translation	-1 732	-90	-1 642
Book value – closing balance	264 499	138 140	126 359

Claims development table – Property/casualty on a gross basis	UY 2013	UY 2012	UY 2011	UY 2010	UY 2009	Total
in EUR '000						
Estimate of total cumulative claims at the end of the year	258 272	106 244	76 801	209 282	158 102	
One year later		121 817	89 294	223 048	177 549	
Two years later			85 082	223 135	177 081	
Three years later				215 738	169 058	
Four year later					163 639	
Estimate of cumulative claims	258 272	121 817	85 082	215 738	163 639	844 548
Cumulative payment	135 457	77 035	55 345	172 840	139 681	580 358
Value recognized in balance sheet	122 815	44 782	29 737	42 898	23 958	264 190

The Group booked portfolio entries of provisions as explained in C.21. 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 (0.28 MIO EUR) and life (2.11 MIO EUR) are not included in the above table due to their relative insignificance.

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 underwriting year	106 244	76 801	209 282	158 102	550 429
One year later		89 294	223 048	177 549	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

G.13. LIFE REINSURANCE PROVISION

Life reinsurance provision	2013	2012
in EUR '000		
Gross	131 724	135 299
Retrocession		
Net	131 724	135 299

Development in 2013	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	135 299	0	135 299
Additions	877	0	877
Disposals	4 452	0	4 452
Book value – closing balance	131 724	0	131 724

Development in 2012	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	133 763	0	133 763
Additions	1 536	0	1 536
Book value – closing balance	135 299	0	135 299

G.14. OTHER

Other provisions consist of health insurance provisions.

Ageing reserves	2013	2012
in EUR '000		
Gross	0	95 275
Retrocession	0	0
Net	0*)	95 275*)

*) Cancellation of health treaty with Wiener Städtische.

Development in 2013	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	95 275	0	95 275
Disposals	95 275	0	95 275
Book value – closing balance	0	0	0

Development in 2012	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	90 056	0	90 056
Additions	5 219	0	5 219
Book value – closing balance	95 275	0	95 275

Reserves for premium and rebates	2013	2012
in EUR '000		
Gross	0	1 505
Retrocession	0	0
Net	0	1 505

Development in 2013	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	1 505	0	1 505
Disposals	1 505	0	1 505
Book value – closing balance	0	0	0

Development in 2012	Gross	Reinsurance	Net
in EUR '000			
Book value – opening balance	1 505	0	1 505
Additions	0	0	0
Book value – closing balance	1 505	0	1 505

G.15. PROVISIONS

Financial liabilities	2013	2012
in EUR '000		
Miscellaneous provisions	2	1
Total	2	1

G.16. FINANCIAL LIABILITIES

Financial liabilities	2013	2012
in EUR '000		
FX derivative revaluation	9	0
Total	9	0

G.17. PAYABLES

Payables	2013	2012
in EUR '000		
Payables arising out of reinsurance operations – cedents	65 394	60 830
Payables arising out of reinsurance operations – retrocession	17 649	15 845
Deposit on ceded reinsurance business	222	277
Trade payables	1 118	82
Wages and salaries	123	273
Social security and health insurance	60	88
Other payables	370	92
Total	84 936	77 487

G.18. OTHER LIABILITIES

Other liabilities	2013	2012
in EUR '000		
Accruals	2 307	1 781
Total	2 307	1 781

G.19. PREMIUMS

Premiums written – Reinsurance premiums	Property/Casualty 2013	Health 2013	Life 2013	Total 2013
in EUR '000				
Gross				
Austria	134 769	16 434	12 243	163 446
Czech Republic	49 540	0	104	49 644
Slovakia	23 896	0	686	24 582
Serbia	23 572	0	67	23 639
Romania	19 059	0	150	19 209
Poland	18 385	0	48 986	67 371
Hungary	7 997	0	114	8 111
Kazakhstan	7 768	0	0	7 768
Germany	7 741	739	328	8 808
Turkey	7 249	997	0	8 246
Croatia	4 567	0	5 805	10 372
Other*)	20 489	0	215	20 704
Premiums written	325 032	18 170	68 698	411 900
Retroceded premiums	-162 179	0	-856	-163 035
Premiums written – Retained	162 853	18 170	67 842	248 865

*) "Other" represents the following countries: Albania, Azerbaijan, Bosnia, Bulgaria, Estonia, Georgia, United Kingdom, Italy, Kosovo, Latvia, Lithuania, Luxembourg, Macedonia, Moldova, Montenegro, Russia, Slovenia, Switzerland and Ukraine.

