Annual Report

VIG Re

2014

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It's what we stand for

Johannes Martin Hartmann,
Chairman of the Board

Main Responsibilities: Corporate Affairs,
P & C Reinsurance Underwriting,
Active Reinsurance Non-VIG Clients.

Claudia Stránský,
Member of the Board

Main Responsibilities: Protection Programme,
Property Reinsurance - VIG Companies,
Reinsurance Accounting,
Claims, Human Resources, Marketing.

Dušan Bogdanović,
Member of the Board

Main Responsibilities:
Life and Health Reinsurance,
Finance, IT and Business Organisation.

Find out who we are from A to Z

Over the past seven years, VIG Re has established itself as a key player in the reinsurance market in Austria and CEE, maintaining its A+ stable outlook rating from Standard and Poor's.

VIG Re continues its growth steadily and successfully. We have an increasing number of clients and we are dedicated to provide a platform to companies to exchange and develop know-how. We maintain a very close and trustful cooperation with brokers for both incoming and outgoing business.

Our specific knowledge of the local environments, coupled with our professional backgrounds, enables us to provide specific solutions to clients in our core markets.

We share a regional closeness with our clients, intuitively understanding their needs, and we are available to provide fast, concise and friendly feedback. We value the let's-talk-over-a-cup-of-coffee comfort level we evoke in our clients, while maintaining the utmost professionalism.

Property, casualty, life and health treaty business are what we write, along with facultative services in property and casualty.

Following the path
of personal approach is

How we got to where we are today

2008
(Establishment and the first months)

In August 2008 the Czech National Bank granted VIG RE zajišťovna, a.s. a license to carry out reinsurance activities, valid from August 8th 2008.
In October 2008 VIG Re received an A+ rating from Standard & Poor's, and has retained it until now.

To show its strong commitment to and focus on the area, VIG Re was to be domiciled in a CEE country, and the Czech Republic was chosen as it has one of the most settled and efficient supervisory regimes in the new EU member states of CEE. VIG Czech Republic is one of the Non-Austrian entities with the most experience.

VIG Czech Republic as one of the largest entities is able to provide an efficient back office at low operating costs to VIG Re.

2009

In 2009 treaty reinsurance underwriting was commenced for all lines, first reinsurance business concluded from 1.1.2009, with VIG companies and market business offered for renewal in 2010. Even though VIG Re focused on underwriting business from VIG, the company was also successful in gaining other business from the market. This provided a good base, combined with the development of marketing and underwriting activities, to expand further in this segment.

2010

VIG Re began offering facultative cover in property and engineering for group companies. In 2010 VIG Re completed its acquisition of 99.2% of the shares in Wiener Re a.d.o. Beograd, a Serbian reinsurance company.

This acquisition furthered the expansion of the reinsurance activities overseen by VIG Re in CEE.

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

2011

VIG Re further expanded its well-balanced portfolio by offering facultative cover in property and engineering also for non-group companies – an offer which is now very well perceived by our clients, and VIG Re expects further growth in the future.

VIG Re reached a threshold of having more than 100 clients.

VIG Re holds no sovereign debt of any high-risk countries, thus minimizing its exposure to euro zone crises.

In property and casualty - VIG Re added to its territorial scope by entering new markets in Kazakhstan, Azerbaijan, and Armenia.

Mr. Karl Fink became the CEO of VIG Re replacing Mr. Peter Hagen.

2012

In 2012, VIG Re moved into new offices to accommodate the expansion of the team and the growth of business that we continue to experience. That year, VIG Re took things to a new level in development which included internal organizational transformation and changes in the management of the company that enabled us to continue to support this growth in business.

In 2012 our GWP increased by over 60% as our team of dedicated and engaged employees continued to expand. The significant growth in the VIG Re life insurance business in 2012 was primarily driven by a short-term provision of capital support to Group companies.

VIG Re expanded its activities in the field of property treaty reinsurance, writing at least 25% of all the property and engineering treaties of VIG Group, as well as expanding the property portfolio with market companies.

2013

In 2013, Mr. Johannes Martin Hartmann became the CEO of the company. VIG Re has experienced significant external business growth that brought in 6.6 MIO EUR of premiums. Severe flooding that hit the CEE region in that year had no impact on our results due to our prudent underwriting policy.

What we achieved

in 2014

Economic Environment

In 2014 the global economy continued along its recovery path. According to the IMF, real GDP growth remained at 3.3%. The subdued economic growth has been mainly impacted by relatively low dynamics of emerging markets such as China and even recession in Russia and Brazil. While the recovery of the US economy has been supported by US Federal Bank policy of "quantitative easing", the same is not yet obvious for the euro zone, where the European Bank started to use similar instruments. As an effect of the quantitative easing, interest rates remained at historically low levels, creating additional challenges for the insurance industry.

In the CEE region, an average GDP growth of 3.0% was reported. For VIG Re's main markets in the region (Poland +3.3%, Czech Republic +2.0%, Slovakia +2.4%, Rumania +2.9%) GDP growth was mainly driven by recovery of exports to Germany. Dynamics in most Western Balkan countries remained low, especially in Serbia (-1.8%) and Croatia (-0,4%). A special case is Ukraine, where the economic situation has been severely impacted by the continuous political conflict in its territory.

The Insurance Industry and Major Insurance Events
The CEE market is still characterised by an ongoing market consolidation. Both RGA and QBE announced withdrawal from the CEE region, with RGA selling its operations in the Baltics and Poland to PZU, and QBE to Fairfax and EuroIns, respectively. Talanx Group announced the sale of its Bulgarian and Ukrainian operations to EuroIns Group.

While globally the year 2014 was relatively benign in respect of major natural catastrophes, the CEE region was affected by two severe regional events. In May 2014, the Western Balkans, especially Serbia and Bosnia, suffered a severe flood event, causing losses of about EUR 3 bn, and in July the region of Sofia was hit by a severe hailstorm. Other notable large market losses in excess of 100 MIO EUR were reported for Austria (explosion at Zellstoff Poels in March) and Russia (explosion at Achinsk oil refinery)

Reinsurance Industry

The historically low yields have been driven by an estimated USD 50 bn of additional “alternative” capital in 2014 into the reinsurance market as an alternative investment supposed to be uncorrelated to the financial market performance. Most of this alternative capital entered the reinsurance market in form of collateralised instruments, such as sidecars or in form of insurance-lined securities.

While the distinct price effects are mainly visible for the US commodity Cat business, an increasing number of reinsurers are looking at secondary markets like CEE offering additional capacity and softening terms in most markets.

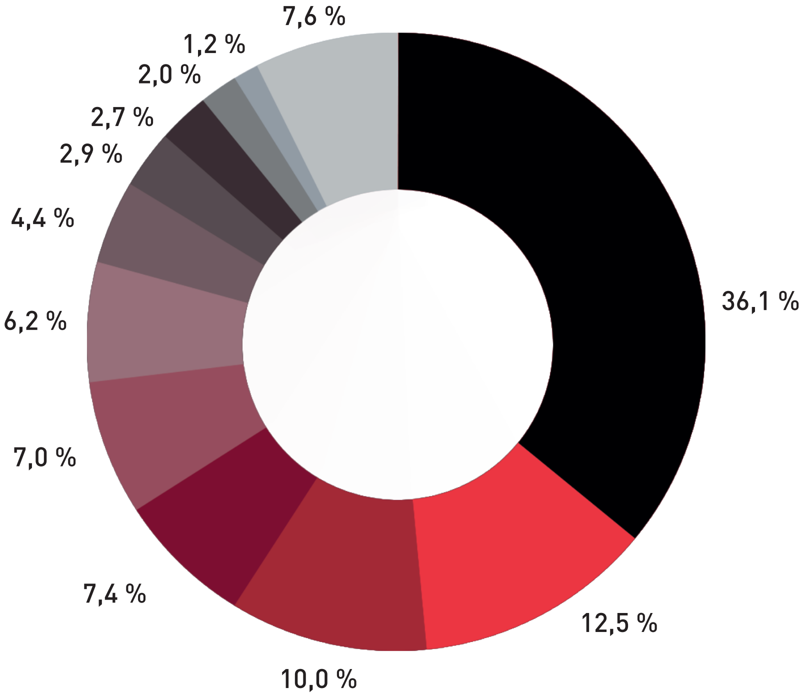
VIG Re 2014 Consolidated Results

2014 was another strong year for VIG Re. While premium growth of + 4.7 % was moderate, the company succeeded in growing its net profit by 21.3 % to 19.9 MIO EUR.

Gross written premium for the Year 2014 was 431.2 MIO EUR, of which P&C contributed 370.0 MIO EUR and L&H 61.2 MIO EUR. As in all the years since its establishment in 2008, VIG Re achieved a positive underwriting result. The combined ratio remained stable at 97.6 %. Investments yielded 16.0 MIO EUR. VIG Re posted a consolidated pre-tax profit of 19.9 MIO EUR. The number of clients exceeded 260 in 2014.

GWP Property / Casualty per Country

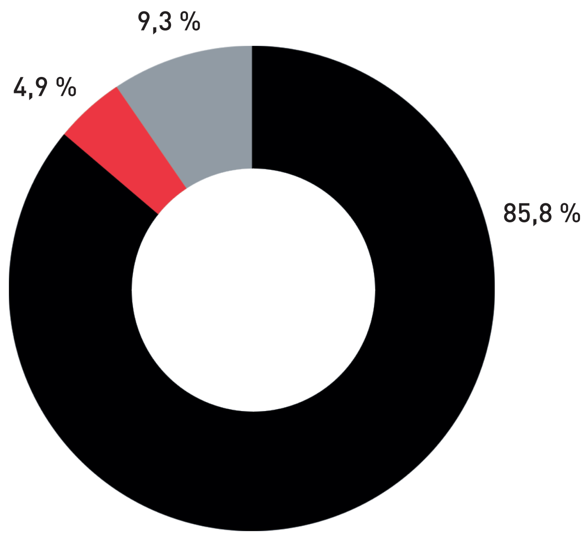
- Austria
- Czech Republic
- Kazakhstan
- Serbia
- Slovakia
- Poland
- Romania
- Turkey
- Germany
- Hungary
- Croatia
- Other



Austria	133 559
Czech Republic	46 199
Kazakhstan	37 045
Serbia	27 404
Slovakia	26 060
Poland	22 964
Romania	16 169
Turkey	10 880
Germany	9 853
Hungary	7 244
Croatia	4 623
Other	27 954

Premium Split 2014

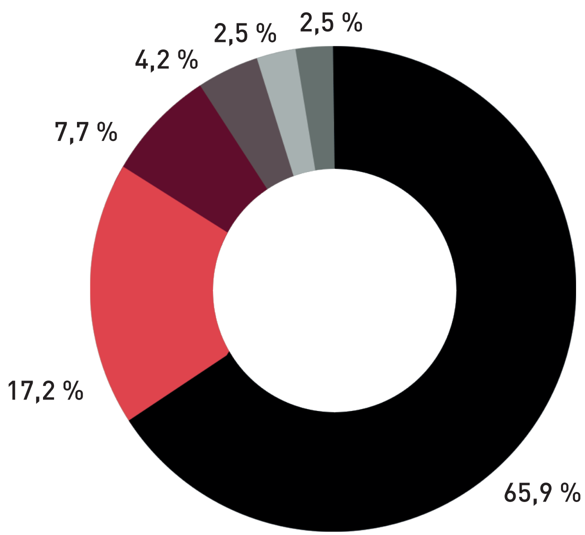
- P/C
- Health
- Life



	P/C	Health	Life	Total
Premiums written – Gross	369 954	21 064	40 193	431 211

GWP Property / Casualty per LoB

Property	243 911
MTPL	63 738
Other motor Vehicle insurance.	28 548
Liability	15 319
Marine	9 258
Casualty	9 180



- Property
- MTPL
- Other motor V.I.
- Liability
- Marine
- Casualty

Processes

We are increasing the volume and complexity of the business we do and therefore we have now a new actuarial team & processes and project team. Increasing requirements for reporting, risk management and data quality lead to reorganization and development of new tools. We continue to implement all processes and standards required by Solvency II directive, and we are continuously working on refining skills and extending knowledge of every team member.

Activity in the field of research and development

Given the nature of business, the Company has limited options in the field of research and development. For this reason, development is focused on the incorporation of new information technologies and forms of communication into the process of providing reinsurance services.

Environmental protection

Due to the nature of the Company's business, it places a minimum burden on the environment and meets the requirements imposed by legal standards in the Czech Republic in the performance of its activities.

The company's organizational units abroad

The Company has no organizational units abroad.

Financial Investments

Investments in other currencies apart from EUR and USD were continuously growing. Looking from the company investment perspective, the year 2014 was another record year. The fixed income portfolio profited from the plunge of interest rates across the markets and yield curves. Moreover, the company also profited from its equity investments. Compared with the previous year, the company increased its portion of holdings accounted as available-for-sale by purchasing highly liquid and highly rated bonds. Similarly to previous years, the operational cash-flow was managed through buying and selling of the short term bond funds.

Apart from the financial investments, the company also held 137 MIO EUR in funds deposited with cedents from Life and Health Reinsurance.

In the low-yield environment and the equity prices at or near record levels, the investment outlook to the future years remains challenging. Nevertheless, the company investment policy does not change. VIG Re sticks to the strategy of reaching the planned investment yield with a conservative risk / return profile under the control of disciplined risk management.

Protection Programme

VIG Re is very conservative in its buying of reinsurance; we adhere to VIG Group's rule of not retaining more than 3% of our equity and buying natural catastrophe cover for a 250-year return period. Our reinsurance panel is carefully chosen based on our security guidelines and well diversified, avoiding too much dependence on one partner.

People

VIG Re is a company that has been privileged from the beginning with a team of people that acts as if the company were their own. Our employees act responsibly, with personal engagement and entrepreneurial spirit. In turn, VIG Re is a company where people can own the work they do, with this work being seen and connected with them. Both internally as well as with clients, they know that their personal contribution is to the overall results of the company.

VIG Re has a dynamic team with a good mix of men and women, different nationalities, types and talents. It is very important for us to support parents with small children by allowing very flexible work hours. Several team members have taken advantage of this opportunity, which has kept them involved in the business and in return they have provided us with their very loyal professional support.

It is essential for us that the whole team knows our strategy, how we arrive at our decisions, what is the vision that drives our actions. We have a concept called "Learning Pool" where we regularly offer trainings that are accessible to all members of the team, where the principle is that sometimes they are the ones being trained, and at other times they are the ones sharing know-how with the others.

We encourage discussions and difference in opinions, and it is very important for us that our team remains curious, eager to learn and sees more than one way to solve a problem or create a new opportunity.

Language lessons, reinsurance technical and finance trainings as well as soft-skill seminars are part of the yearly development plan for the team. The target setting always contains one activity that is a team target in addition to individual business responsibilities.

Wiener Re

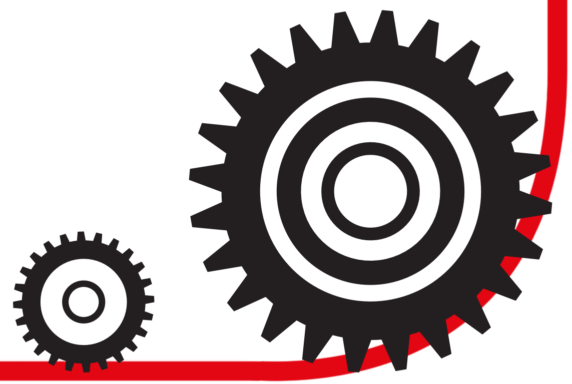
VIG Re's own reinsurance company, Wiener Re Belgrade, which was founded in 2008, has already completed its sixth successful year providing reinsurance services to both group companies and external partners. In this short period of time, it has established itself and become one of the leading regional companies for reinsurance.

Since 2008, the reinsurance market in Serbia has recognized the need for reinsurance services and Wiener Re Belgrade established business relationships with a significant number of insurance companies in Serbia, the CEE region, as well as the world's top reinsurance companies. It is currently active in the markets of Serbia, Bosnia and Herzegovina, Montenegro and Macedonia, with the aim of further development in the CEE region.

Wiener Re achieves a constant growth in gross written premiums as a result of the increasing number of cedents, providing all types of reinsurance services and capacities to the regional insurance companies and maintaining a very good technical result in all business areas.

Since 2013 Wiener Re has become the number one reinsurer in the Serbian market with strong market share of more than 40 %, GWP of more than 30 MIO EUR and more than 20 cedents from the region (Wiener Stadtische Insurance Belgrade, Wiener Insurance BiH, Uniqa Insurance, Axa life and non-life Insurance, Triglav Insurance, Sava, Lovčen, and many others).

Outlook



The CEE region offers an attractive long-term growth scenario for insurance. The rising purchasing power of a growing middle class will trigger an increased demand for insurance solutions from private households, and consequently will increase insurance density.