Premiums written – Reinsurance premiums	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	0	99	44 993
Slovakia	23 556	0	536	24 092
Romania	20 284	0	10	20 294
Hungary	11 307	0	133	11 440
Poland	10 077	0	123 761	133 838
Turkey	8 485	1 022	0	9 507
Germany	7 174	735	268	8 177
Croatia	5 160	0	6 362	11 522
Other*)	38 127	0	251	38 378
Premiums written	281 123	44 245	145 546	470 914
Retroceded premiums	-141 382	0	-891	-142 273
Premiums written – Retained	139 741	44 245	144 655	328 641

*) "Other" represents the following countries: Albania, Bosnia, Bulgaria, Estonia, Georgia, United Kingdom, Italy, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Russia, Serbia, Slovenia, Switzerland, and Ukraine.

In 2013 the Group wrote premiums of 352.0 MIO EUR from VIG Group companies and 59.9 MIO EUR from external parties (in 2012 427.2 MIO EUR from VIG Group companies and 43.4 MIO EUR from external parties).

In 2012 the Parent Company entered into a new single premium Q/S treaty agreement with written premiums of 49 MIO EUR in 2013 (2012: 123 MIO EUR) with the related party Benefia Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Poland.

Premiums written – Reinsurance premiums	Gross 2013	Ceded 2013	Net 2013
in EUR '000			
Property/Casualty			
MTPL	34 030	-12 882	21 148
Other motor vehicle reinsurance	23 225	-3 925	19 300
Casualty	7 984	-6 500	1 484
Liability	11 425	-2 649	8 776
Property	238 044	-131 122	106 922
Marine	10 324	-5 101	5 223
Premiums written	325 032	-162 179	162 853

Premiums written – Reinsurance premiums	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
Premiums written	281 123	-141 382	139 741

6.20. INVESTMENT RESULT

Investment income	2013	2012
in EUR '000		
Interest income		
Loans and term deposits	187	251
Deposits due from cedents	4 865	5 955
Financial investments held to maturity	8 535	8 449
Financial investments available for sale	1 142	735
FX gains	61	915
FX derivative revaluation	0	892
Total current income	14 790	17 197
Gains from the disposal of financial investments		
Financial investments held to maturity	0	0
Financial investments available for sale	439	259
Total gains from disposals of investments	439	259
FX Derivative – Income from sale	0	222
Kick-back and other fees	376	64
Total	15 605	17 742

Investment expense	2013	2012
in EUR '000		
Losses from disposal of investments	1	0
Management fees	676	331
FX losses	1 244	65
Impairment	55	0
Total current expenses	1 976	396
FX Derivative revaluation	9	894
Total losses from disposals of investments	1 985	1 290

6.21. OTHER INCOME

Other income	2013	2012
in EUR '000		
Foreign currency gains	1 220	515
Release of other provisions	0	344
Reversal of impairment of receivables	0	45
Income from sale of inventory	8	18
Interests not out of investments	2	0
Total	1 230	922

6.22. CLAIMS AND INSURANCE BENEFITS

Expenses for claims and insurance benefits – 2013	Gross	Retrocession	Net
in EUR '000			
Property/casualty/health			
Expenses for insurance claims			
Claims and benefits	177 880	76 993	100 887
Changes in provision for outstanding claims	79 829	62 951	16 878
Subtotal	257 709	139 944	117 765
Changes in other insurance liabilities	446	0	446
Total non-life expenses for claims and insurance benefits	258 155	139 944	118 211

Expenses for claims and insurance benefits – 2013	Gross	Retrocession	Net
in EUR '000			
Life			
Expenses for insurance claims			
Claims and benefits	89 161	197	88 964
Changes in provision for outstanding claims	-690	55	-745
Subtotal	88 471	252	88 219
Changes in mathematical reserve	-20 899	-2	-20 897
Total life expenses for claims and insurance benefits	67 572	250	67 322
Total	325 727	140 194	185 533

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	0	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	0	43 124
Total life expenses for claims and insurance benefits	143 457	35	143 422
Total	285 151	22 358	262 793

6.23. ACQUISITION EXPENSES

Commission expenses	2013			2012		
	Property/ Casualty	Health	Life	Property/ Casualty	Health	Life
in EUR '000						
Reinsurance commission – Fix	29 557	497	174	20 997	3 754	128
Reinsurance commission – Sliding scale	22 688	162	0	24 953	0	0
Reinsurance commission – Profit commission	15 563	6 542	2 020	11 460	2 458	0
Reinsurance commission – Health (administration)	0	-186	0	0	1 576	0
Total	67 808	7 015	2 194	57 410	5 330	2 586

G.24. OTHER OPERATING EXPENSES

Other operating expenses	2013	2012
in EUR '000		
Personnel expenses	1 589	1 263
Mandatory social security contributions and expenses	290	239
Depreciation of property, plant and equipment	93	44
Amortization of intangible assets	189	192
Rental expenses	180	145
IT expenses	727	659
Services	200	156
Other administrative expenses	-25	421
Total	3 243	3 119

Management and employee statistics	2013	2012
in EUR '000		
Management – BoD	3	5
Other employees	37	25
Total	40	30

Personal expenses	2013	2012
in EUR '000		
Wages and salaries	1 580	1 256
Mandatory social security contribution expenses	290	238
Other social security expenses	9	8
Total	1 879	1 502

Board of Directors and Supervisory Board compensation	2013	2012
in EUR '000		
Board of Directors compensation	657	806
Supervisory Board compensation	31	28
Total	688	834

G.25. OTHER EXPENSES

Other expenses	2013	2012
in EUR '000		
Foreign currency losses	4	753
Impairment of receivables	8	16
Interests from retrocession operations	17	19
Allocation of other provision	0	120
Disposal of inventory	0	5
Total	29	913

G.26. TAX EXPENSE

Tax expense	2013	2012
in EUR '000		
Current taxes		
– Actual taxes current period	4 656	4 027
– Actual taxes related to other periods	37	21
Total current taxes	4 693	4 048
Deferred taxes	-162	68
Other income tax	29	0
Total taxes	4 560*)	4 116*)

*) 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 2013.

Tax rate reconciliation	2013	2012
in EUR '000		
Expected tax rate in %	19	19
Profit before tax	18 367	24 297
Expected tax expense	3 490	4 616
Adjusted for tax effects due to:		
– Effects of tax rates in foreign jurisdiction	-211	-43
– Non-deductible expenses – other	239	8
– Income exempted from tax	-80	-5
– Expense exempted from tax	28	0
– Taxes from previous years	37	22
– Changes in tax rates	0	0
Other adjustments	0	0
– FX differences**)	1 057	-482
Income tax expense	4 560	4 116
Effective tax rate in %	24.83	16.94

**) FX effect caused by difference between functional currency (EUR) and currency used for calculation of tax duty and preparation of tax return of the parent company (CZK). The development in FX differences was influenced by the CNB intervention to weaken CZK by approximately 8%.

G.27. RELATED PARTIES

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

G.27.1. SHAREHOLDERS

Shareholders as of 31 December 2013:

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	2013	2012
in EUR '000		
Balance sheet		
Deposits due from cedents	222	277
Receivables	3 659	2 269
Technical provisions	14 671	11 299
Liabilities	2 409	1 375
Income statement		
Premiums written	12 072	5 788
Claims	-670	-3 046
Commission expenses	-3 092	-1 160
Change in claims and other reinsurance liabilities	-3 175	0
Other operating expenses	-608	-588