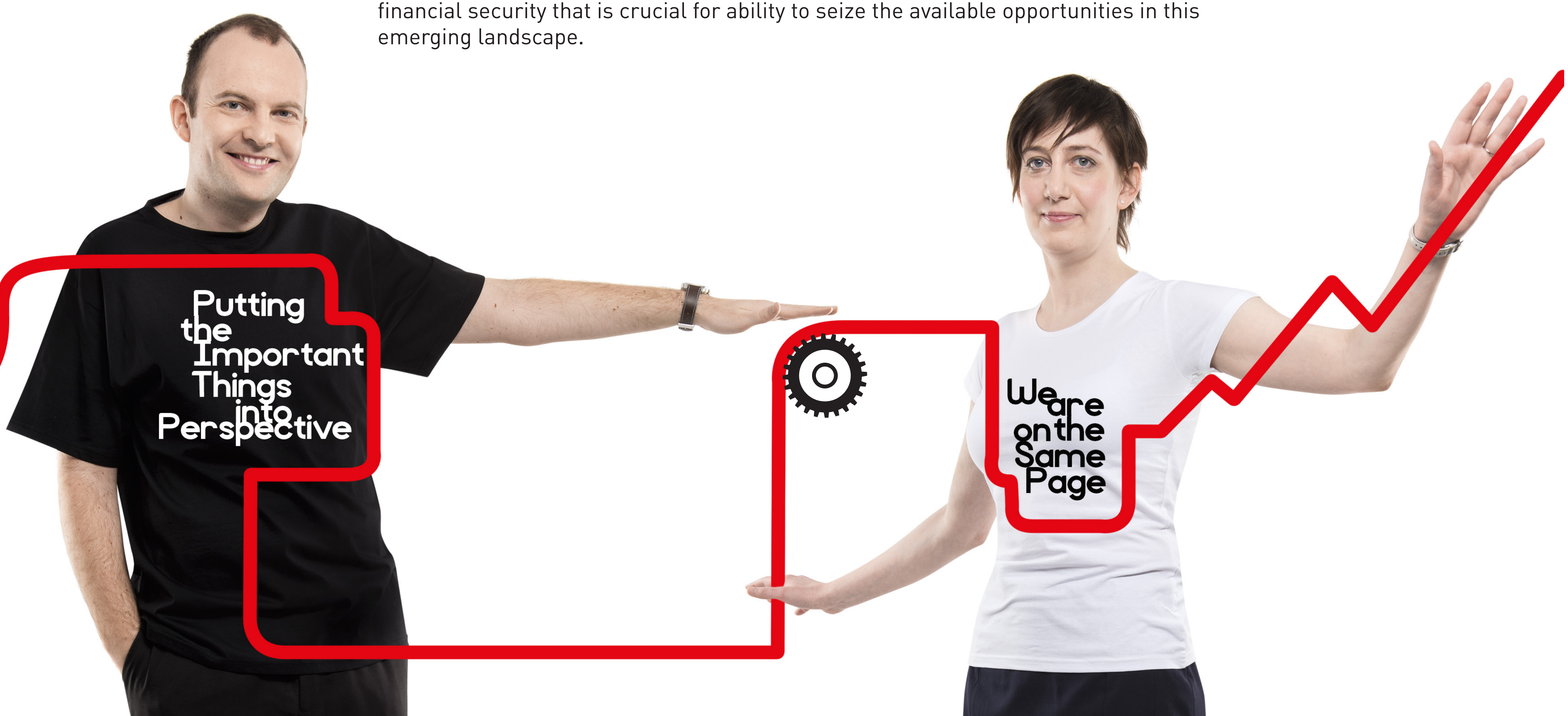
Although the mid- to long-term perspective of the macro-economic trends provides strong growth potential for insurance and reinsurance companies in the region, the economic outlook for 2015 remains tainted with uncertainty. It remains questionable whether the EU economy will recover in 2015 and be sufficient to help the growth in the export-dependent CEE countries. Furthermore, the future development of the insurance market still depends on the implementation of national reforms. Although social, healthcare and pension insurance reforms are being planned in many CEE countries, political decision-making and implementation are lagging behind.

On January 1, 2016, the Solvency II framework will come into force for those insurance and reinsurance companies based in the European Union, setting new standards in insurance regulation and enterprise risk management.

VIG Re expects the terms & conditions for most lines of reinsurance business in its markets will develop in favour of reinsurance buyers. While the current financial environment limits investment yields and calls for strict underwriting discipline, the continuous high level of competition and the absence of any recent market defining events will probably not allow for price adjustments, especially in those lines of business which have shown a solid performance in recent years.

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

In 2015 and beyond, VIG Re will adhere to its conservative investment and protection policy in line with its A+ stable outlook rating. VIG Re provides the operational flexibility, broad risk solutions across all main lines of business, and the strong financial security that is crucial for ability to seize the available opportunities in this emerging landscape.



But most importantly **Our Figures** help you to figure us all out

Supervisory Board Report

The Supervisory Board has received from the Board of Directors the Financial Statements as of 31 December 2014 and the Report on Business Activities and the State of the Company dating to 31 December 2014, which have been carefully read and reviewed. Based on this review, the Supervisory Board has unanimously agreed to approve the Financial Statements prepared by the Board of Directors and also the Board of Directors' proposal for the distribution of profit.

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

In 2014, 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 2014 have been audited by the auditing company KPMG Česká republika Audit, s.r.o. 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, 24 March 2015

Dkfm. Karl Fink
Chairman of the Supervisory Board

KPMG Česká republika Audit, s.r.o.
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186 00 Praha 8
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Independent Auditor's Report to the Shareholders of VIG RE zajišťovna, a.s.

Non-consolidated Financial Statements

On the basis of our audit, on 17 March 2015 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 2014, 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 VIG RE zajišťovna, a.s. 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 about 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 2014, 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 30 March 2015 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 2014, 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 VIG RE zajišťovna, a.s. 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 about 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 2014, 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

We have reviewed the factual accuracy of the information disclosed in the report on relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity of VIG RE zajišťovna, a.s. for the year ended 31 December 2014 prepared in accordance with the applicable provisions of Act No. 90/2012 Coll., on Companies and Cooperatives. 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 the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity of VIG RE zajišťovna, a.s. for the year ended 31 December 2014 contains material misstatements.

Consolidated Annual Report

We have audited the consistency of the consolidated annual report with the abovementioned sets of 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 abovementioned sets of 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 abovementioned sets of financial statements is, in all material respects, consistent with the respective 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 abovementioned sets of financial statements.

Prague
9 October 2015

KPMG Česká republika Audit

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

Benešová

Romana Benešová
Partner
Registration number 1834

Separate Financial Statements

31 December 2014

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STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2014

ASSETS		2014	2013
In EUR '000			
Intangible assets	**F.1**	**1 133**	**1 070**
Property, plant and equipment	**F.2**	**99**	**125**
Investment in subsidiaries	**F.3**	**6 722**	**10 722**
Financial investments	**F.4**	**425 211**	**401 567**
Financial assets held to maturity		157 008	194 429
Financial assets available for sale		129 972	67 220
Loans – Term deposits		1 510	1 475
Deposits due from cedents		136 721	138 443
Trade and other receivables	**F.5**	**45 516**	**50 220**
Ceded share of reinsurance liabilities	**F.6**	**166 435**	**141 105**
Other assets	**F.8**	**672**	**936**
Deferred acquisition costs	**F.9**	**3 261**	**3 210**
Cash and cash equivalents	**F.10**	**8 724**	**6 134**
Total ASSETS		**657 773**	**615 089**

EQUITY AND LIABILITIES			
Shareholders' equity	**F.11**		
Share capital		101 958	101 958
Other components of equity		10 045	4 908
Retained earnings		21 650	17 185
Total EQUITY		**133 653**	**124 051**
Reinsurance liabilities		**451 671**	**413 786**
Unearned premiums	F.12	18 450	19 668
Outstanding claims	F.13	303 220	262 394
Life reinsurance provision	F.14	130 001	131 724
Financial liabilities	**F.15**	**0**	**9**
Payables	**F.16**	**67 606**	**75 540**
Deferred tax liabilities	**F.7**	**41**	**94**
Current tax liabilities	**F.25**	**3 635**	**413**
Other liabilities	**F.17**	**1 167**	**1 196**
Total LIABILITIES		**524 120**	**491 038**
Total EQUITY AND LIABILITIES		**657 773**	**615 089**

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

INCOME STATEMENT	Notes	2014	2013
In EUR '000			
Premiums	**F.18**		
Premiums written – Gross		405 073	390 890
Premiums written – Ceded		-172 030	-145 177
Premiums written – Retention			
Change due to provision for premiums – Gross		-1 973	1 164
Change due to provision for premiums – Ceded		2 618	1 002
Net earned premiums		**233 688**	**247 879**
Investment Result	**F.19**		
Investment and interest income		16 409	15 422
Investment and interest expenses		-666	-1 855
Total investment result		**15 743**	**13 567**
Other income	**F.20**	**886**	**1 223**
Claims and insurance benefits	**F.21**		
Expenses for claims and insurance benefits – Gross		-217 863	-258 777
Expenses for claims and insurance benefits – Ceded		65 663	70 754
Claims and insurance benefits – retention			
Change in claims and other reinsurance liabilities – Gross		-45 868	-59 040
Change in claims and other reinsurance liabilities – Ceded		27 682	62 875
Total expenses for claims and insurance benefits		**-170 386**	**-184 188**
Acquisition expenses			
Commission expenses	F.22	-70 945	-70 336
Other acquisition expenses		-904	-868
Change in deferred acquisition expenses		87	532
Commission income from retrocessionaires		14 478	12 972
Total acquisition expenses		**-57 284**	**-57 700**
Other operating expenses	**F.23**	**-2 798**	**-2 816**
Other expenses	**F.24**	**-183**	**-20**
Profit before taxes		**19 666**	**17 945**
Tax expense	**F.25**	**-3 045**	**-4 437**
Profit for the period		**16 621**	**13 508**
Attributable to owners of the Company		**16 621**	**13 508**
Attributable to owners of non-controlling interest		**0**	**0**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

Statement of comprehensive income	2014			2013		
In EUR '000	Gross	Tax *)	Net	Gross	Tax *)	Net
Profit for the period	**19 666**	**-3 045**	**16 621**	**17 945**	**-4 437**	**13 508**
Other comprehensive income						
Gains (losses) recognized in equity – Available for sale financial assets	5 509	-1 047	4 462	182	- 35	147
Other comprehensive income for the year	**5 509**	**-1 047**	**4 462**	**182**	**-35**	**147**
Comprehensive income for the period	**25 175**	**-4 092**	**21 083**	**18 127**	**-4 472**	**13 655**
Attributable to owners of the Company	**25 175**	**-4 092**	**21 083**	**18 127**	**-4 472**	**13 655**
Attributable to owners of non-controlling interest	**0**	**0**	**0**	**0**	**0**	**0**

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

SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2014

	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 2014	101 958	1 500	3 408		17 185	124 051
Total comprehensive income for the period		4 462			16 621	21 083
Dividends					-11 481*	-11 481
Allocation to legal and statutory reserves			675		-675	0
As of 31 December 2014	**101 958**	**5 962**	**4 083**		**21 650**	**133 653**
	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	0
As of 31 December 2013	**101 958**	**1 500**	**3 408**		**17 185**	**124 051**

* Dividend per share was EUR 459.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

Cash flow statement	2014	2013
In EUR '000		
Profit for the period	**19 666**	**17 945**
Adjustments to profit for the period		
– interest and other investment income	-10 903	-9 467
– exchange differences	230	1 330
– depreciation	273	393
– change in deferred acquisition costs	-51	165
– dividends	-618	-571
Cash flows from operating activities		
Change in reinsurance liabilities	37 885	-25 033
Change in ceded share of reinsurance liabilities	-25 330	-64 013
Change in receivables	8 704	-14 988
Change in deposits due from cedents and Loans – Term deposits	1 687	101 424
Change in payables	-7 934	7 713
Change in other assets and liabilities	235	396
Income tax paid	**-898**	**-5 062**
Net cash flow from operating activities	**22 946**	**10 232**

Cash flows from investing activities		
Interest received	9 138	8 995
Dividends received	592	543
Payment for acquisition of intangible assets and property, plant and equipment	-306	-270
Cash proceeds from the sale of intangible assets and property, plant and equipment	3	78
Payment for acquisition of available for sale financial assets	-113 939	-78 440
Cash proceeds from the sale of available for sale financial assets	59 476	73 675
Cash proceeds from the maturity/sale of held to maturity financial assets	36 089	5 167
Net cash flow from investing activities	**-8 947**	**9 748**

Cash flows from financing activities		
Dividend payment	-11 481	-16 639
Net cash flow from financing activities	**-11 481**	**-16 639**

Net change in cash and cash equivalents	**2 518**	**3 341**

Reconciliation of cash and cash equivalents		
Cash and cash equivalents at beginning of period	**6 134**	**2 901**
Foreign currency translation differences on cash balances	72	- 108
Net change in cash and cash equivalents	2 518	3 341
Cash and cash equivalents at end of period	**8 724**	**6 134**

SEGMENT REPORTING

The Company determines and presents operating segments based on the information that is provided internally 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 assessing 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.18.

SEGMENT REPORTING
INCOME STATEMENT BY LINES OF BUSINESS

INCOME STATEMENT	Property/Casualty		Health		Life		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
In EUR '000								
Premiums written – Gross	343 816	304 098	21 064	18 170	40 193	68 622	405 073	390 890
Premiums written – Ceded	-171 204	-144 391			-826	-786	-172 030	-145 177
Change due to provision for premiums – Net	226	1 392			419	774	645	2 166
1. Net earned premiums	**172 838**	**161 099**	**21 064**	**18 170**	**39 786**	**68 610**	**233 688**	**247 879**
Interest revenue	8 676	8 962	10	11	5 262	5 633	13 948	14 606
Other income and expense from investments	1 882	-960	2	-1	-89	-78	1 795	-1 039
2. Investment result	**10 558**	**8 002**	**12**	**10**	**5 173**	**5 555**	**15 743**	**13 567**
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Gross	-224 405	-249 066	-1 161	-1 251	-38 165	-67 500	-263 731	-317 817
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	93 169	133 447			176	182	93 345	133 629
3. Claims and insurance benefits	**-131 236**	**-115 619**	**-1 161**	**-1 251**	**-37 989**	**-67 318**	**-170 386**	**-184 188**
Commission expenses including change in deferred acquisition expenses	-58 969	-60 692	-9 002	-6 926	-2 887	-2 186	-70 858	-69 804
Other acquisition expenses	-661	-647	-40	-39	-203	-182	-904	-868
Commission income from retrocessionaires	14 215	12 698			263	274	14 478	12 972
4. Acquisition expenses	**-45 415**	**-48 641**	**-9 042**	**-6 965**	**-2 827**	**-2 094**	**-57 284**	**-57 700**
Operating profit measured on the segment basis	**6 745**	**4 841**	**10 873**	**9 964**	**4 143**	**4 753**	**21 761**	**19 558**
5. Administrative expenses	**-2 095**	**-2 313**	**-128**	**-138**	**-575**	**-365**	**-2 798**	**-2 816**
Operating profit	**4 650**	**2 528**	**10 745**	**9 826**	**3 568**	**4 388**	**18 963**	**16 742**
6. Other income							**886**	**1 223**
7. Other expenses							**-183**	**-20**
Profit before tax							**19 666**	**17 945**
Income tax							**-3 045**	**-4 437**
Profit after tax							**16 621**	**13 508**

Investment result was allocated among individual segments based on the balance of reinsurance liabilities as of 31 December 2014.

Notes to the Financial Statements

A. General information

A.1. Description of the Company

VIG RE zajišťovna, a.s. ("Company" or "VIG Re") is the first professional reinsurance company established in the Czech Republic and is part of Vienna Insurance Group ("VIG"). VIG Re was incorporated on 18 August 2008 (ID 28445589) and has its registered office at Templová 747/5, Prague 1, postcode 110 01. VIG Re received the license 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.

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 2014:

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

The members of the Board of Directors were as of 31 December 2014 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 were as of 31 December 2014 as follows:

Chairman:	Karl Fink, Vienna, Austria
Vice-Chairman:	Hans-Peter Hagen, Vienna, Austria
Member:	Wolfgang Eilers, Hamburg, Germany
Member:	Roland Gröll, Vienna, Austria
Member:	Peter Höfinger, Vienna, Austria
Member:	Juraj Lelkes, Bratislava, Slovakia
Member:	Vladimír Mráz, Prague, Czech Republic

A.2. Statement of compliance

The financial statements have been prepared in accordance with the 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 the current legislation (563/Sb.1991, § 19a/7) the Company keeps accounts and prepares these separate financial statements in accordance with the 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 the IFRS adopted by the EU.

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

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

Preparation of the financial statements in accordance with the IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the 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.

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

B. Significant accounting policies

B.1. Intangible assets

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

Intangible assets are amortized using the straight-line method.

B.2. Property, plant and equipment

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

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

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

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

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

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

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

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

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, 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.

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

Life reinsurance provision

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

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

The provision is initially measured employing the assumptions used for calculating the corresponding premiums and remain unchanged except where liability inadequacy occurs. A liability adequacy test (LAT) is performed at each reporting date by the Company's actuaries using current estimates of future cash flows under the Company's 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 a corresponding increase to the life reinsurance provision.

Other

Other reinsurance liabilities consist mainly of 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 calculation of the provisions are very conservative so that they are sufficient and include enough safety margins. Furthermore, in the health insurance business, yearly premium indexations in case of increases in claims expenses are usually contractually agreed with policyholders.

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

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

B.12. Provisions

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

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

B.13. Payables

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

B.14. Premiums

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

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

Outward ceded premiums are recognized as an expense.

B.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 a 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 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 a 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 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 the IFRS also transfer financial risk.

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

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

B.22. Novation

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

B.23. Financial reinsurance

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

B.24. Clean cut

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

C. New standards, interpretations and amendments to published standards

The following published amendments and interpretations to existing standards are mandatory and relevant for the VIG Re accounting periods and have been applied by VIG Re since 1 January 2014.

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

(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 earlier.)

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).

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.

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

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

IFRS 12 Disclosure of Interests in Other Entities[2]

(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.

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

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 earlier.)

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

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

[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.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

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

The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.
The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

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

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 requires 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.

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; however, 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 recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognised 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 recognised or reversed in the period and 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 categorised;
- for fair value measurements categorised 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 categorised 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 measurements should be disclosed.

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 retrospectively[3]. Earlier application is permitted; however, an entity shall not apply the amendments in periods (including comparative periods) in which it does not also apply IFRS 13.)
The Amendments allows 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, and
- changes to the terms of the derivative are limited to those necessary to replace the counterparty.

[3] Although the amendments are applied retrospectively, if an entity had previously discontinued hedge accounting as a result of a novation, then 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.

Standards not yet in force

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

(Effective for annual periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application is permitted.)

The amendments are relevant only to defined benefit plans[4] that involve contributions from employees or third parties meeting certain criteria, namely that they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Company does not expect the amendment to have any impact on the financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

IFRIC 21 Levies

(Effective for annual periods beginning on or after 17 June 2014; to be applied retrospectively. Earlier application is permitted.)
The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability and to the timing of recognising a liability to pay a levy imposed by the government.
In accordance with the interpretation, the obligating event is the activity that triggers the payment of that levy as identified in the relevant legislation and, as a consequence, the liability for paying the levy is recognised when this event occurs.
The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.
If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached.
The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.
It is expected that the interpretation, when initially applied, will not have a material impact on the financial statements, since it does not results in a change in the entity's accounting policy regarding levies imposed by governments.

[4] Post-employment defined benefit plans or other long-term employee defined benefit plans

D. Principal assumptions

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

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

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

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

b) changes in the reinsurance contracts mix;

c) random fluctuations and large losses.

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

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

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

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

Annuities

In MTPL reinsurance and other third party liability lines, part of the claims payment may be in the form of an annuity. The provision for such claims is established as the present value of expected future claims payments. The key assumptions involved in the calculation are the discount rate, 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 is then assuming 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 objectives of risk management is to ensure that the obligations assumed under reinsurance contracts can be satisfied.

E.1.2. Risk management objectives and methods

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

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

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

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

Risk management in VIG and VIG Re is governed by internal guidelines. Underwriting risks in property/casualty reinsurance are primarily managed using actuarial models for setting tariffs and monitoring the progress of claims, and guidelines for the assumption of insurance risks.

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

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

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

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

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

Actuarial department: Underwriting risks are managed by internal resources of VIG Re supported by the actuarial department of other VIG Group companies in the Czech Republic and Austria. The actuarial department subjects all reinsurance solutions to in-depth actuarial analysis covering all classes of the reinsurance business (life, health, property/casualty). The Company has its own 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 companies and reinsurance from external parties. In 2014 the majority of reinsurance assumed was from VIG Group companies. VIG Re writes long-tail as well as short-tail business, both proportional and non-proportional reinsurance business, and also provides facultative reinsurance.

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

E.2.2. Insurance risks

The Company assumes insurance risk transferred from clients to insurance and through reinsurance contracts to VIG Re. The risk under any one reinsurance contract is the possibility that the insured event occurs. This risk can also include the uncertainty of the amount of the resulting claim. By the very nature of a reinsurance contract, this risk is random and therefore unpredictable. For a portfolio of reinsurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that VIG Re faces under its reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of the reinsurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Claim events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Experience shows that the larger the portfolio of similar reinsurance contracts, the smaller the relative variability of 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 types of insurance risks accepted and, within each of these categories, to achieve a sufficiently large population of risks in order to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of the 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 variability in the behaviour of contract holders. 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 in order 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 a natural catastrophe is less than 21 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 vehicle liability and general liability, VIG Re uses as reinsurers companies with outstanding ratings (at least a Standard & Poor's "A" rating and preferably "AA" or higher), which in all likelihood will continue to exist over the long term. Even for business segments with claims that are settled quickly (for example, natural catastrophes, fire, technology, transportation, storm, burglary, household, water pipes, auto collision), where there is a larger number of reinsurers, the preferred rating is Standard & Poor's "A" or higher. Reinsurers with lower ratings are only accepted in a few cases and for limited periods of time.

Approach to the reinsurance contracts assumed by the Company

VIG Re follows a strict underwriting policy and there are a number of insurance risks excluded from the VIG Re underwriting policy. There are general exclusions as well as specific exclusions per line of business. The general exclusions (see the examples below) are obligatory for all of VIG Re's acceptances. The Company does not assume any credit, bond or other financial risk on its net base 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 companies, the Company 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 company's need to comply with the arm's length principle.

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

E.2.4. Concentration risk

In general, the Company writes business only in the CEE region, Austria and Germany. See F.18 for geographical concentration measured by premium written. The tables also show premium split according to lines and classes of business. The concentration risk for VIG Re can mainly be detected in the property class of business, where the natural catastrophe risk is accounted. For natural catastrophes the main exposures are flood, storm and earthquake. These exposures are annually modelled by the actuaries of the retrocession brokers based on the actual status of all portfolios, including cross country exposures, and analysed by the Company. Based on this, the above-mentioned full retrocession cover for VIG Re is determined and placed with a large 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 will thus cause the Company to incur a financial loss.

E.3.1. Credit risk from financial investments

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

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

According to the Company'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 rating of (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 the 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	
	2014	2013	2014	2013
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	28 789	31 092	0	0
31 days to 90 days after maturity	7 836	7 945	0	0
91 days to 180 days after maturity	5 940	7 192	0	0
181 days to 1 year after maturity	836	3 630	0	0
1 year to 2 years after maturity	2 115	361	0	0
Neither past due nor impaired – carrying amount	**0**	**0**	**600 370**	**548 806**
Total carrying amount	**45 516**	**50 220**	**600 370**	**548 806**

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.26.) and therefore the Company has enough information to evaluate the quality of the counterparty.

Cash and cash equivalents are neither individually nor collectively impaired.

Credit risk exposure				2014		
Standard & Poor's rating	**AAA**	**AA**	**A**	**B / BB / BBB**	**No rating**	**Carrying value in balance sheet**
In EUR '000						
Financial investments*	61 619	25 408	174 865	9 203	17 395	288 490
Deposits due from cedents	0	97 439	39 277	0	5	136 721
Cash and cash equivalents	0	0	0	0	8 724	8 724
Receivables from reinsurance and ceded share of reinsurance liabilities	0	91 587	102 612	3 911	9 678	207 788
Other receivables	0	0	0	0	4 163	4 163
Total	**61 619**	**214 434**	**316 754**	**13 114**	**39 965**	**645 886**
In %	9.54	33.20	49.04	2.03	6.19	100

* Except for deposits due from cedents.

Credit risk exposure				2013		
Standard & Poor's rating	**AAA**	**AA**	**A**	**B / BB / BBB**	**No rating**	**Carrying value in balance sheet**
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**
In %	5.79	33.50	52.68	2.83	5.20	100

* Except for deposits due from cedents.

The most important financial investment holdings are in bonds issued or guaranteed by the governments of the EU countries where VIG Re operates (Czech Republic, Slovakia, Poland and Austria). 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 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:	2014					
	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	**43 374**	**96 092**	**137 930**	**108 927**	**38 888**	**425 211**
Financial assets held to maturity	19 934	58 592	50 964	27 518	0	157 008
Financial assets available for sale	8 100	9 705	53 934	19 345	38 888	129 972
Loans – Term deposits	0	1 510	0	0	0	1 510
Deposit due from cedents*	15 340	26 285	33 032	62 064	0	136 721
Receivables	**41 353**	**0**	**0**	**0**	**0**	**41 353**
Ceded share of reinsurance liabilities*	**63 255**	**40 353**	**36 094**	**26 733**	**0**	**166 435**
Cash and cash equivalents	**8 724**	**0**	**0**	**0**	**0**	**8 724**
Other receivables	**4 163**	**0**	**0**	**0**	**0**	**4 163**
Total	**160 869**	**136 445**	**174 024**	**135 660**	**38 888**	**645 886**

* 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				
	Up to one year	From one to five years	From five to ten years	More than ten years	Carrying value in balance sheet
In EUR '000					
Reinsurance liabilities*	**151 052**	**106 413**	**91 323**	**102 883**	**451 671**
Unearned premiums	18 450	0	0	0	18 450
Outstanding claims	122 851	80 413	58 823	41 133	303 220
Life reinsurance provision	9 751	26 000	32 500	61 750	130 001
Payables	**65 002**	**195**	**389**	**292**	**65 878**
Tax liabilities	**3 635**	**0**	**0**	**0**	**3 635**
Other liabilities	**1 728**	**0**	**0**	**0**	**1 728**
Total	**221 417**	**106 608**	**91 712**	**103 175**	**522 912**

* Expected timing of cash flow.

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:	2014					
	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	0	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 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:	2013				
	Up to one year	From one to five years	From five to ten years	More than ten years	Carrying value in balance sheet
In EUR '000					
Reinsurance liabilities*	**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.

E.5. Market risk

The Company invests in debt securities, bond and equity funds 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 until maturity; the AFS debt securities portfolio represents the lower part.
- The management of market risk on securities is aimed at providing a transparent view of the risk exposure arising from price, interest-rate and currency fluctuations as they affect profitability and the value of securities investments, and at limiting these risks. Risks are limited by setting position limits and by means of a two-tier limit system for risk exposure.

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's 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:

		2014	
Currency	**Total Assets**	**Total Liabilities**	**Net Amount**
In EUR ´000			
EUR	619 640	474 230	145 410
CZK	16 536	17 380	-844
USD	5 204	6 183	-979
TRY	6 254	7 215	-961
PLN	6 094	10 119	-4 025
Other	4 045	8 993	-4 948
Total	**657 773**	**524 120**	**133 653**

A 10% negative movement in exchange rates can cause a total profit of 1 176 TEUR.
Such a EUR/CZK change can cause a profit of 84 TEUR, and in EUR/HUF a profit of 436 TEUR.

		2013	
Currency	**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**

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.

2014	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	2.25%	2 025	6 075	7 996	1 709	73 279	0	91 084
Financial assets available for sale – investment funds		0	0	0	0	0	38 888	38 888
Financial assets held to maturity – debt securities	4.3%	18 144	1 790	8 414	50 178	78 482	0	157 008
Loans – Term deposits	6.3%	0	0	0	1 510	0	0	1 510
Deposit due from cedents	3.44%	0	15 340	26 285	0	95 096	0	136 721
Cash and cash equivalents		**8 724**	**0**	**0**	**0**	**0**	**0**	**8 724**
Total financial assets		**28 893**	**23 205**	**42 695**	**53 397**	**246 857**	**38 888**	**433 935**

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	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**

E.5.3. Equity risk

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

The VaR positions of the financial investments were as follows:

VaR including HTM as of 31 December	2014	2013
In EUR ´000		
Market value of the portfolio	320 111	291 552
Historical VaR 60d; 99%	6 644	10 050
Relative VaR (%) 60d; 99%	2.08%	3.45%

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

VaR excluding HTM as of 31 December	2014	2013
In EUR ´000		
Market value of the portfolio	120 430	62 087
Historical VaR 60d; 99%	3 035	3 164
Relative VaR (%) 60d; 99%	2.52%	5.10%

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

The VaR figures can be interpreted as giving a 1% probability that the portfolio will fall in value by more than 6 644 TEUR or 3 035 TEUR over a 60 day period, assuming markets are normal and there is no trading. The accuracy of the VaR model is regularly monitored.

E.6. Capital management

The Company operates in the insurance/reinsurance sector, which is a regulated industry. The Company has to comply with all regulations stipulated through the Insurance Act No. 277/2009 Coll. and Regulation No. 434/2004 Coll., including the prudential rules relating to capital. The prudential rules set the method for calculating the required solvency margin and available solvency elements. The available solvency elements are calculated for life and non-life together and the required solvency margin is calculated for life and non-life separately.

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

Regulatory capital as of 31 December		2014	2013
In EUR ʻ000			
Required solvency margin	Life and non-life reinsurance	59 087	51 084
Available solvency elements	Life and non-life reinsurance	132 520	122 980

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	2014	2013
In EUR '000		
Software and licenses	1 133	1 070
Total intangible assets	**1 133**	**1 070**

2014	Software	License	Other intangible assets	Total
In EUR '000				
Balance as of 1 January	331	1 705	0	2 036
Additions	63	0	243	306
Balance as of 31 December	**394**	**1 705**	**243**	**2 342**
Balance as of 1 January	288	678	0	966
Amortization	21	174	48	243
Balance as of 31 December	**309**	**852**	**48**	**1 209**
Book value as of 1 January	**43**	**1 027**	**0**	**1 070**
Book value as of 31 December	**85**	**853**	**195**	**1 133**

2013	Software	License	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**

F.2. Property, plant and equipment

Property, plant and equipment – 2014	Vehicles	Other	Total
In EUR '000			
Balance as of 1 January	**74**	**139**	**213**
Additions	0	7	7
Disposals	0	3	3
Balance as of 31 December	**74**	**143**	**217**
Balance as of 1 January	**46**	**42**	**88**
Depreciation	10	22	32
Disposals	0	2	2
Balance as of 31 December	**56**	**62**	**118**
Book value as of 1 January	**28**	**97**	**125**
Book value as of 31 December	**18**	**81**	**99**

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**

F.3. Investment in subsidiaries

Investment in subsidiaries	31.12.2014	Country	Cost of investment	Impairment losses	Net cost of investment	Proportion of interest ownership	Proportion power of voting
In EUR ´000							
Wiener Re a.d.o. Serbia	6 722	Serbia	6 722		6 722	99%	99%
Total	**6 722**		**6 722**				

Investment in subsidiaries	31.12.2013	Country	Cost of investment	Impairment losses	Net cost of investment	Proportion of interest ownership	Proportion power of voting
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.	24.10.2008	5 263	855
Wiener Re a.d.o. Serbia	22.07.2010	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.
MuVi Re S.A. was dissoluted as of 24.10.2014.

F.4. Financial investments

Financial investments	2014	2013
In EUR '000		
Available for sale financial assets	129 972	67 220
Held to maturity financial assets	157 008	194 429
Loans and receivables	138 231	139 918
Total	**425 211**	**401 567**

F.4.1. Financial assets available for sale

Financial assets available for sale	2014	2013
In EUR '000		
Debt securities		
Government bonds	85 962	47 735
Covered bonds	5 122	0
Investment funds	33 885	14 482
Shares in other related parties	5 003	5 003
Total	**129 972**	**67 220**

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 value	Fair
Debt securities	84 405	-160	6 839	0	91 084
Investment funds	33 363	0	522	0	33 885
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	124 969	0	5 003		129 972

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.

F.4.2. Financial assets held to maturity

Financial assets held to maturity	2014	2013
In EUR '000		
Debt securities		
Government bonds	145 937	176 691
Other public sector bonds	0	500
Corporate bonds	11 071	11 085
Bonds from banks	0	6 153
Total	**157 008**	**194 429**

Financial assets held to maturity	Carrying amount	Fair value
In EUR '000		
Debt securities		
Government bonds	145 937	166 061
Corporate bonds	11 071	13 323
Total	**157 008**	**179 384**

F.4.3. Loans and deposits

Loans and deposits	2014	2013
In EUR ´000		
Loans - Term deposits	1 510	1 475
Deposits due from cedents	136 721	138 443
Total	**138 231**	**139 918**

Deposits due from cedents in relation to reinsurance liabilities			
In EUR ´000			
Assets		**Liabilities**	
Deposits due from cedents	136 721	Unearned premiums	4 990
		Outstanding claims	1 730
		Life reinsurance provision	130 001
Total gross	**136 721**		**136 721**

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	2014	2013
In EUR '000		
Receivables arising out of assumed reinsurance – cedents	26 492	29 470
Receivables arising out of reinsurance operations – retrocession	14 861	20 370
Receivable from liquidation of subsidiary	4 000	0
Trade and other receivables	157	377
Prepayments	6	3
Total gross	**45 516**	**50 220**
Impairment	0	0
Total net	**45 516**	**50 220**

F.6. Ceded share of reinsurance liabilities

Ceded share of reinsurance liabilities	2014	2013
In EUR '000		
Unearned premiums	4 030	4 444
Outstanding claims	162 405	136 661
Total	**166 435**	**141 105**

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 have already been valued using the applicable tax rates.

Deferred tax	2014		2013	
Balance sheet position	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	0	4	0	4
Intangible assets	0	118	0	161
Provisions	81	0	71	0
Total	**81**	**122**	**71**	**165**
Net Balance		**41**		**94**

Movement in deferred tax	2014	2013
Net deferred tax assets/(liability) – opening balance	94	231
Deferred tax (expense)/income for the period	-53	-137
Net deferred tax asset/(liability) – closing balance	**41**	**94**

In accordance with the accounting method described in B.7., the amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date which is 19% for the year in question (2013: 19%).