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	2013	2012
in EUR '000		
Balance sheet		
Deposits due from cedents	301	287
Receivables	3 031	6 885
Technical provisions	52 863	25 451
Liabilities	21 662	7 992
Income statement		
Premiums written	88 198	81 139
Change due to provision for premiums	-757	-1 669
Claims	-63 925	-10 792
Commission expenses	-7 963	-9 222
Change in claims and other reinsurance liabilities	-28 577	0
Intergroup outsourcing	-505	-525

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

G.27.2. KEY MANAGEMENT PERSONNEL OF THE ENTITY AND ITS PARENT

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The key management personnel comprise the Board of Directors and the Supervisory Board, together with members of the Board of Directors of VIG. Close family members of key management personnel are also deemed to be related parties. The Group has no transactions with family members of key management personnel.

G.27.3. OTHER RELATED PARTIES

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

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

Transactions with other related parties	2013	2012
in EUR '000		
Balance sheet		
Deposits due from cedents	37 663	134 144
Receivables	36 487	34 076
Technical provisions	159 940	231 693
Other assets	111	110
Liabilities	60 413	66 056
Income statement		
Premiums written*)	240 619	326 066
Change due to provision for premiums	716	652
Miscellaneous earnings of investment	0	1 112
Claims	-168 888	-116 249
Commission expenses	-39 812	-39 119
Change in claims and other reinsurance liabilities	-39 703	0

*) In 2012 the Parent Company entered into a new single premium Q/S treaty agreement with written premium of 49 MIO EUR in 2013 (2012: 123 MIO EUR) with the related party Benefia Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Poland.

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

G.28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets	31 December 2013		31 December 2012	
	Fair value	Carrying amount	Fair value	Carrying amount
in EUR '000				
Financial investments	294 872	275 178	295 925	271 458
Financial assets held to maturity	217 722	198 028	229 063	204 596
Financial assets available for sale	70 741	70 741	62 644	62 644
Loans – Term deposits	6 409	6 409	4 218	4 218
Receivables	58 134	58 134	44 270	44 270
Cash and cash equivalents	7 022	7 022	7 625	7 625
Total financial assets	360 028	340 334	347 820	323 353
Financial liabilities	Fair value	Carrying amount	Fair value	Carrying amount
in EUR '000				
FX derivative	9	9	0	0
Payables	84 936	84 936	77 487	77 487
Other liabilities	2 307	2 307	1 781	1 781
Total financial liabilities	87 252	87 252	79 268	79 268

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 138 690 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 is represented by their carrying amount.

G.29. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

G.29.1. ASSUMPTIONS USED IN REINSURANCE LIABILITIES

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

G.29.2. IMPAIRMENT OF LOANS AND RECEIVABLES

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

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

G.29.3. INCOME TAXES

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

G.29.4. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

G.29.5. CONTRACT CLASSIFICATION

When entering into an arrangement, certain judgement is used to determine the appropriate classification of the contracts entered into terms of International Financial Reporting Standards. In the application of management's 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.30. SUBSEQUENT EVENTS

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

The financial statements were approved by the Board of Directors of the Parent Company on 24 March 2014.

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 re-insurance pursuant to Act No 277/2009 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

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

The 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 hereto.

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 hereto.

PART III. PERIOD

This report has been prepared for the last accounting period, i.e. from 1 January 2013 to 31 December 2013.

PART IV.

CONTRACTS AND AGREEMENTS CONCLUDED BETWEEN HOLDING PARTIES IN 2013

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

Reinsurance 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

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

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

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

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

Reinsurance contracts between VIG Re and BULSTRAD LIFE VIENNA INSURANCE GROUP JSC.

Reinsurance contracts between VIG Re and BULSTRAD VIENNA INSURANCE GROUP PLC.

Reinsurance contract between VIG Re and Compensa Life Vienna Insurance Group SE.

Reinsurance contract between VIG Re and Compensa TU Na Žycie Spolka Akcyjna Vienna Insurance Group.

Reinsurance contracts between VIG Re and Compensa TU Spolka Akcyjna Vienna Insurance Group.

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

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

Reinsurance contract between VIG Re and ERSTE Vienna Insurance Group Biztosító Zrt.

Reinsurance contracts between VIG Re and Erste osiguranje Vienna Insurance Group d.d.

Reinsurance contracts between VIG Re and IC Globus.

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

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

Reinsurance contract between VIG Re and InterRisk Lebensversicherungs-AG Vienna Insurance Group.

Reinsurance contracts between VIG Re and INTERSIG Sh.a.

Reinsurance contract between VIG Re and JAHORINA OSIGURANJE a.d.

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

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

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

Reinsurance contracts between VIG Re and Wiener osiguranje Vienna Insurance Group d.d.

Reinsurance contract between VIG Re and Poisťovňa Slovenskej Sporitelne, a.s., Vienna Insurance Group.

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

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

Reinsurance contracts between VIG Re and Sparkassen Versicherung AG Vienna Insurance Group.

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

Reinsurance contracts between VIG Re and Insurance MAKEDONIJA s.c. Skopje - Vienna Insurance Group.

Reinsurance contracts between VIG Re and InterAlbanian Vienna Insurance Group Sh.a.

Reinsurance contracts between VIG Re and JSC "Insurance Company GPI Holding".

Reinsurance contracts between VIG Re and International Insurance Company IRAO Ltd.

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

Reinsurance contract between VIG Re and "WIENER RE akcionarsko društvo ze reosiguranje".

Reinsurance contracts between VIG Re and Ray Sigorta A.S.

Reinsurance contracts between VIG Re and PJSC "Ukrainian Insurance Company Kniazha Vienna Insurance Group".

Reinsurance contract between VIG Re and PJSC "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP".

Reinsurance contracts between VIG Re and PJSC Insurance Company Ukrainian Insurance Group.

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 ON THE INITIATIVE OF RELATED PARTIES

In 2013 no legal acts or other measures were taken in the interest or on 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.

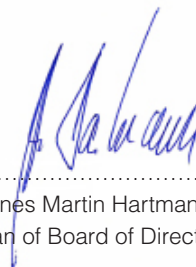
PART VII.

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 2013. 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.

Prague, 20 February 2014.

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.:



.....

Johannes Martin Hartmann
Chairman of Board of Directors



.....

Dušan Bogdanovič
Member of Board of Directors

ANNEX TO THE REPORT ON RELATED PARTIES

RELATED PARTIES AND EQUITY OF VIENNA INSURANCE GROUP AG WIENER VERSICHERUNG GRUPPE

Company	Registered office	Share in %
Consolidated companies		
"BULSTRAD LIFE VIENNA INSURANCE GROUP" JOINT STOCK COMPANY, Sofia	Bulgaria	95.53
"Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Vienna	Austria	100.00
"POLISA-ZYCIE" Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	98.57
"WIENER RE" akcionarsko drustvo za reosiguranje, Belgrade	Serbia	100.00
"WIENER STÄDTISCHE OSIGURANJE" akcionarsko drustvo za osiguranje, Belgrade	Serbia	100.00
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.10
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
BCR Asigurari de Viata Vienna Insurance Group S.A., Bucharest	Romania	92.36
BENEFIA Towarzystwo Ubezpieczen na Zycie S.A. Vienna Insurance Group, Warsaw	Poland	100.00
BML Versicherungsmakler GmbH, Vienna	Austria	100.00
Benefia Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	100.00
Blizzard Real Sp. z o.o., Warsaw	Poland	100.00
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, akciová spoločnosť, Bratislava	Slovakia	100.00
CENTER Hotelbetriebs GmbH, Vienna	Austria	80.00
COMPENSA Holding GmbH, Wiesbaden	Germany	100.00
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	100.00
Česká podnikatelská pojišť'ovna, a.s., Vienna Insurance Group, Prague	Czech Republic	100.00
Compensa Life SE, Vienna Insurance Group, 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	99.92
DBLV Immobesitz GmbH, Vienna	Austria	100.00
DBLV Immobesitz GmbH & Co KG, Vienna	Austria	100.00
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00
DBR-Liegenschaften Verwaltungen GmbH, Stuttgart	Germany	100.00
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	99.24
DVIB GmbH, Vienna	Austria	100.00
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	100.00
Donau Brokerline Versicherungs-Service GmbH, Vienna	Austria	100.00
ELVP Beteiligungen GmbH, Vienna	Austria	100.00
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	95.00
Erste osiguranje Vienna Insurance Group d.d., Zagreb	Croatia	95.00
GPIH B.V., Amsterdam	Netherlands	91.11
Gesundheitspark Wien -Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia	Bulgaria	98.00
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	75.00
Joint Stock Company for Insurance and Reinsurance Makedonija Skopje - Vienna Insurance Group, Skopje	Macedonia	94.25
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
InterAlbanian Vienna Insurance Group Sh.a., Tirana	Albania	93.17
International Insurance Company "IRAO" LTD, Tbilisi	Georgia	100.00