F.8. Other assets

Other Assets	2014	2013
In EUR '000		
Prepaid expenses	672	936
Total	**672**	**936**

F.9. Deferred acquisition costs

Development of DAC	2014	2013
In EUR '000		
Book value – opening balance	**3 210**	**3 375**
Costs deferred during the current year	2 833	2 779
DAC released during the current year	2 746	2 870
FX translation	-36	-74
Book value – closing balance	**3 261**	**3 210**

F.10. Cash and cash equivalents

Cash and cash equivalents	2014	2013
In EUR '000		
Cash and cash equivalents	5	6
Cash at bank	8 719	6 128
Total	**8 724**	**6 134**

F.11. Shareholders' equity

Share capital	2014	2013
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

F.12. Unearned premiums

Unearned premium provision - 2014	Gross	Reinsurance	Net
In EUR '000			
Book value - opening balance	**19 668**	**4 444**	**15 224**
Premium written during the current year	405 073	172 030	233 043
Less premium earned during the current year	-403 100	-169 412	-233 688
Novation	0	0	0
Effect of clean cut	-3 157	-3 108	-49
FX translation	-34	76	-110
Book value – closing balance	**18 450**	**4 030**	**14 420**

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

Unearned premium provision - 2013	Gross	Reinsurance	Net
In EUR '000			
Book value - opening balance	**20 174**	**3 288**	**16 886**
Premium written during the current year	390 890	145 177	245 713
Less premium 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**

F.13. Outstanding claims

Provisions (RBNS, IBNR) - 2014	Gross	Reinsurance	Net
In EUR '000			
Book value – opening balance	**262 394**	**136 661**	**125 733**
Claims incurred and reported	268 259	93 345	174 914
Less claims paid	-217 863	-65 663	-152 200
Novation	0	0	0
Effect of clean cut	-9 430	-2 343	-7 087
FX translation	-140	405	-545
Book value – closing balance	**303 220**	**162 405**	**140 815**

Claims development table - Property/casualty on a gross basis	UY 2014	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	225 203	248 954	99 028	69 418	206 227	155 120	
One year later		257 699	115 795	82 973	214 401	175 798	
Two years later			115 588	79 040	217 175	177 081	
Three years later				75 586	209 765	167 027	
Four years later					206 395	161 648	
Five years later						159 069	
Estimate of cumulative claims	**225 203**	**257 699**	**115 588**	**75 586**	**206 395**	**159 069**	**1 039 540**
Cumulative payment	102 168	190 772	81 043	51 532	170 867	140 089	736 471
Value recognized in balance sheet	**123 035**	**66 927**	**34 545**	**24 054**	**35 528**	**18 980**	**303 069**

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 came into the Company's portfolio.

Outstanding claims relating to health (0.36 MIO EUR) and life (2.01 MIO EUR) are not included in the above table due to their relative insignificance.

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	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 years 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**

F.14. Life reinsurance provision

Life reinsurance provision	2014	2013
In EUR '000		
Gross	130 001	131 724
Retrocession	0	0
Net	**130 001**	**131 724**

Development in 2014	Gross	Reinsurance	Net
In EUR '000			
Book value – opening balance	**131 724**	**0**	**131 724**
Additions	1 054	0	1 054
Disposals	2 777	0	2 777
Book value – closing balance	**130 001**	**0**	**130 001**

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**

F.15. Financial liabilities

Financial liabilities	2014	2013
In EUR ‘000		
FX derivative revaluation	0	9
Total	**0**	**9**

F.16. Payables

Payables	2014	2013
In EUR ‘000		
Payables arising out of reinsurance operations - cedents	53 082	61 316
Payables arising out of reinsurance operations - retrocession	12 797	12 701
Trade payables	974	1 118
Wages and salaries	102	86
Social security and health insurance and tax payables	59	53
Other payables	592	266
Total	**67 606**	**75 540**

F.17. Other liabilities

Other liabilities	2014	2013
In EUR ´000		
Accruals	1 167	1 196
Total	**1 167**	**1 196**

F.18. Premium

Premium written – Reinsurance premium	Property/Casualty 2014	Health 2014	Life 2014	Total 2014
In EUR ´000				
Gross				
Austria	133 142	17 672	11 977	162 791
Czech Republic	46 199	0	-38	46 161
Kazakhstan	37 045	0	0	37 045
Slovakia	26 060	0	819	26 879
Poland	22 964	0	20 766	43 730
Romania	16 169	0	0	16 169
Turkey	10 880	2 300	0	13 180
Germany	9 853	1 092	1 032	11 977
Hungary	7 244	0	209	7 453
Serbia	5 558	0	30	5 588
Croatia	4 623	0	5 214	9 837
Other*	24 079	0	184	24 263
Premium written	**343 816**	**21 064**	**40 193**	**405 073**
Retroceded premium	**-171 204**	**0**	**-826**	**-172 030**
Premium written – Retained	**172 612**	**21 064**	**39 367**	**233 043**

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

Premium written – Reinsurance premium	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
Premium written	**304 098**	**18 170**	**68 622**	**390 890**
Retroceded premium	**-144 391**	**0**	**-786**	**-145 177**
Premium written – Retained	**159 707**	**18 170**	**67 835**	**245 713**

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

In 2014 the Company wrote premium of 321.9 MIO EUR from VIG Group companies and 83.1 MIO EUR from external parties (in 2013 343.4 MIO EUR from VIG Group companies and 47.4 MIO EUR from external parties).

In 2012 the Company entered into a single premium Q/S treaty agreement with written premium of 20 MIO EUR in 2014 (2013: 49 MIO EUR) with the related party Benefia Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Poland.

In 2013 the Company entered into a non-life Q/S treaty agreement with written premium of 30 MIO EUR in 2014 (2013: 2 MIO EUR) with the external party NOMAD INSURANCE Company JSC, Almaty, Kazakhstan.

Premium written – Reinsurance premium	Gross 2014	Ceded 2014	Net 2014
In EUR '000			
Property/Casualty			
MTPL	61 739	-39 920	21 819
Other motor vehicle reinsurance	24 567	-3 796	20 771
Casualty	6 948	-5 323	1 625
Liability	12 352	-1 766	10 586
Property	229 872	-116 799	113 073
Marine	8 338	-3 600	4 738
Premium written	**343 816**	**-171 204**	**172 612**

Premium written – Reinsurance premium	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
Premium written	**304 098**	**-144 391**	**159 707**

F.19. Investment result

Investment Income	2014	2013
In EUR ´000		
Interest income		
Loans and term deposits	85	92
Deposits due from cedents	4 655	4 865
Financial investments held to maturity	7 153	8 303
Financial investments available for sale	2 055	1 347
Total current income	**13 948**	**14 607**
Gains from the disposal of financial investments	0	0
Financial investments held to maturity	0	0
Financial investments available for sale	2 372	439
Total gains from disposals of investments	**2 372**	**439**
FX derivative – Income from sale	**34**	**0**
Kick-back and other fees	**55**	**376**
Total	**16 409**	**15 422**

Investment Expense	2014	2013
In EUR ´000		
Losses from disposal of investments	0	1
Management fees	347	602
FX losses	309	1 243
Total current expenses	**656**	**1 846**
FX derivative revaluation	10	9
Total losses from disposals of investments	**666**	**1 855**

F.20. Other income

Other income	2014	2013
In EUR ´000		
Foreign currency gains	886	1 216
Income from sale of inventory	0	7
Total	**886**	**1 223**

F.21. Claims and insurance benefits

Expenses for claims and insurance benefits – 2014	Gross	Retrocession	Net
In EUR ´000			
Property/casualty/health			
Expenses for insurance claims			
Claims and benefits	175 099	65 481	109 618
Changes in provision for outstanding claims	50 467	27 688	22 779
Subtotal	**225 566**	**93 169**	**132 397**
Changes in other insurance liabilities	0	0	0
Total non-life expenses for claims and insurance benefits	**225 566**	**93 169**	**132 397**

Expenses for claims and insurance benefits – 2014	Gross	Retrocession	Net
In EUR ´000			
Life			
Expenses for insurance claims			
Claims and benefits	42 764	182	42 582
Changes in provision for outstanding claims	-70	-6	-64
Subtotal	**42 694**	**176**	**42 518**
Changes in mathematical reserve	-4 529	0	-4 529
Changes in other insurance liabilities	0	0	0
Total life expenses for claims and insurance benefits	**38 165**	**176**	**37 989**
Total	**263 731**	**93 345**	**170 386**

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	445
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	-749
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**

F.22. Acquisition expenses

Commission expenses	2014 Property/Casualty	Health	Life	2013 Property/Casualty	Health	Life
In EUR '000						
Reinsurance commission – Fix	28 332	350	518	27 097	497	167
Reinsurance commission – Sliding scale	19 504	1 287	0	18 511	162	0
Reinsurance commission – Profit commission	11 268	7 282	2 404	15 529	6 540	2 019
Reinsurance commission – Health (administration)	0	0	0	0	-186	0
Total	**59 104**	**8 919**	**2 922**	**61 137**	**7 013**	**2 186**

F.23. Other operating expenses

Other operating expenses	2014	2013
In EUR '000		
Personnel expenses	1 599	1 427
Mandatory social security contributions and expenses	357	268
Depreciation of property, plant and equipment	32	83
Amortization of intangible assets	244	189
Rental expenses	151	146
IT expenses	631	723
Services	65	167
Other administrative expenses	-281	-187
Total	**2 798**	**2 816**

Management and employee statistics	2014	2013
Number of members		
Management – BoD	3	3
Other employees	31	24
Total	**33**	**27**

Personal expenses	2014	2013
In EUR '000		
Wages and salaries	1 587	1 418
Mandatory social security contribution expenses	357	268
Other social security expenses	12	9
Total	**1 956**	**1 695**

Board of Directors and Supervisory Board compensation	2014	2013
In EUR '000		
Board of Directors compensation	763	559
Supervisory Board compensation	32	31
Total	**795**	**590**

F.24. Other expenses

Other expenses	2014	2013
In EUR '000		
Foreign currency losses	2	3
Interests from retrocession operations	173	17
Non-deductible gifts	8	0
Total	**183**	**20**

F.25. Tax expense

Tax expense	2014	2013
In EUR ´000		
Current taxes		
- Actual taxes current period	5 490	4 509
- Actual taxes related to other periods	-2 458	37
Total current taxes	**3 032**	**4 546**
Deferred taxes	**-53**	**-137**
Other income tax	**66**	**28**
Total taxes	**3 045***	**4 437***

* Tax calculated based on the 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 2014.

Tax rate reconciliation	2014	2013
In EUR ´000		
Expected tax rate in %	19	19
Profit before tax	19 666	17 945
Expected tax expense	**3 737**	**3 409**
Adjusted for tax effects due to:		
- Tax exempt income	-996	-151
- Non-deductible expenses – other	1 101	136
- Income exempted from tax	0	-80
- Expense exempted from tax	132	29
- Taxes from previous years	-2 458	37
- Changes in tax rates	0	0
Other adjustments	0	0
- FX differences**	1 529	1 057
Income tax expense	**3 045**	**4 437**
Effective tax rate in %	15.48	24.73

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

F.26. Related parties

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

F.26.1. Shareholders

Shareholders as of 31 December 2014:

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	2014	2013
In EUR '000		
Balance sheet		
Receivables	1 570	3 569
Outstanding claims	33 352	14 449
Liabilities	2 165	2 392
Income statement		
Premiums written	14 098	14 717
Expenses for claims and insurance benefits	-3 247	-1 879
Change in claims and other reinsurance liabilities	-18 387	-3 122
Commission expenses	-1 313	-1 684
Other operating expenses	-521	-608

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	2014	2013
In EUR '000		
Balance sheet		
Deposits due from cedents	297	301
Receivables	2 949	3 030
Unearned premiums	2 519	3 374
Premium reserve	297	301
Outstanding claims	46 276	49 188
Liabilities	19 073	21 624
Income statement		
Premiums written	84 570	88 198
Change due to provision for premiums	254	-757
Investment and interest income	388	0
Expenses for claims and insurance benefits	-33 609	-63 925
Change in claims and other reinsurance liabilities	516	-28 577
Commission expenses	-8 363	-7 963
Intergroup outsourcing	-545	- 505

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

F.26.2. Subsidiaries

The Company has one subsidiary: Wiener Re a.d.o. Serbia (for details, see B.3.).

Transactions with subsidiaries	2014	2013
In EUR '000		
Balance sheet		
Receivables	734	968
Unearned premiums	282	472
Outstanding claims	2 662	443
Liabilities	502	572
Income statement		
Premiums written	6 153	5 628
Change due to provision for premiums	190	-47
Investment and interest income	406	298
Expenses for claims and insurance benefits	-5 909	-3 296
Change in claims and other reinsurance liabilities	-2 220	-317
Commission expenses	-1 866	-1 810

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

F.26.3. Key management personnel of the entity and its parent

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

F.26.4. Other related parties

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

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

Transactions with other related parties	2014	2013
In EUR '000		
Balance sheet		
Deposits due from cedents	39 946	37 416
Receivables	31 590	31 893
Unearned premiums	11 779	11 249
Premium reserve	36 638	35 572
Outstanding claims	121 687	109 147
Liabilities	51 539	56 581
Income statement		
Premiums written*	209 970	233 655
Change due to provision for premiums	-1 259	712
Miscellaneous earnings of investment	362	0
Expenses for claims and insurance benefits	-131 170	-165 146
Change in claims and other reinsurance liabilities	-16 001	-39 893
Commission expenses	-45 644	-42 491

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

In 2012 the Company entered into a new single premium Q/S treaty agreement with written premium of 20 MIO EUR in 2014 (2013: 49 MIO EUR) with the related party Benefia Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Poland.

F.27. Fair value of financial assets and liabilities

	31.12.2014		31.12.2013	
Financial assets	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
In EUR ´000				
Financial investments	**310 866**	**288 490**	**282 749**	**263 124**
Financial assets held to maturity	179 384	157 008	214 054	194 429
Financial assets available for sale	129 972	129 972	67 220	67 220
Loans – Term deposits	1 510	1 510	1 475	1 475
Receivables	**45 516**	**45 516**	**50 220**	**50 220**
Cash and cash equivalents	**8 724**	**8 724**	**6 134**	**6 134**
Total financial assets	**365 106**	**342 730**	**339 103**	**319 478**

Financial liabilities	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
FX derivative	0	0	9	9
Payables	67 606	67 606	75 540	75 540
Other liabilities	1 167	1 167	1 196	1 196
Total financial liabilities	**68 773**	**68 773**	**76 745**	**76 745**

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 136 721 TEUR, which are part of the financial investments, serve directly as an advance payment of future liabilities covering assumed business from cedents. These deposits do not trigger any cash flows and may not be used by the cedent independently. The credit risk is therefore limited and stating the fair value is not relevant. Furthermore, the deposits due from cedents do not have a fixed maturity date and their release depends on the corresponding provision.

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

F.28. Critical accounting estimates and judgements

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

The 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.28.1. 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.28.2. Impairment of loans and receivables

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

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

F.28.3. Income taxes

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

F.28.4. Fair value of financial instruments

The fair value of financial instruments that are not traded on an active market is determined using valuation techniques. The 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.28.5. Contract classification

When entering into an arrangement, certain judgement is used to determine the appropriate classification of the contracts entered in terms of the International Financial Reporting Standards. In the application of the 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.

F.29. 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 17 March 2015.

KPMG Česká republika Audit, s.r.o.
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186 00 Praha 8
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Independent Auditor's Report to the Shareholders of VIG RE zajišťovna, a.s.

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 2014, 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 VIG RE zajišťovna, a.s. 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 about 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 2014, 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.

Prague
30 March 2015

KPMG Česká republika Audit

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

Benešová

Romana Benešová
Partner
Registration number 1834

VIG Re

Consolidated Financial Statements

31 December 2014

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2014

ASSETS		2014	2013
In EUR '000			
Intangible assets	**G.1**	**1 172**	**1 089**
Property, plant and equipment	**G.2**	**155**	**196**
Financial investments	G.3	433 519	413 868
Financial assets held to maturity		159 102	198 028
Financial assets available for sale		134 826	70 741
Loans – Term deposits		2 560	6 409
Deposits due from cedents		**137 031**	**138 690**
Trade and other receivables	**G.4**	**55 404**	**58 134**
Ceded share of reinsurance liabilities	**G.5**	**193 143**	**148 925**
Current tax assets		**99**	**81**
Other assets	**G.7**	**1 731**	**2 076**
Deferred acquisition costs	**G.8**	**3 164**	**3 070**
Cash and cash equivalents	**G.9**	**9 146**	**7 022**
Total ASSETS		**697 533**	**634 461**

EQUITY AND LIABILITIES			
Shareholders' equity	**G.10**		
Shareholders' equity attributable to the Group		**133 494**	**124 212**
Share capital		101 958	101 958
Other components of equity		9 280	4 450
Retained earnings		22 256	17 804
Shareholders' equity attributable to minority interests		**46**	**47**
Total EQUITY		**133 540**	**124 259**
Reinsurance liabilities		**479 392**	**422 425**
Unearned premiums	G.11	25 596	26 202
Outstanding claims	G.12	323 795	264 499
Life reinsurance provision	G.13	130 001	131 724
Provisions	**G.14**	**0**	**2**
Financial liabilities	**G.15**	**0**	**9**
Payables	**G.16**	**78 637**	**84 936**
Deferred tax liabilities	**G.6**	**62**	**109**
Current tax liabilities	**G.25**	**3 636**	**414**
Other liabilities	**G.17**	**2 266**	**2 307**
Total LIABILITIES		**563 993**	**510 202**
Total EQUITY AND LIABILITIES		**697 533**	**634 461**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

INCOME STATEMENT	Notes	2014	2013
In EUR '000			
Premiums	**G.18**		
Premiums written – Gross		431 211	411 900
Premiums written – Ceded		-194 834	-163 035
Premiums written – Retention			
Change due to provision for premiums – Gross		-2 976	1 041
Change due to provision for premiums – Ceded		3 642	1 088
Net earned premiums		**237 043**	**250 994**
Investment result	**G.19**		
Investment and interest income		16 743	15 605
Investment and interest expenses		-766	-1 985
Total investment result		**15 977**	**13 620**
Other income	**G.20**	**895**	**1 230**
Claims and insurance benefits	**G.21**		
Expenses for claims and insurance benefits – Gross		-240 303	-267 041
Expenses for claims and insurance benefits – Ceded		86 247	77 190
Claims and insurance benefits – retention			
Change in claims and other reinsurance liabilities – Gross		-65 130	-58 686
Change in claims and other reinsurance liabilities – Ceded		46 679	63 004
Total expenses for claims and insurance benefits		**-172 507**	**-185 533**
Acquisition expenses	**G.22**		
Commission expenses		-77 610	-77 017
Other acquisition expenses		-1 036	-984
Change in deferred acquisition expenses		151	704
Commission income from retrocessionaires		20 437	18 625
Total acquisition expenses		**-58 058**	**-58 672**
Other operating expenses	**G.23**	**-3 269**	**-3 243**
Other expenses	**G.24**	**-221**	**-29**
Profit before taxes		**19 860**	**18 367**
Tax expense	**G.25**	**-3 114**	**-4 560**
Profit for the period		**16 746**	**13 807**
Attributable to owners of the Group		**16 744**	**13 806**
Attributable to owners of non-controlling interest		**2**	**1**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

Statement of comprehensive income	2014			2013		
In EUR '000	Gross	Tax *)	Net	Gross	Tax *)	Net
Profit for the period	**19 860**	**-3 114**	**16 746**	**18 367**	**-4 560**	**13 807**
Other comprehensive income						
Gains (losses) recognized in equity – Available for sale financial assets	5 560	-1 054	4 506	201	- 37	164
Translation reserve	**-351**	**0**	**-351**	**-49**	**0**	**-49**
Other comprehensive income for the year	**5 209**	**-1 054**	**4 155**	**152**	**-37**	**115**
Comprehensive income for the period	**25 069**	**-4 168**	**20 901**	**18 519**	**-4 597**	**13 922**
Attributable to owners of the Group	**25 067**	**-4 168**	**20 899**	**18 518**	**-4 597**	**13 921**
Attributable to owners of non-controlling interest	**2**	**0**	**2**	**1**	**0**	**1**

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

CONSOLIDATED SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2014

	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 2014	101 958	1 524	3 408	0	17 804	-482	124 212	47	124 259
Effect of dissolution					-136		-136		-136
Total comprehensive income for the period		4 506			16 744	-351	20 899	2	20 901
Dividends					-11 481*		-11 481	-3	-11 484
Allocation to legal and statutory reserve			675		-675				0
Change of equalization reserve				0	0				0
As of 31 December 2014	**101 958**	**6 030**	**4 083**	**0**	**22 256**	**-833**	**133 494**	**46**	**133 540**
	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									0
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**

*) Dividend per share was EUR 459.

**) 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 2014

Cash flow statement	2014	2013
In EUR '000		
Profit for the period	**19 860**	**18 367**
Adjustments to profit for the period		
- interest and other investment income	-11 309	-9 887
- exchange differences	-116	1 269
- depreciation	292	410
- impairment of financial investments	2	55
- change in deferred acquisition costs	-190	42
- dividends	-618	-303
Cash flows from operating activities		
Change in reinsurance liabilities	56 967	-25 026
Change in ceded share of reinsurance liabilities	-44 218	-64 474
Change in receivables	2 730	-13 864
Change in deposits due from cedents	1 624	101 485
Change in payables	-6 299	7 449
Change in provisions	-2	1
Change in other assets and liabilities	277	457
Income tax paid	-986	-5 304
Net cash flow from operating activities	**18 014**	**10 677**
Cash flows from investing activities		
Interest received	9 451	9 327
Dividends received	592	275
Payment for acquisition of intangible assets and property, plant and equipment	-330	-296
Cash proceeds from the sale of intangible assets and property, plant and equipment	3	78
Payment for acquisition of available for sale financial assets	-115 286	-80 760
Cash proceeds from the sale of available for sale financial assets	59 476	73 675
Payment for acquisition of held to maturity financial assets	1 619	-42
Cash proceeds from the maturity/sale of held to maturity financial assets	36 089	5 167
Net cash flow from investing activities	**-8 386**	**7 424**
Cash flows from financing activities		
Dividend payment	-11 484	-16 642
Net cash flow from financing activities	**-11 484**	**-16 642**
Net change in cash and cash equivalents	**-1 856**	**1 459**
Reconciliation of cash and cash equivalents		
Cash and cash equivalents at beginning of period	**11 956**	**10 610**
Foreign currency translation differences on cash balances	97	-113
Net change in cash and cash equivalents	-1 856	1 459
Cash and cash equivalents at end of period	**10 197**	**11 956**

Cash and cash equivalents is represented by cash and cash equivalents and demand deposits recognized as Loans – Term deposits (In 2014 cash and cash equivalents consisted of 9 146 TEUR cash and remaining part of 1 051 TEUR is represented as a loan. In 2013 the balance consists of 7 022 TEUR TEUR cash and 4 934 TEUR demand deposits, remaining part of 1 475 TEUR is represented as a loan).

SEGMENT REPORTING

The Group determines and presents operating segments based on the information that internally is provided 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, 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.18.

SEGMENT REPORTING
CONSOLIDATED INCOME STATEMENT BY LINES OF BUSINESS

INCOME STATEMENT	Property/Casualty		Health		Life		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
In EUR '000								
Premiums written – Gross	369 954	325 032	21 064	18 170	40 193	68 698	431 211	411 900
Premiums written – Ceded	-194 008	-162 179	0	0	-826	-856	-194 834	-163 035
Change due to provision for premiums – Net	247	1 355	0	0	419	774	666	2 129
1. Net earned premiums	**176 193**	**164 208**	**21 064**	**18 170**	**39 786**	**68 616**	**237 043**	**250 994**
Interest revenue	8 677	9 085	10	11	5 262	5 633	13 949	14 729
Other income and expense from investments	2 115	-1 026	2	-1	-89	-82	2 028	-1 109
2. Investment result	**10 792**	**8 059**	**12**	**10**	**5 173**	**5 551**	**15 977**	**13 620**
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities– Gross	-266 107	-263 503	-1 161	-1 251	-38 165	-67 573	-305 433	-332 327
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	132 750	146 544	0	0	176	250	132 926	146 794
3. Claims and insurance benefits	**-133 357**	**-116 959**	**-1 161**	**-1 251**	**-37 989**	**-67 323**	**-172 507**	**-185 533**
Commission expenses including change in deferred acquisition expenses	-65 570	-67 193	-9 002	-6 926	-2 887	-2 194	-77 459	-76 313
Other acquisition expenses	-793	-759	-40	-39	-203	-186	-1 036	-984
Commission income from retrocessionaires	20 174	18 342	0	0	263	283	20 437	18 625
4. Acquisition expenses	**-46 189**	**-49 610**	**-9 042**	**-6 965**	**-2 827**	**-2 097**	**-58 058**	**-58 672**
Operating profit measured on the segment basis	**7 439**	**5 698**	**10 873**	**9 964**	**4 143**	**4 747**	**22 455**	**20 409**
5. Administrative expenses	**-2 567**	**-2 726**	**-128**	**-138**	**-574**	**-379**	**-3 269**	**-3 243**
Operating profit	**4 872**	**2 972**	**10 745**	**9 826**	**3 569**	**4 368**	**19 186**	**17 166**
6. Other income							**895**	**1 230**
7. Other expenses							**-221**	**-29**
Profit before tax							**19 860**	**18 367**
Income tax							**-3 114**	**-4 560**
Profit after tax							**16 746**	**13 807**
Profit after tax attributable to owners of the Group							**16 744**	**13 806**
Profit after tax attributable to owners of non-controlling interest							**2**	**1**

Investment result was allocated among individual segments based on the balance of reinsurance liabilities as of 31 December 2014.

Notes to the Financial Statements

A. General information

A.1. Description of the Group

VIG Re zajišťovna, a.s. (hereinafter referred to as "VIG Re" or "Parent Company") is the first professional reinsurance Parent Company established in the Czech Republic and is part of Vienna Insurance Group (hereinafter referred to as "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 the license 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 2014 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 2014 and 2013.

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 2014:

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

The members of the Board of Directors were as of 31 December 2014 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 were as of 31 December 2014 as follows:

Chairman:	Karl Fink, Vienna, Austria
Vice-Chairman:	Hans-Peter Hagen, Vienna, Austria
Member:	Wolfgang Eilers, Hamburg, Germany
Member:	Roland Gröll, Vienna, Austria
Member:	Peter Höfinger, Vienna, Austria
Member:	Juraj Lelkes, Bratislava, Slovakia
Member:	Vladimír Mráz, Prague, Czech Republic

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 A.2.). The Parent Company also prepares its consolidated financial statements for the same period in accordance with IFRS adopted by the EU.

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

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

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

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

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

B. Consolidation

B.1. Basis of consolidation

Subsidiaries are those entities controlled by the Parent Company. Control exists when the Parent Company 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 2014 are the following:

Company	Country of residence	Effective proportion of ownership interest	Effective proportion of voting interest
VIG RE zajišťovna, a.s.	Czech Republic	Parent Company	Parent Company
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 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.

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.

MuVi Re S.A. was dissoluted as of 24.10.2014.

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

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

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

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

Financial assets held to maturity

Held to maturity assets are financial assets with fixed or determinable payments and fixed maturity, where the Group has the positive intent and ability to hold to maturity.

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

Available for sale financial assets

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

Loans – Term deposits

Loans consist mainly of deposits with financial institutions, or with a third party company 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 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.

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

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

The provision is initially measured employing the assumptions used for calculating the corresponding premiums and 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 to the life reinsurance provision.

Other

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

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

The provision for contractual non-discretionary bonuses in the non-life business covers future benefits in the form of additional payments to original policyholders or reductions in policyholders' payments, which are a result of the past performance. This provision is not recognized for contracts where the future premium is reduced by bonuses resulting from favourable past policy claim experience and such bonus is granted irrespective 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 of the amount of the obligation can be made.

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 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.

C.13. Premiums

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

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

Outward ceded premiums are recognized as an expense.

C.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 include 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 a 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 a 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 the IFRS also transfer financial risk.

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

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

C.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 focussed not only on managing underwriting risk but also on explicitly recognising and addressing other financially oriented risks. The use of financial reinsurance, which represents a combination of a transfer of an insignificant risk and financing risk, adds value to an insurer's risk management by providing flexibility and liquidity.

C.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 2014.

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

(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 earlier.)

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).

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

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.

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 earlier.)
IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.
Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:

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

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

IFRS 12 Disclosure of Interests in Other Entities[2]

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively, except it is 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.

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 earlier.)

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

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

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted; however the additional disclosures required by the 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.

[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.)

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; however, 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 recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognised 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 recognised or reversed in the period and 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 categorised;
- for fair value measurements categorised 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 categorised 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.

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 retrospectively[3]. Earlier application is permitted, however 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.

Standards not yet in force

[3] Although the amendments are applied retrospectively, if an entity had previously discontinued hedge accounting, as a result of a novation, then 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.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

(Effective for annual periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application is permitted.)

The amendments are relevant only to defined benefit plans[4] that involve contributions from employees or third parties meeting certain criteria. Namely that they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Group does not expect the Amendment to have any impact on the consolidated financial statements since it does have any defined benefit plans that involve contributions from employees or third parties.

IFRIC 21 Levies

(Effective for annual periods beginning on or after 17 June 2014; to be applied retrospectively. Earlier application is permitted.)
The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by the government.
In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs.
The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.
If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached.
The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.
It is expected that the Interpretation, when initially applied, will not have a material impact on the consolidated financial statements, since it does not result in a change in the Group's accounting policy regarding levies imposed by governments.

[4] Post-employment defined benefit plans or other long-term employee defined benefit plans

E. Principal assumptions

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

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

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

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

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

b) changes in the reinsurance contracts mix;

c) random fluctuations and large losses.

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

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

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

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

Annuities

In MTPL reinsurance and other third party liability lines, part of the claims payment may be in the form of an annuity. The provision for such claims is established as the present value of expected future claims payments. The key assumptions involved in the calculation are the discount rate, 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 life reinsurance provisions reduced by any unamortized acquisition costs and other intangible assets, the deficiency is recognized through the creation of a life reinsurance provision.

F. Risk reporting

F.1. Risk management

F.1.1. Introduction

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

The Group's core competence is dealing professionally with risk. The Group's primary business is assuming risks from its clients (insurance companies) using a variety of reinsurance contracts (both proportional and non-proportional) and financial reinsurance contracts. The majority of the Group's reinsurance clients are from VIG. The insurance companies' primary business then assumes of 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. This 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: the 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 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 companies in the Czech Republic and Austria. The actuarial department subjects all reinsurance solutions to in-depth actuarial analysis covering all classes of the reinsurance business (life, health, property/casualty). The Group has its appointed actuary.

Risk management department: VIG Re, with the support of the risk management department of VIG 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 companies and reinsurance from external parties. In 2014 the majority of reinsurance assumed was from VIG 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 occurs. This risk can also include the uncertainty of the amount of the resulting claim. By the very nature of a reinsurance contract, this risk is random and therefore unpredictable. For a portfolio of reinsurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of the reinsurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Claim events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Experience shows that the larger the portfolio of similar reinsurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its reinsurance underwriting strategy to diversify the types of insurance risks accepted and, within each of these categories, to achieve a sufficiently large population of risks in order to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of the 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 a natural catastrophe is less than 21 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, 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 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 to 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, Austria and Germany. See G.18 for geographical concentration measured by premium written. The tables also show premium split according to lines and classes of business. The concentration risk for the Group can mainly be detected in the property class of business, where the natural catastrophe risk is accounted. For natural catastrophes the main exposures are flood, storm and earthquake. These exposures are annually modelled by the actuaries of the retrocession brokers based on the actual status of all portfolios, including cross country exposures, and analysed by the Group. Based on this, the above mentioned full retrocession cover for the Group is determined and placed with a high number of reinsurers with security according to the guidelines, thus preventing concentration risk on the net base.

F.3. Credit risk

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

F.3.1. Credit risk from financial investments

The Group invests in debt securities, bond funds and deposits (both term and due from cedents), 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 rating level (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 the Supervisory Board. The credit risk (i.e. limits and ratings) is monitored daily.

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

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

F.3.2. Credit risk – Receivables due from cedents

Consideration is given only 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	
	2014	2013	2014	2013
In EUR '000				
Individually impaired:				
Gross amount	72	127	153	158
Carrying amount	46	120	100	103
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	28 121	29 972	0	0
31 days to 90 days after maturity	8 087	8 181	0	0
91 days to 180 days after maturity	5 940	7 192	0	0
181 days to 1 year after maturity	836	3 630	0	0
1 year to 2 years after maturity	2 115	361	0	0
Neither past due nor impaired – carrying amount	**10 259**	**8 678**	**635 708**	**569 712**
Total carrying amount	**55 404**	**58 134**	**635 808**	**569 815**

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.26.) and therefore the Group has enough information to evaluate the quality of the counterparty.

Cash and cash equivalents are neither individually nor collectively impaired.

Credit risk exposure				2014		
Standard & Poor's rating	**AAA**	**AA**	**A**	**B / BB / BBB**	**No Rating**	**Carrying value in balance sheet**
In EUR '000						
Financial investments*	61 619	25 408	174 865	17 101	17 495	296 488
Deposits due from cedents	0	97 439	39 277	0	315	137 031
Cash and cash equivalents	0	0	0	422	8 724	9 146
Receivables from reinsurance and ceded share of reinsurance liabilities	0	94 952	108 149	3 964	37 107	244 172
Other receivables	0	0	0	0	4 375	4 375
Total	**61 619**	**217 799**	**322 291**	**21 487**	**68 016**	**691 212**
In %	8.91	31.51	46.63	3.11	9.84	100

* Except for deposits due from cedents.

Credit risk exposure				2013		
Standard & Poor's rating	**AAA**	**AA**	**A**	**B / BB / BBB**	**No Rating**	**Carrying value in balance sheet**
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.

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). 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:			2014			
	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	**47 191**	**100 353**	**137 930**	**108 927**	**39 118**	**433 519**
Financial assets held to maturity	21 829	58 791	50 964	27 518	0	159 102
Financial assets available for sale	8 662	13 767	53 934	19 345	39 118	134 826
Loans – Term deposits	1 050	1 510	0	0	0	2 560
Deposit due from cedents*	15 650	26 285	33 032	62 064	0	137 031
Receivables	**51 029**	**0**	**0**	**0**	**0**	**51 029**
Ceded share of reinsurance liabilities*	**89 056**	**41 261**	**36 094**	**26 732**	**0**	**193 143**
Cash and cash equivalents	**9 146**	**0**	**0**	**0**	**0**	**9 146**
Current tax assets	**99**	**0**	**0**	**0**	**0**	**99**
Other receivables	**4 375**	**0**	**0**	**0**	**0**	**4 375**
Total	**200 896**	**141 614**	**174 024**	**135 659**	**39 118**	**691 311**

* 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.