Joint Stock Company Insurance Company GPI Holding, Tbilisi	Georgia	90.00
Jahorina osiguranje Vienna Insurance Group akcionasko drustvo, Pale	Bosnia/ Herzegovina	100.00
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	Macedonia	100.00
KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00
Kaiserstraße 113 GmbH, Vienna	Austria	100.00
Kapitol pojišťovací a finanční poradenství, a.s., Brno	Czech Republic	100.00
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	98.39
Kvarner Wiener Städtische nekretnine d.o.o. za poslovanje nekretninama, Zagreb	Croatia	100.00
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Hungary	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 Oberösterreich Gemeinnützige Wohnungs- und SiedlungsgesmbH, Linz	Austria	99.81
Neue Heimat Oberösterreich Holding GmbH, Vienna	Austria	90.00
OMNIASIG VIENNA INSURANCE GROUP S.A., Bukurest	Romania	99.40
PFG Holding GmbH, Vienna	Austria	89.23
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	92.88
Private Joint-Stock Company "Insurance company Ukrainian insurance group", Kiev	Ukraine	100.00
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY KNAZHA VIENNA INSURANCE GROUP", Kiev	Ukraine	99.99
Private Joint-Stock Company "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev	Ukraine	97.80
PROGRESS Beteiligungs-ges.m.b.H., Vienna	Austria	60.00
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	56.55
Passat Real Sp. z o.o., Warsaw	Poland	100.00
Poisťovňa Slovenskej sporiteľne, a.s., Vienna Insurance Group, Bratislava	Slovakia	95.00
Pojišťovna České spořitelny, a.s., Vienna Insurance Group, Pardubice	Czech Republic	95.00
Projektbau GesmbH, Vienna	Austria	100.00
Projektbau Holding GmbH, Vienna	Austria	90.00
Rathstraße 8 Liegenschaftsverwertungs GmbH, Vienna	Austria	100.00
Ray Sigorta Anonim Sirketi, Istanbul	Turkey	94.96
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00
SIGMA VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	87.01
SVZ GmbH, Vienna	Austria	100.00
SVZI GmbH, Vienna	Austria	100.00
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH, Vienna	Austria	100.00
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG, Vienna	Austria	100.00
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	100.00
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70
Sparkassen Versicherung AG Vienna Insurance Group, Vienna	Austria	95.00
T 125 GmbH, Vienna	Austria	100.00
TBI BULGARIA EAD, Sofia	Bulgaria	100.00
TBIH Financial Services Group N.V., Amsterdam	Netherlands	100.00
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	100.00
V.I.G. ND uzavřený investiční fond a.s., Prague	Czech Republic	100.00
VIG FUND uzavřený investiční fond, a.s., Prague	Czech Republic	100.00
VIG RE zajišťovna, a.s., Prague	Czech Republic	100.00
VIG REAL ESTATE DOO, Belgrade	Serbia	100.00
VIG Real Estate GmbH, Vienna	Austria	100.00
VIG-CZ Real Estate GmbH, Vienna	Austria	100.00
VLTAVA majetkovosprávní a podílová spol.s.r.o., Prague	Czech Republic	100.00
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendorf	Liechtenstein	100.00
WGPV Holding GmbH, Vienna	Austria	100.00
Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb	Croatia	99.47
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
WSBV Beteiligungsverwaltung GmbH & Co KG, Vienna	Austria	100.00
WSV Immoholding GmbH, Vienna	Austria	100.00