	2014				
	Up to one year	From one to five years	From five to ten years	More than ten years	Carrying value in balance sheet
In EUR '000					
Reinsurance liabilities*	**177 863**	**107 323**	**91 323**	**102 883**	**479 392**
Unearned premiums	24 686	910	0	0	25 596
Outstanding claims	143 427	80 413	58 823	41 132	323 795
Life reinsurance provision	9 750	26 000	32 500	61 751	130 001
Payables**	**76 030**	**198**	**389**	**292**	**76 909**
Tax liabilities	**3 636**	**0**	**0**	**0**	**3 636**
Other liabilities**	**1 728**	**0**	**0**	**0**	**1 728**
Total	**259 257**	**107 521**	**91 712**	**103 175**	**561 665**

* 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:	2014					
	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 are the contractual maturities of relevant liabilities (measured in the same way as in the financial statements) as required by the IFRS:

Expected contractual maturities of liabilities:			2013		
	Up to one year	From one to five years	From five to ten years	More than ten years	Carrying value in balance sheet
In EUR '000					
Reinsurance liabilities*	**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
Paybles**	**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.

F.5. Market risk

The Group invests in debt securities, bond and equity funds 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 companies.

The investment strategy of the Group can be summarized as follows

- The Group practices a conservative investment policy designed for the long term.
- The Group maintains a high liquidity position with money market and short term bond funds and liquid AFS securities.
- The majority of debt securities is held till maturity the AFS debt securities portfolio represents the lower part.
- The management of market risk on securities is aimed at providing a transparent view of the risk exposure arising from price, interest-rate and currency fluctuations as they affect profitability and the value of securities investments, and at limiting these risks. Risks are limited by setting position limits and by means of a two-tier limit system for risk exposure.

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

- Currency risk
- Interest rate risk
- Equity risk

F.5.1. Currency risk

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

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

The Group's 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 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:

		2014	
Currency	**Total Assets**	**Total Liabilities**	**Net Amount**
In EUR '000			
EUR	648 532	497 077	151 455
CZK	16 536	17 380	-844
USD	5 204	6 183	-979
RSD	9 397	15 206	-5 809
TRY	6 254	7 215	-961
PLN	6 094	10 119	-4 025
Other	5 516	10 813	-5 297
Total	**697 533**	**563 993**	**133 540**

A 10% negative movement in exchange rates can cause a total profit of 1 792 TEUR.
Such a EUR/CZK change can cause a profit of 84 TEUR, and in EUR/RSD a profit of 581 TEUR.

		2013	
Currency	**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**

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

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

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

2014	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	2.42%	2 026	6 636	10 630	3 137	73 279	0	95 708
Financial assets available for sale – investment funds		0	0	0	0	0	39 118	39 118
Financial assets held to maturity – debt securities	4.30%	18 827	3 002	8 613	50 178	78 482	0	159 102
Loans – Term deposits	5.67%	1 050	0	0	1 510	0	0	2 560
Deposit due from cedents	3.43%	310	15 340	26 285	0	95 096	0	137 031
Cash and cash equivalents		**9 146**	**0**	**0**	**0**	**0**	**0**	**9 146**
Total financial assets		**31 359**	**24 978**	**45 528**	**54 825**	**246 857**	**39 118**	**442 665**

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**

F.5.3. Equity risk

The Group also invests a small part of its investment portfolio in equity funds. Equity risk is included in the sensitivity analysis.

F.5.4. Sensitivity analysis:

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

VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level. This approach calculates the VaR using a historical method. The VaR is calculated daily at a 99% confidence level and for a period of 60 working days.

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

- A 99 percent confidence level does not reflect losses that may occur beyond this level.
- VaR is a statistical estimation and therefore it is possible that there could be, in any period, a greater number of days in which losses could exceed the calculated VaR implied by the confidence level.
- The measure is a 'point in time' calculation reflecting positions recorded as of 31 December.
- The methodology is applicable to instruments with a linear relationship between position value and market rates.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines, and vice versa.

The VaR positions of the financial investments were as follows:

VaR including HTM as of 31 December	2014	2013
In EUR '000		
Market value of portfolio	326 183	298 123
Historical VaR 60d; 99%	6 827	10 174
Relative VaR (%) 60d; 99%	2.09%	3.41%

VaR including HTM is calculated on the total portfolio including holdto-maturity positions.

The HTM positions do not have a direct impact on market risk exposure.

F.6. Capital management

The Group operates in the insurance/reinsurance sector, which is a regulated industry. The Group has to comply with all regulations stipulated through the Insurance Act No. 277/2009 Coll. and Regulation No. 434/2004 Coll., including the prudential rules relating to capital. The prudential rules set the method for calculating the required solvency margin and available solvency elements. The available solvency elements are calculated for life and non-life together and the required solvency margin is calculated for life and non-life separately.

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

Regulatory capital as of 31 December		2014	2013
In EUR '000			
Required solvency margin	Life and non-life reinsurance	63 551	51 084
Available solvency elements	Life and non-life reinsurance	145 760	122 980

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	2014	2013
In EUR '000		
Software and licenses	1 172	1 089
Total intangible assets	**1 172**	**1 089**

2014	Software	License	Other intangible assets	Total
In EUR '000				
Balance as of 1 January	354	1 707	0	2 061
Additions	86	0	243	329
Balance as of 31 December	**440**	**1 707**	**243**	**2 390**
Balance as of 1 January	293	679	0	972
Amortization	24	174	48	246
Balance as of 31 December	**317**	**853**	**48**	**1 218**
Book value as of 1 January	**61**	**1 028**	**0**	**1 089**
Book value as of 31 December	**123**	**854**	**195**	**1 172**

2013	Software	License	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**

G.2. Property, plant and equipment

Property, plant and equipment – 2014	Vehicles	Other	Total
In EUR '000			
Balance as of 1 January	**121**	**203**	**324**
Additions	0	8	8
Disposals	0	3	3
Balance as of 31 December	**121**	**208**	**329**
Balance as of 1 January	**65**	**63**	**128**
Depreciation	17	31	48
Disposals	0	2	2
Balance as of 31 December	**82**	**92**	**174**
Book value as of 1 January	**56**	**140**	**196**
Book value as of 31 December	**39**	**116**	**155**

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**

G.3. Financial investments

Financial investments	2014	2013
In EUR '000		
Available for sale financial assets	134 826	70 741
Held to maturity financial assets	159 102	198 028
Loans and receivables	139 591	145 099
Total	**433 519**	**413 868**

G.3.1. Financial assets available for sale

Financial assets available for sale	2014	2013
In EUR '000		
Debt securities		
Government bonds	90 585	51 033
Covered bonds	5 123	0
Investment funds	34 115	14 705
Shares in other related parties	5 003	5 003
Total	**134 826**	**70 741**

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	88 979	-160	6 889	0	95 708
Investment funds	33 525	0	590	0	34 115
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	129 823		5 003		134 826

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	2014	2013
In EUR '000		
Debt securities		
Government bonds	147 932	180 186
Other public sector bonds	0	500
Corporate bonds	11 170	11 189
Bonds from banks	0	6 153
Total	**159 102**	**198 028**

Financial assets held to maturity	Carrying amount	Fair value
In EUR '000		
Debt securities		
Government bonds	147 932	168 071
Corporate bonds	11 170	13 482
Total	**159 102**	**181 553**

G.3.3. Loans and deposits

Loans and deposits	2014	2013
In EUR ´000		
Loans - Term deposits	2 560	6 409
Deposits due from cedents	137 031	138 690
Total	**139 591**	**145 099**

Deposits due from cedents in relation to reinsurance liabilities			
In EUR ´000			
Assets		**Liabilities**	
Deposits due from cedents	137 031	Unearned premiums	4 990
		Outstanding claims	2 040
		Life reinsurance provision	130 001
Total gross	**137 031**		**137 031**

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	2014	2013
In EUR '000		
Receivables arising out of assumed reinsurance - cedents	32 993	34 061
Receivables arising out of reinsurance operations - retrocession	18 063	23 491
Receivable from liquidation of subsidiary	4 000	0
Trade and other receivables	358	582
Prepayments	16	7
Total gross	**55 430**	**58 141**
Impairment	26	7
Total net	**55 404**	**58 134**

G.5. Ceded share of reinsurance liabilities

Ceded share of reinsurance liabilities	2014	2013
In EUR '000		
Unearned premiums	11 014	10 786
Outstanding claims	182 129	138 139
Total	**193 143**	**148 925**

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 have already been valued using the applicable tax rates.

Deferred tax	2014		2013	
Balance sheet position	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	0	4	0	6
Intangible assets	0	118	0	161
Available for sale	0	18	0	11
Receivables	0	0	2	4
Ceded share of reinsurance liabilities	0	2	0	0
Provisions	81	0	71	0
Equalization reserve	0	1	0	0
Total	**81**	**143**	**73**	**182**
Net Balance		**62**		**109**

Movement in deferred tax	2014	2013
Net deferred tax assets/(liability) – opening balance	109	268
Deferred tax (expense)/income for the period	-54	-159
Non-earnings dependent deferred tax	7	0
Net deferred tax asset/(liability) – closing balance	**62**	**109**

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 the tax rates enacted or substantially enacted at the balance sheet date which is 19% for the year in question (2013: 19%).

G.7. Other assets

Other Assets	2014	2013
In EUR '000		
Prepaid expenses	1 731	2 076
Total	**1 731**	**2 076**

G.8. Deferred acquisition costs

Development of DAC	2014	2013
In EUR '000		
Book value – opening balance	**3 070**	**3 257**
Costs deferred during the current year	3 013	2 757
DAC released during the current year	2 883	2 870
FX translation	-36	-74
Book value – closing balance	**3 164**	**3 070**

G.9. Cash and cash equivalents

Cash and cash equivalents	2014	2013
In EUR '000		
Cash and cash equivalents	5	6
Cash at bank	9 141	7 016
Total	**9 146**	**7 022**

G.10. Shareholders' equity

Share capital	2014	2013
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

G.11. Unearned premiums

Unearned premium provision - 2014	Gross	Reinsurance	Net
In EUR '000			
Book value - opening balance	**26 202**	**10 785**	**15 417**
Premium written during the current year	431 211	194 834	236 377
Less premium earned during the current year	-428 235	-191 192	-237 043
Novation	0	0	0
Clean cut system	-3 157	-3 108	-49
FX translation	-425	-305	-120
Book value – closing balance	**25 596**	**11 014**	**14 582**

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

Unearned premium provision - 2013	Gross	Reinsurance	Net
In EUR '000			
Book value - opening balance	**26 643**	**9 600**	**17 043**
Premium written during the current year	411 900	163 035	248 865
Less premium 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**

G.12. Outstanding claims

Provisions (RBNS, IBNR) - 2014	Gross	Reinsurance	Net
In EUR '000			
Book value – opening balance	**264 499**	**138 140**	**126 359**
Claims incurred and reported	309 411	132 520	176 891
Less claims paid	-240 303	-86 247	-154 056
Novation	344	0	344
Clean cut system	-9 430	-2 343	-7 087
FX translation	-726	59	-785
Book value – closing balance	**323 795**	**182 129**	**141 666**

Claims development table - Property/casualty on a gross basis	UY 2014	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	266 111	258 272	106 244	76 801	209 282	158 102	
One year later		266 651	121 817	89 294	223 048	177 549	
Two years later			120 438	85 082	223 135	177 081	
Three years later				81 318	215 738	169 058	
Four years later					212 034	163 639	
Five years later						160 889	
Estimate of cumulative claims	**266 111**	**266 651**	**120 438**	**81 318**	**212 034**	**160 889**	**1 107 441**
Cumulative payment	123 682	198 511	86 279	56 983	176 283	141 907	783 645
Value recognized in balance sheet	**142 429**	**68 140**	**34 159**	**24 335**	**35 751**	**18 982**	**323 796**

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 (0,36 MIO EUR) and life (2,01 MIO EUR) are not included in the above table due to their relative insignificance.

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 years 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**

G.13. Life reinsurance provision

Life reinsurance provision	2014	2013
In EUR '000		
Gross	130 001	131 724
Retrocession	0	0
Net	**130 001**	**131 724**

Development in 2014	Gross	Reinsurance	Net
In EUR '000			
Book value - opening balance	**131 724**	**0**	**131 724**
Additions	1 054	0	1 054
Disposals	2 777	0	2 777
Book value – closing balance	**130 001**	**0**	**130 001**

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**

G.14. Provisions

Provisions	2014	2013
In EUR '000		
Miscellaneous provisions	0	2
Total	**0**	**2**

G.15. Financial liabilities

Financial liabilities	2014	2013
In EUR '000		
FX derivative revaluation	0	9
Total	**0**	**9**

G.16. Payables

Payables	2014	2013
In EUR ´000		
Payables arising out of reinsurance operations - cedents	57 577	65 394
Payables arising out of reinsurance operations - retrocession	18 907	17 649
Deposit on ceded reinsurance business	279	222
Trade payables	974	1 118
Wages and salaries	151	123
Social security and health insurance	70	60
Other payables	679	370
Total	**78 637**	**84 936**

G.17. Other liabilities

Other liabilities	2014	2013
In EUR ´000		
Accruals	2 266	2 307
Total	**2 266**	**2 307**

G.18. Premium

Premium written – Reinsurance premium	Property/Casualty 2014	Health 2014	Life 2014	Total 2014
In EUR ´000				
Gross				
Austria	133 559	17 672	11 977	163 208
Czech Republic	46 199	0	-38	46 161
Kazakhstan	37 045	0	0	37 045
Serbia	27 404	0	30	27 434
Slovakia	26 060	0	819	26 879
Poland	22 964	0	20 766	43 730
Romania	16 169	0	0	16 169
Turkey	10 880	2 300	0	13 180
Germany	9 853	1 092	1 032	11 977
Hungary	7 244	0	209	7 453
Croatia	4 623	0	5 214	9 837
Other*	27 954	0	184	28 138
Premium written	**369 954**	**21 064**	**40 193**	**431 211**
Retroceded premium	**-194 008**	**0**	**-826**	**-194 834**
Premium written – Retained	**175 946**	**21 064**	**39 367**	**236 377**

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

Premium written – Reinsurance premium	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
Premium written	**325 032**	**18 170**	**68 698**	**411 900**
Retroceded premium	**-162 179**	**0**	**-856**	**-163 035**
Premium written – Retained	**162 853**	**18 170**	**67 842**	**248 865**

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

In 2014 the Group wrote premium of 332,9 MIO EUR from VIG Group companies and 98,2 MIO EUR from external parties (in 2013 352,0 MIO EUR from VIG Group companies and 59,9 MIO EUR from external parties).

In 2013 the Parent Company entered into a new single premium Q/S treaty agreement with written premium of 20 MIO EUR in 2014 (2013: 49 MIO EUR) with the related party Benefia Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Poland.

In 2013 the Company entered into a non-life Q/S treaty agreement with written premium of 30 MIO EUR in 2014 (2013: 2 MIO EUR) with the external party NOMAD INSURANCE Company JSC, Almaty, Kazakhstan.

Premium written – Reinsurance premium	Gross 2014	Ceded 2014	Net 2014
In EUR ‘000			
Property/Casualty			
MTPL	63 738	-41 702	22 036
Other motor vehicle reinsurance	28 548	-7 486	21 062
Casualty	9 180	-7 351	1 829
Liability	15 319	-4 591	10 728
Property	243 911	-128 369	115 542
Marine	9 258	-4 509	4 749
Premium written	**369 954**	**-194 008**	**175 946**

Premium written – Reinsurance premium	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
Premium written	**325 032**	**-162 179**	**162 853**

G.19. Investment result

Investment Income	2014	2013
In EUR '000		
Interest income		
Loans and term deposits	127	187
Deposits due from cedents	4 655	4 865
Financial investments held to maturity	7 289	8 535
Financial investments available for sale	1 878	1 142
FX gains	**334**	**61**
FX derivative revaluation	**0**	**0**
Total current income	**14 283**	**14 790**
Gains from the disposal of financial investments		
Financial investments held to maturity	0	0
Financial investments available for sale	2 372	439
Total gains from disposals of investments	**16 655**	**439**
FX derivative – Income from sale	**34**	**0**
Kick-back and other fees	**54**	**376**
Total investment and interest income	**16 743**	**15 605**

Investment Expense	2014	2013
In EUR '000		
Losses from disposal of investments	0	1
Management fees	445	676
FX losses	309	1 244
Impairment	2	55
Total current expenses	**756**	**1 976**
FX derivative revaluation	10	9
Total losses from disposals of investments	**766**	**1 985**

G.20. Other income

Other income	2014	2013
In EUR '000		
Foreign currency gains	887	1 220
Payment of depreciated receivables	4	0
Income from all kind of fees	4	0
Income from sale of inventory	0	8
Interests not out of investments	0	2
Total	**895**	**1 230**

G.21. Claims and insurance benefits

Expenses for claims and insurance benefits – 2014	Gross	Retrocession	Net
In EUR '000			
Property/casualty/health			
Expenses for insurance claims			
Claims and benefits	197 539	86 065	111 474
Changes in provision for outstanding claims	69 729	46 685	23 044
Subtotal	**267 268**	**132 750**	**134 518**
Changes in other insurance liabilities	0	0	0
Total non-life expenses for claims and insurance benefits	**267 268**	**132 750**	**134 518**

Expenses for claims and insurance benefits – 2014	Gross	Retrocession	Net
In EUR '000			
Life			
Expenses for insurance claims			
Claims and benefits	42 764	182	42 582
Changes in provision for outstanding claims	-70	-6	-64
Subtotal	**42 694**	**176**	**42 518**
Changes in mathematical reserve	-4 529	0	-4 529
Total life expenses for claims and insurance benefits	**38 165**	**176**	**37 989**
Total	**305 433**	**132 926**	**172 507**

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**

G.22. Acquisition expenses

Commission expenses	2014 Property/Casualty	2014 Health	2014 Life	2013 Property/Casualty	2013 Health	2013 Life
In EUR ‘000						
Reinsurance commission – Fix	31 709	350	518	29 557	497	174
Reinsurance commission – Sliding scale	22 720	1 287	0	22 688	162	0
Reinsurance commission – Profit commission	11 340	7 282	2 404	15 563	6 542	2 020
Reinsurance commission – Health (administration)	0	0	0	0	-186	0
Total	**65 769**	**8 919**	**2 922**	**67 808**	**7 015**	**2 194**

G.23. Other operating expenses

Other operating expenses	2014	2013
In EUR ‘000		
Personnel expenses	1 783	1 589
Mandatory social security contributions and expenses	382	290
Depreciation of property, plant and equipment	44	93
Amortization of intangible assets	244	189
Rental expenses	188	180
IT expenses	641	727
Services	98	200
Other administrative expenses	-111	-25
Total	**3 269**	**3 243**

Management and employee statistics	2014	2013
In EUR ‘000		
Management – BoD	3	3
Other employees	46	37
Total	**49**	**40**

Personnel expenses	2014	2013
In EUR ’000		
Wages and salaries	1 770	1 580
Mandatory social security contribution expenses	382	290
Other social security expenses	13	9
Total	**2 165**	**1 879**

Board of Directors and Supervisory Board compensation	2014	2013
In EUR ’000		
Board of Directors compensation	864	657
Supervisory Board compensation	32	31
Total	**896**	**688**

G.24. Other expenses

Other expenses	2014	2013
In EUR ’000		
Foreign currency losses	10	4
Impairment of receivables	26	7
Interests from retrocession operations	176	18
Non-deductible gifts	9	0
Total	**221**	**29**

G.25. Tax expense

Tax expense	2014	2013
In EUR '000		
Current taxes		
- Actual taxes current period	5 560	4 656
- Actual taxes related to other periods	-2 458	37
Total current taxes	**3 102**	**4 693**
Deferred taxes	**-54**	**-162**
Other income tax	**66**	**29**
Total taxes	**3 114***	**4 560***

* Tax calculated based on the 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 2014.

Tax rate reconciliation	2014	2013
In EUR '000		
Expected tax rate in %	19	19
Profit before tax	19 860	18 367
Expected tax expense	**3 773**	**3 490**
Adjusted for tax effects due to:		
- Effects of tax rates in foreign jurisdiction	-1 000	-211
- Non-deductible expenses – other	1 138	239
- Income exempted from tax	0	-80
- Expense exempted from tax	132	28
- Taxes from previous years	-2 458	37
- Changes in tax rates	0	0
Other adjustments	**0**	**0**
- FX differences**	1 529	1 057
Income tax expense	**3 114**	**4 560**
Effective tax rate in %	15.68	24.83

** 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).

G.26. Related parties

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

G.26.1. Shareholders

Shareholders as of 31 December 2014:

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	2014	2013
In EUR '000		
Balance sheet		
Deposits due from cedents	0	222
Receivables	1 570	3 659
Technical provisions	33 631	14 671
Liabilities	2 797	2 409
Income statement		
Premiums written	16 812	12 072
Claims	-4 454	-670
Commission expenses	-2 681	-3 092
Change in claims and other reinsurance liabilities	-18 457	-3 175
Other operating expenses	-521	-608

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	2014	2013
In EUR '000		
Balance sheet		
Deposits due from cedents	297	301
Receivables	2 954	3 031
Technical provisions	49 092	52 863
Liabilities	19 107	21 662
Income statement		
Premiums written	84 570	88 198
Change due to provision for premiums	254	-757
Investment and interest income	388	0
Claims	-33 609	-63 925
Commission expenses	-8 363	-7 963
Change in claims and other reinsurance liabilities	516	-28 577
Intergroup outsourcing	-545	- 505

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

G.26.2. Key management personnel of the entity and its parent

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

G.26.3. Other related parties

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

Transactions with other related parties	2014	2013
In EUR '000		
Balance sheet		
Deposits due from cedents	40 256	37 663
Receivables	35 527	36 487
Technical provisions	190 556	159 940
Other assets	56	111
Liabilities	54 978	60 413
Income statement		
Premiums written*	218 245	240 619
Change due to provision for premiums	-1 976	716
Miscellaneous earnings of investment	362	0
Claims	-134 834	-168 888
Commission expenses	-49 198	-39 812
Change in claims and other reinsurance liabilities	-16 593	-39 703

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

* In 2012 the Parent Company entered into a new single premium Q/S treaty agreement with written premium of 20 MIO EUR in 2014 (2013: 49 MIO EUR) with the related party Benefia Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Poland.

G.27. Fair value of financial assets and liabilities

	31.12.2014		31.12.2013	
Financial assets	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
In EUR ´000				
Financial investments	**318 939**	**296 488**	**294 872**	**275 178**
Financial assets held to maturity	181 553	159 102	217 722	198 028
Financial assets available for sale	134 826	134 826	70 741	70 741
Loans – Term deposits	2 560	2 560	6 409	6 409
Receivables	**55 404**	**55 404**	**58 134**	**58 134**
Cash and cash equivalents	**9 146**	**9 146**	**7 022**	**7 022**
Total financial assets	**383 489**	**361 038**	**360 028**	**340 334**

Financial liabilities	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
FX derivative	0	0	9	9
Payables	78 637	78 637	84 936	84 936
Other liabilities	2 266	2 266	2 307	2 307
Total financial liabilities	**80 903**	**80 903**	**87 252**	**87 252**

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 137 031 TEUR, which are part of the financial investments, serve directly as an advance payment of future liabilities covering assumed business from cedents. These deposits do not trigger any cash flows and may not be used by the cedent independently. The credit risk is therefore limited and stating the fair value is not relevant. Furthermore, the deposits due from cedents do not have a fixed maturity date and their release depends on the corresponding provision.

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

G.28. Critical accounting estimates and judgements

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

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

G.28.1. Assumptions used in reinsurance liabilities

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

G.28.2. Impairment of loans and receivables

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

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

G.28.3. Income taxes

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

G.28.4. Fair value of financial instruments

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

G.28.5. Contract classification

When entering into an arrangement, certain judgement is used to determine the appropriate classification of the contracts entered in terms of the International Financial Reporting Standards. In the application of the 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.29. Subsequent events

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

The financial statements were approved by the Board of Directors of the Parent Company on 30 March 2015.

Report of the Board of Directors of the Company

on Relationships between Related parties under the Provisions of Section 82 of the Commercial Code on Commercial Companies and Cooperatives.

PART I.
PARTIES OF 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 City Court in Prague, Section B, Inset 14560 (hereinafter referred to as "VIG Re").
VIG Re is a business company which is active in the field of re-insurance pursuant to the Act No. 277/2009 Coll., on insurance business, as amended.
The line of business is specified in the by-laws of the Company and it is also recorded in the Commercial Register.

2. Controlling party

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

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

3. Related parties

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

PART II.
RELATIONSHIP BETWEEN THE HOLDING PARTIES

1. Manner of Controlling

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

2. Relation Structure

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

PART III.
PERIOD

This report is prepared for the last accounting period, i.e. from January 1, 2014 to December 31, 2014.

PART IV.
CONTRACTS AND AGREEMENTS CONCLUDED BETWEEN HOLDING PARTIES IN 2014

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

Re-insurance contracts between VIG AG and VIG Re.

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

Re-insurance contracts between VIG Re and WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group.
Re-insurance contracts between VIG Re and company ASIGURAREA ROMANEASCA – ASIROM VIENNA INSURANCE GROUP S.A.
Re-insurance contracts between VIG Re and company BENEFIA TU S.A. Vienna Insurance Group.
Re-insurance contract between VIG Re and company BENEFIA TU Na Zycie S.A. Vienna Insurance Group.
Re-insurance contracts between VIG Re and company BULSTRAD LIFE VIENNA INSURANCE GROUP JSC.
Re-insurance contracts between VIG Re and company BULSTRAD VIENNA INSURANCE GROUP PLC.
Re-insurance contract between VIG Re and company Compensa Life Vienna Insurance Group SE.
Re-insurance contract between VIG Re and company Compensa TU Na Życie Spolka Akcyjna Vienna Insurance Group.
Re-insurance contracts between VIG Re and company Compensa TU Spolka Akcyjna Vienna Insurance Group.
Re-insurance contracts between VIG Re and company Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group.
Re-insurance contracts between VIG Re and company DONAU Versicherung AG Vienna Insurance Group.
Re-insurance contract between VIG Re and company ERSTE Vienna Insurance Group Biztosító Zrt.
Re-insurance contracts between VIG Re and company Erste osiguranje Vienna Insurance Group d.d.
Re-insurance contracts between VIG Re and company IC Globus.
Re-insurance contracts between VIG Re and company InterRisk Versicherungs-AG Vienna Insurance Group.
Re-insurance contracts between VIG Re and company InterRisk Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group.
Re-insurance contract between VIG Re and company InterRisk Lebensversicherungs-AG Vienna Insurance Group.
Re-insurance contracts between VIG Re and company INTERSIG Sh.a.
Re-insurance contract between VIG Re and company JAHORINA OSIGURANJE a.d.
Re-insurance contracts between VIG Re and company Komunálna poisťovňa, a.s., Vienna Insurance Group.
Re-insurance contracts between VIG Re and company Kooperativa poisťovňa, a.s., Vienna Insurance Group.
Re-insurance contracts between VIG Re and company Kooperativa pojišťovna, a.s., Vienna Insurance Group.
Re-insurance contracts between VIG Re and company Wiener osiguranje Vienna Insurance Group d.d.
Re-insurance contract between VIG Re and company Poisťovňa Slovenskej Sporitelne, a.s., Vienna Insurance Group.
Re-insurance contracts between VIG Re and company UNION Vienna Insurance Group Biztosító Zrt.
Re-insurance contracts between VIG Re and company OMNIASIG VIENNA INSURANCE GROUP S.A.

Re-insurance contracts between VIG Re and company Sparkassen Versicherung AG Vienna Insurance Group.
Re-insurance contract between VIG Re and company Joint Stock insurance company WINNER - Vienna Insurance Group.
Re-insurance contracts between VIG Re and company Insurance MAKEDONIJA s.c. Skopje - Vienna Insurance Group.
Re-insurance contracts between VIG Re and company Interalbanian Vienna Insurance Group Sh.a.
Re-insurance contracts between VIG Re and company JSC "Insurance Company GPI Holding".
Re-insurance contracts between VIG Re and company International Insurance Company IRAO Ltd.
Re-insurance contracts between VIG Re and company SIGMA J.S.C. Branch Kosovo.
Re-insurance contract between VIG Re and company "WIENER RE" akcionarsko društvo ze reosiguranje.
Re-insurance contracts between VIG Re and company Ray Sigorta A.S.
Re-insurance contracts between VIG Re and company PJSC "Ukrainian Insurance Company Kniazha Vienna Insurance Group".
Re-insurance contract between VIG Re and company PJSC "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP".
Re-insurance contracts between VIG Re and company PJSC Insurance Company „Ukrainian Insurance Group".
Re-insurance contract between VIG Re and company Insurance and Reinsurance Joint Stock Company DONARIS Group.
Re-insurance contracts between VIG Re and company Vienna Life Vienna Insurance Group Biztosító Zrt.

VIG Re suffered from the contracts above no damage.

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

In 2014 neither legal acts nor other measures were taken in the interest or from the initiative of related parties.

PART VI.
CONFIDENTIALITY OF INFORMATION

1. Information and facts which are part of the business secret of VIG AG , VIG Re and of other related parties are considered confidential; furthermore information are confidential, which were declared as such by any party, which is part of the holding and also information originating from the business contact, which could cause harm – themselves or in relation with other information and facts – to any party of the holding.
2. In order to prevent any harm to the controlled party pursuant to paragraph 1 hereof, the report of the statutory body does not give any financial performance and consideration from the concluded contracts and agreements.

PART VII.
CONCLUSION

1. This report was prepared by the Board of the controlled party, the company of VIG RE zajišťovna, a.s. and will be submitted for revision by the Supervisory Board. Given that VIG Re is obliged by law to prepare an annual report, this report shall be an integral annex of the Annual Report. The annual report will be submitted for revision by KPMG Czech Republic Audit, s.r.o.

Dated at Prague, the 13th day of March 2015.

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 the Board of Directors

....

Dušan Bogdanović
Member of the Board of Directors

Annex to the Report on Related Parties

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

Consolidated companies

Company	Method	Registered office	Share in %
„BULSTRAD LIFE VIENNA INSURANCE GROUP" JOINT STOCK COMPANY, Sofia	fully consolidated	Bulgaria	95.53
„Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Vienna	fully consolidated	Austria	100.00
„POLISA-ZYCIE" Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	fully consolidated	Poland	98.57
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A., Bucharest	fully consolidated	Romania	99.44
Anděl Investment Praha s.r.o., Prague	fully consolidated	Czech Republic	100.00
Arithmetica Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	fully consolidated	Austria	100.00
BCR Asigurari de Viata Vienna Insurance Group S.A., Bucharest	fully consolidated	Romania	93.98
BML Versicherungsmakler GmbH, Vienna	fully consolidated	Austria	100.00
Benefia Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	fully consolidated	Poland	100.00
Blizzard Real Sp. z o.o., Warsaw	fully consolidated	Poland	100.00
Bulgarski Imoti Asistans EOOD, Sofia	fully consolidated	Bulgaria	100.00
Business Insurance Application Consulting GmbH, Vienna	fully consolidated	Austria	100.00
Businesspark Brunn Entwicklungs GmbH, Vienna	fully consolidated	Austria	100.00
CAL ICAL „Globus", Kiev	fully consolidated	Ukraine	80.00
CAME Holding GmbH, Vienna	fully consolidated	Austria	100.00

CAPITOL, akciová spoločnosť, Bratislava	fully consolidated	Slovakia	100.00
CENTER Hotelbetriebs GmbH, Vienna	fully consolidated	Austria	80.00
COMPENSA Holding GmbH, Wiesbaden	fully consolidated	Germany	100.00
Central Point Insurance IT-Solutions GmbH, Vienna	fully consolidated	Austria	100.00
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	fully consolidated	Czech Republic	100.00
Compensa Life Vienna Insurance Group SE, Tallinn	fully consolidated	Estonia	100.00
Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group, Warsaw	fully consolidated	Poland	100.00
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	fully consolidated	Poland	99.92
Compania de Asigurari DONARIS VIENNA INSURANCE GROUP Societate pe Actiuni, Kishinev	fully consolidated	Moldavia	99.98
DBLV Immobesitz GmbH, Vienna	fully consolidated	Austria	100.00
DBLV Immobesitz GmbH & Co KG, Vienna	fully consolidated	Austria	100.00
DBR-Liegenschaften GmbH & Co KG, Stuttgart	fully consolidated	Germany	100.00
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	fully consolidated	Germany	100.00
DONAU Versicherung AG Vienna Insurance Group, Vienna	fully consolidated	Austria	99.24
DVIB GmbH, Vienna	fully consolidated	Austria	100.00
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	fully consolidated	Austria	100.00
Donau Brokerline Versicherungs-Service GmbH, Vienna	fully consolidated	Austria	100.00
ELVP Beteiligungen GmbH, Vienna	fully consolidated	Austria	100.00
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	fully consolidated	Hungary	95.00
Erste osiguranje Vienna Insurance Group d.d., Zagreb	fully consolidated	Croatia	95.00
GPIH B.V., Amsterdam	fully consolidated	Netherlands	91.11
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	fully consolidated	Austria	100.00
INSURANCE JOINT-STOCK COMPANY BULSTRAD VIENNA INSURANCE GROUP, Sofia	fully consolidated	Bulgaria	99.21
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	fully consolidated	Albania	89.98
Joint Stock Company for Insurance and Reinsurance Makedonija Skopje – Vienna Insurance Group, Skopje	fully consolidated	Macedonia	94.25
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	fully consolidated	Germany	100.00
InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	fully consolidated	Poland	99.98
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	fully consolidated	Germany	100.00
International Insurance Company IRAO LTD, Tbilisi	fully consolidated	Georgia	100.00
Joint Stock Company Insurance Company GPI Holding, Tbilisi	fully consolidated	Georgia	90.00
Wiener Osiguranje Vienna Insurance Group ad, Banja Luka	fully consolidated	Bosnia/Herzegovina	100.00