Companies consolidated by equivalent method

"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna	Austria	55.00
AIS Servis, s.r.o., Brno	Czech Republic	100.00
Benefita, a.s., Prague	Czech Republic	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
GLOBAL ASSISTANCE, a.s., Prague	Czech Republic	100.00
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	55.00
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg	Austria	55.00
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00
Global Expert, s.r.o., Pardubice	Czech Republic	100.00
HOTELY SRNÍ, a.s., Prague	Czech Republic	100.00
KIP, a.s., Prague	Czech Republic	100.00
Kámen Ostroměř, s.r.o., Ostromer	Czech Republic	100.00
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.63
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	50.12
Sanatorium Astoria, a.s., Carlsbad	Czech Republic	92.71
S - budovy, a.s., Prague	Czech Republic	100.00
S IMMO AG, Vienna	Austria	10.04
S-správa nemovitostí, a.s., Prague	Czech Republic	100.00
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

"Auto-Ekspert" Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
"Compensa Services" SIA, Riga	Latvia	100.00
"DUNAJ - Finanse" - Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	50.00
"Neue Heimat" Stadterneuerungsgesellschaft m.b.H., Linz	Austria	100.00
AISMP Meditzinski Tsentar Bulstrad Zdrave EOOD, Sofia	Bulgaria	100.00
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group, Podgorica	Montenegro	100.00
Amadi GmbH, Wiesbaden	Germany	100.00
AQUILA Hausmanagement GmbH, Vienna	Austria	100.00
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00
Autosig SRL, Bukurest	Romania	100.00
B&A Insurance Consulting s.r.o., Moravska Ostrava	Czech Republic	49.00
BENEFIA Dystrybucja Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00
Brunn N68 Sanierungs GmbH, Vienna	Austria	50.00
Bulstrad Trudova Meditzina EOOD, Sofia	Bulgaria	100.00
Camelot Informatik und Consulting Gesellschaft m.b.H., Villach	Austria	99.48
CAPITOL BROKER DE PENSII PRIVATE S.R.L., Bucharest	Romania	97.56
CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L., Bucharest	Romania	97.57
CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L., Bucharest	Romania	97.56
CAPITOL Spolka z Ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
CARPLUS Versicherungsvermittlungsagentur GmbH, Vienna	Austria	100.00
CCA EDV für Versicherungswirtschaft GmbH, Vienna	Austria	100.00
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100.00
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Vienna	Austria	100.00
EBS Wohnungsgesellschaft mbH Linz, Linz	Austria	99.99
EBV-Leasing Gesellschaft m.b.H., Vienna	Austria	49.49
EGW Wohnbau gemeinnützige Ges.m.b.H., Vienna	Austria	100.00
ERSTE d.o.o. - company for mandatory pension fund management, Zagreb	Croatia	29.00
Erste S Biztositasi Alkusz Kft, Budapest	Hungary	100.00
European Insurance & Reinsurance Brokers Ltd., London	Great Britain	85.00
EXPERTA Schadenregulierungs-Gesellschaft mbH, Vienna	Austria	100.00
Finanzpartner GmbH, Vienna	Austria	50.00

Foreign limited liability company "InterInvestUchastie", Minsk	Belarus	100.00
Gain Capital SA, SICAV-FIS Real Estate Car Parks I, Luxembourg	Luxembourg	52.88
GELUP GmbH, Vienna	Austria	33.33
GEO HOSPITALS LLC, Tbilisi	Georgia	100.00
Glamas Beteiligungsverwaltungs GmbH, Vienna	Austria	23.33
Glamas Beteiligungsverwaltungs GmbH & Co "Beta" KG, Vienna	Austria	23.33
HAVLÍČKOVA INVESTMENT a.s., Prague	Czech Republic	100.00
Henderson Global Investors Immobilien Austria GmbH, Vienna	Austria	35.00
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00
InterRisk Informatik GmbH, Wiesbaden	Germany	100.00
Jahorina auto d.o.o., Brcko	Bosnia/ Herzegovina	100.00
Jahorina Konseko Progres a.d., Pale	Bosnia/ Herzegovina	28.00
Joint Stock Company "Curatio", Tbilisi	Georgia	100.00
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group Skopje	Macedonia	100.00
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company, Minsk	Belarus	98.26
KWC Campus Errichtungsgesellschaft m.b.H., Klagenfurt	Austria	50.00
Lead Equities II.Private Equity Mittelstandsfinanzierungs AG, Vienna	Austria	21.59
LiSciV Muthgasse GmbH & Co KG, Vienna	Austria	23.33
MC EINS Investment GmbH, Vienna	Austria	50.00
MuVi Re S.A., Luxembourg	Luxembourg	100.00
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	36.58
Pension Insurance Company Doverie AD, Sofia	Bulgaria	92.58
People's Pharmacy LLC, Tbilisi	Georgia	50.00
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	83.57
Privat Joint-stock company "VAB Insurance", Kiev	Ukraine	100.00
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	40.00
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	Austria	51.00
S.C. CLUB A.RO S.R.L., Bucharest	Romania	100.00
S.O.S.- EXPERT d.o.o. za poslovanje nekretninama, Zagreb	Croatia	100.00
Senioren Residenzen gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	100.00
Sloexperta, s.r.o., Zilina	Slovakia	100.00
Soleta Beteiligungsverwaltungs GmbH, Vienna	Austria	23.33
Soravia Food Market GmbH, Vienna	Austria	33.33
Sparkassen-Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100.00
Spoldzielnia Uslugowa VIG EKSPERT W WARSZAWIE, Warsaw	Poland	100.00
students4excellence GmbH, Vienna	Austria	24.75
TBI Asset Management EAD, Sofia	Bulgaria	100.00
TBI CONSULTING EOOD, Sofia	Bulgaria	100.00
TBI Info EOOD, Sofia	Bulgaria	100.00
TBI Invest EAD, Sofia	Bulgaria	100.00
Thermenland Congress Center Loipersdorf GmbH & Co KG, Loipersdorf	Austria	32.26
TOGETHER Internet Services GmbH, Vienna	Austria	24.99
UAB "Compensa Services", Vilnius	Lithuania	100.00
UNION-Informatikai Szolgáltató Kft., Budapest	Hungary	100.00
Untere Donaulände 40 GmbH, Vienna	Austria	100.00
Untere Donaulände 40 GmbH & Co KG, Vienna	Austria	100.00
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	23.56
VBV - Vorsorgekasse Aktiengesellschaft, Vienna	Austria	94.00
Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H., Vienna	Austria	33.33
Vienna Finance Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
Vienna Insurance Group Contact CenterBulgaria AD, Sofia	Bulgaria	100.00
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
Vienna International Underwriters GmbH, Vienna	Austria	100.00
VIG Asset Management investiční společnost, a.s., Prague	Czech Republic	100.00
VIG Management Service SRL, Bucharest	Romania	100.00
VIG Properties Bulgaria AD, Sofia	Bulgaria	99.97
VIG Services Bulgaria EOOD, Sofia	Bulgaria	100.00
VIG Services Shqiperi Sh.p.K., Tirana	Albania	100.00
VIG Services Ukraine, LLC, Kiev	Ukraine	100.00
VILE BARELINE d.o.o., Zagreb	Croatia	30.00

VÖB Direkt Versicherungsagentur GmbH, Graz	Austria	50.00
VVT Vermögensverwaltung GmbH, Vienna	Austria	33.33
WAG Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	100.00
Wien 3420 Aspern Development AG, Vienna	Austria	73.40
Wiener Städtische Donau Leasing GmbH, Vienna	Austria	100.00
WILA GmbH, Vienna	Austria	100.00
WNH Liegenschaftsbesitz GmbH, Vienna	Austria	100.00
WSBV Beteiligungsverwaltung GmbH, Vienna	Austria	100.00
WSV Vermögensverwaltung 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.



.....
Johannes Martin Hartmann
Chairman of Board of Directors



.....
Dušan Bogdanovič
Member of Board of Directors