KOMUNÁLNA poistovna, a.s. Vienna Insurance Group, Bratislava	fully consolidated	Slovakia	100.00
KOOPERATIVA poisťovna, a.s. Vienna Insurance Group, Bratislava	fully consolidated	Slovakia	100.00
Kaiserstraße 113 GmbH, Vienna	fully consolidated	Austria	100.00
Kapitol pojišťovací a finanční poradenství, a.s., Brno	fully consolidated	Czech Republic	100.00
Kooperativa, pojišťovna, a.s. Vienna Insurance Group, Prague	fully consolidated	Czech Republic	98.39
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	fully consolidated	Hungary	100.00
LVP Holding GmbH, Vienna	fully consolidated	Austria	100.00
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	fully consolidated	Austria	100.00
MH 54 Immobilienanlage GmbH, Vienna	fully consolidated	Austria	100.00
Neue Heimat Oberösterreich Holding GmbH, Vienna	fully consolidated	Austria	90.00
OMNIASIG VIENNA INSURANCE GROUP S.A., Bukurest	fully consolidated	Romania	99.47
Pension Insurance Company Doverie AD, Sofia	fully consolidated	Bulgaria	92.58
PFG Holding GmbH, Vienna	fully consolidated	Austria	89.23
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	fully consolidated	Austria	92.88
Private Joint-Stock Company Insurance company Ukrainian insurance group, Kiev	fully consolidated	Ukraine	100.00
PRIVATE JOINT-STOCK COMPANY UKRAINIAN INSURANCE COMPANY KNIAZHA VIENNA INSURANCE GROUP, Kiev	fully consolidated	Ukraine	99.99
Private Joint-Stock Company JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP, Kiev	fully consolidated	Ukraine	97.80
PROGRESS Beteiligungsges.m.b.H., Vienna	fully consolidated	Austria	60.00
Palais Hansen Immobilienentwicklung GmbH, Vienna	fully consolidated	Austria	56.55
Passat Real Sp. z o.o., Warsaw	fully consolidated	Poland	100.00
Poisťovna Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava	fully consolidated	Slovakia	95.00
Pojišťovna České spořitelny, a.s. Vienna Insurance Group, Pardubice	fully consolidated	Czech Republic	95.00
Projektbau GesmbH, Vienna	fully consolidated	Austria	100.00
Projektbau Holding GmbH, Vienna	fully consolidated	Austria	90.00
Rathstraße 8 Liegenschaftsverwertungs GmbH, Vienna	fully consolidated	Austria	100.00
Ray Sigorta Anonim Sirketi, Istanbul	fully consolidated	Turkey	94.96
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	fully consolidated	Slovakia	100.00
SIGMA INTERALBANIAN VIENNA INSURANCE GROUP Sh.A., Tirana	fully consolidated	Albania	89.05
Skandia Zycie Towarzystwo Ubezpieczen Spolka Akcyjna, Warsaw	fully consolidated	Poland	100.00
SVZ GmbH, Vienna	fully consolidated	Austria	100.00

SVZI GmbH, Vienna	fully consolidated	Austria	100.00
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH, Vienna	fully consolidated	Austria	100.00
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG, Vienna	fully consolidated	Austria	100.00
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Vienna	fully consolidated	Austria	100.00
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	fully consolidated	Austria	66.70
Sparkassen Versicherung AG Vienna Insurance Group, Vienna	fully consolidated	Austria	95.00
T 125 GmbH, Vienna	fully consolidated	Austria	100.00
TBI BULGARIA EAD, Sofia	fully consolidated	Bulgaria	100.00
TBIH Financial Services Group N.V., Amsterdam	fully consolidated	Netherlands	100.00
UNION Vienna Insurance Group Biztositó Zrt., Budapest	fully consolidated	Hungary	100.00
V.I.G. ND, uzavřený investiční fond a.s., Prague	fully consolidated	Czech Republic	100.00
VIG FUND uzavřený investiční fond, a.s., Prague	fully consolidated	Czech Republic	100.00
VIG RE zajišťovna, a.s., Prague	fully consolidated	Czech Republic	100.00
VIG REAL ESTATE DOO, Belgrade	fully consolidated	Serbia	100.00
VIG Real Estate GmbH, Vienna	fully consolidated	Austria	100.00
VIG-CZ Real Estate GmbH, Vienna	fully consolidated	Austria	100.00
VLTAVA majetkovosprávní a podílová spol.s.r.o., Prague	fully consolidated	Czech Republic	100.00
Vienna Life Vienna Insurance Group Biztosító Zártkörüen Müködö Részvénytársaság, Budapest	fully consolidated	Hungary	100.00
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern	fully consolidated	Lichtenstein	100.00
VIG Properties Bulgaria AD, Sofia	fully consolidated	Bulgaria	99.97
WGPV Holding GmbH, Vienna	fully consolidated	Austria	100.00
WIENER RE akcionarsko društvo za reosiguranje, Belgrade	fully consolidated	Serbia	100.00
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	fully consolidated	Austria	100.00
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	fully consolidated	Austria	100.00
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	fully consolidated	Austria	99.90
WIENER VEREIN BESTATTUNGS- UND VERSICHERUNGSSERVICE-GESELLSCHAFT M.B.H., Vienna	fully consolidated	Austria	100.00
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	fully consolidated	Macedonia	100.00
WSBV Beteiligungsverwaltung GmbH & Co KG, Vienna	fully consolidated	Austria	100.00
WSV Immoholding GmbH, Vienna	fully consolidated	Austria	100.00
WILA GmbH, Vienna	fully consolidated	Austria	100.00
WIENER STÄDTISCHE OSIGURANJE akcionarsko drustvo za osiguranje, Belgrade	fully consolidated	Serbia	100.00
Wiener nekretnine d.o.o. za poslovanje nekretninama, Zagreb	fully consolidated	Croatia	100.00
Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb	fully consolidated	Croatia	99.47

Companies consolidated by equivalent method

Company	Method	Registered office	Share in %
AIS Servis, s.r.o., Brno	consolidated by equivalent method	Czech Republic	100.00
Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	consolidated by equivalent method	Austria	94.00
Benefita, a.s., Prague	consolidated by equivalent method	Czech Republic	100.00
Beteiligungs- und Immobilien GmbH, Linec	consolidated by equivalent method	Austria	25.00
Beteiligungs- und Wohnungsanlagen GmbH, Linz	consolidated by equivalent method	Austria	25.00
ČPP Servis, s.r.o., Prague	consolidated by equivalent method	Czech Republic	100.00
CROWN-WSF spol. s.r.o., Prague	consolidated by equivalent method	Czech Republic	30.00
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	consolidated by equivalent method	Czech Republic	99.77
GLOBAL ASSISTANCE, a.s., Prague	consolidated by equivalent method	Czech Republic	100.00
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	consolidated by equivalent method	Austria	55.00
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg	consolidated by equivalent method	Austria	55.00
Gewista-Werbegesellschaft m.b.H., Vienna	consolidated by equivalent method	Austria	33.00
Global Expert, s.r.o., Pardubice	consolidated by equivalent method	Czech Republic	100.00
HOTELY SRNÍ, a.s., Prague	consolidated by equivalent method	Czech Republic	100.00
KIP, a.s., Prague	consolidated by equivalent method	Czech Republic	100.00
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	consolidated by equivalent method	Austria	29.63
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs-und SiedlungsgesmbH, Linz	consolidated by equivalent method	Austria	99.81
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	consolidated by equivalent method	Austria	50.12
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna (Group Financial Statements)	consolidated by equivalent method	Austria	36.58
S – budovy, a.s., Praha	consolidated by equivalent method	Czech Republic	100.00
S IMMO AG, Wien (Group Financial Statements)	consolidated by equivalent method	Austria	10.22
S – správa nemovitostí, a.s., Prague	consolidated by equivalent method	Czech Republic	100.00
SCHWARZATAL Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Vienna	consolidated by equivalent method	Austria	55.00

SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	consolidated by equivalent method	Austria	50.12
SURPMO, a.s., Prague	consolidated by equivalent method	Czech Republic	100.00
Sanatorium Astoria, a.s., Carlsbad	consolidated by equivalent method	Czech Republic	92.71
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	consolidated by equivalent method	Austria	60.00
WNH Liegenschaftsbesitz GmbH, Vienna	consolidated by equivalent method	Austria	100.00
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	consolidated by equivalent method	Austria	50.12
VBV – Betriebliche Altersvorsorge AG, Vienna (Group Financial Statements)	consolidated by equivalent method	Austria	23.56

Non-consolidated companies

Company	Method	Registered office	Share in %
Assistance Company „Ukrainian Assistance Service LLC, Kiev	non-consolidated	Ukraine	100.00
Auto-Ekspert Spolka z organiczona odpowiedzialnoscia, Warsaw	non-consolidated	Poland	100.00
Compensa Services SIA, Riga	non-consolidated	Latvia	100.00
DUNAJ - Finanse - Spolka z organiczona adpowiedzialnoscia, Warsaw	non-consolidated	Poland	50.00
Medical Clinic DIYA LLC, Kiev	non-consolidated	Ukraine	100.00
AISMP Meditzinski Tsentar Bulstrad Zdrave EOOD, Sofia	non-consolidated	Bulgaria	100.00
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group, Podgorica	non-consolidated	Monte Negro	100.00
Alpenlachs Soravia GmbH, Vienna	non-consolidated	Austria	33.30
Amadi GmbH, Wiesbaden	non-consolidated	Germany	100.00
AQUILA Hausmanagement GmbH, Vienna	non-consolidated	Austria	100.00
AREALIS Liegenschaftsmanagement GmbH, Vienna	non-consolidated	Austria	50.00
Autosig SRL, Bucharest	non-consolidated	Romania	100.00
B&A Insurance Consulting s.r.o., Moravska Ostrava	non-consolidated	Czech Republic	49.00
Brunn N68 Sanierungs GmbH, Vienna	non-consolidated	Austria	50.00
Bulstrad Trudova Meditzina EOOD, Sofia	non-consolidated	Bulgaria	100.00
Camelot Informatik und Consulting Gesellschaft m.b.H., Villach	non-consolidated	Austria	99.48
CAPITOL BROKER DE PENSII PRIVATE S.R.L., Bucharest	non-consolidated	Romania	100.00
CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L., Bucharest	non-consolidated	Romania	100.00
CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L., Bucharest	non-consolidated	Romania	100.00
CAPITOL Spolka z Ograniczona odpowiedzialnoscia, Warsaw	non-consolidated	Poland	100.00
CARPLUS Versicherungsvermittlungsagentur GmbH, Vienna	non-consolidated	Austria	100.00
CCA EDV für Versicherungswirtschaft GmbH, Vienna	non-consolidated	Austria	24.28
DIRECT-LINE Direktvertriebs-GmbH, Vienna	non-consolidated	Austria	100.00
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Vienna	non-consolidated	Austria	100.00
EBS Wohnungsgesellschaft mbH Linz, Linz	non-consolidated	Austria	25.00
EBV-Leasing Gesellschaft m.b.H., Vienna	non-consolidated	Austria	49.49
EGW Wohnbau gemeinnützige Ges.m.b.H., Wiener Neustadt	non-consolidated	Austria	100.00

ERSTE drustvo s ogranicenom odgovornoscu za upravljanje obveznim i dobrovljnim mirovinskim fondovima, Zagreb	non-consolidated	Croatia	29.00
Erste S Biztositasi Alkusz Kft, Budapest	non-consolidated	Hungary	100.00
European Insurance & Reinsurance Brokers Ltd., London	non-consolidated	Great Britain	85.00
EXPERTA Schadenregulierungs-Gesellschaft mbH, Vienna	non-consolidated	Austria	100.00
Finanzpartner GmbH, Vienna	non-consolidated	Austria	50.00
Foreign limited liability company InterInvestUchastie, Minsk	non-consolidated	Belarus	100.00
Gain Capital SA, SICAV-FIS Real Estate Car Parks I, Lucembourg	non-consolidated	Luxembourg	40.01
GELUP GmbH, Vienna	non-consolidated	Austria	33.33
GEO HOSPITALS LLC, Tbilisi	non-consolidated	Georgia	100.00
Glamas Beteiligungsverwaltungs GmbH, Vienna	non-consolidated	Austria	23.33
Glamas Beteiligungsverwaltungs GmbH & Co Beta KG, Vienna	non-consolidated	Austria	23.33
GLOBAL ASSISTANCE SERVICES s.r.o., Prague	non-consolidated	Czech Republic	100.00
GLOBAL ASSISTANCE SLOVAKIA s.r.o., Bratislava	non-consolidated	Slovakia	100.00
Henderson Global Investors Immobilien Austria GmbH, Vienna	non-consolidated	Austria	35.00
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	non-consolidated	Austria	100.00
IICS/Polska z ograniczona odpowiedzialnoscia, Warsaw	non-consolidated	Poland	100.00
InterRisk Informatik GmbH, Wiesbaden	non-consolidated	Germany	100.00
Jahorina auto d.o.o., Brcko	non-consolidated	Bosnia/Herzegovina	100.00
Jahorina Konseko Progres a.d., Pale	non-consolidated	Bosnia/Herzegovina	28.00
Joint Stock Company Curatio, Tbilisi	non-consolidated	Georgia	100.00
Joint Stock Insurance Company WINNER LIFE – Vienna Insurance Group Skopje, Skopje	non-consolidated	Macedonia	100.00
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company, Minsk	non-consolidated	Belarus	98.26
KWC Campus Errichtungsgesellschaft m.b.H., Klagenfurt	non-consolidated	Austria	50.00
Lead Equities II Auslandsbeteiligungs AG, Vienna	non-consolidated	Austria	21.59
Lead Equities II Private Equity Mittelstandsfinanzierungs AG, Vienna	non-consolidated	Austria	21.59
LiSciV Muthgasse GmbH & Co KG, Vienna	non-consolidated	Austria	23.33
MC EINS Investment GmbH, Vienna	non-consolidated	Austria	50.00
Money & More Pénzügyi Tanácsadó Zártkörüen Müködö Részvéntársaság, Budapest	non-consolidated	Hungary	100.00
People´s Pharmacy LLC, Tbilisi	non-consolidated	Georgia	50.00

PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	non-consolidated	Austria	83.57
Privat Joint-Stock Company OWN SERVICE	non-consolidated	Ukraine	100.00
Renaissance Hotel Realbesitz GmbH, Vienna	non-consolidated	Austria	40.00
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	non-consolidated	Austria	51.00
S.C. CLUB A.RO S.R.L., Bucharest	non-consolidated	Romania	100.00
S.O.S.- EXPERT d.o.o. za poslovanje nekretninama, Zagreb	non-consolidated	Croatia	100.00
Senioren Residenzen gemeinnützige Betriebsgesellschaft mbH, Vienna	non-consolidated	Austria	100.00
Slovexperta, s.r.o., Zilina	non-consolidated	Slovakia	100.00
Soleta Beteiligungsverwaltungs GmbH, Vienna	non-consolidated	Austria	23.33
Soravia Food Market GmbH, Vienna	non-consolidated	Austria	33.33
Sparkassen-Versicherungsservice Gesellschaft m.b.H., Vienna	non-consolidated	Austria	100.00
Spoldzielnia Uslugowa VIG EKSPERT W WARSZAWIE, Warsaw	non-consolidated	Poland	100.00
SVZ Immoholding GmbH, Vienna	non-consolidated	Austria	100.00
SVZ Immoholding GmbH & Co KG, Vienna	non-consolidated	Austria	100.00
TBI Asset Management EAD, Sofia	non-consolidated	Bulgaria	100.00
TBI CONSULTING EOOD, Sofia	non-consolidated	Bulgaria	100.00
TBI Info EOOD, Sofia	non-consolidated	Bulgaria	100.00
TBI Invest EAD, Sofia	non-consolidated	Bulgaria	100.00
Thermenland Congress Center Loipersdorf GmbH & Co KG, Loipersdorf	non-consolidated	Austria	32.26
TOGETHER Internet Services GmbH, Vienna	non-consolidated	Austria	24.99
UAB „Compensa Services“, Vilnius	non-consolidated	Lithuania	100.00
UNION-Informatikai Szolgáltató Kft., Budapest	non-consolidated	Hungary	100.00
Untere Donaulände 40 GmbH, Vienna	non-consolidated	Austria	100.00
Untere Donaulände 40 GmbH & Co KG, Vienna	non-consolidated	Austria	100.00
Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H., Vienna	non-consolidated	Austria	33.33
Compensa Dystrybucja Spolka z ograniczona odpowiedzialnoscia, Warsaw	non-consolidated	Poland	100.00
Vienna Insurance Group Contact CenterBulgaria AD, Sofia	non-consolidated	Bulgaria	100.00
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	non-consolidated	Poland	100.00
Vienna International Underwriters GmbH, Vienna	non-consolidated	Austria	100.00
VIG Asset Management investiční společnost, a.s., Prague	non-consolidated	Czech Republic	100.00

VIG Management Service SRL, Bucharest	non-consolidated	Romania	100.00
VIG Services Bulgaria EOOD, Sofia	non-consolidated	Bulgaria	100.00
VIG Services Shqiperi Sh.p.K., Tirana	non-consolidated	Albania	100.00
VIG Services Ukraine, LLC, Kiev	non-consolidated	Ukraine	100.00
VILE BAREDINE d.o.o., Zagreb	non-consolidated	Croatia	30.00
VÖB Direkt Versicherungsagentur GmbH, Graz	non-consolidated	Austria	50.00
VVT Vermögensverwaltung GmbH, Vídeň	non-consolidated	Austria	33.33
VVTH GmbH, Vienna	non-consolidated	Austria	33.33
WAG Wohnungsanlagen Gesellschaft m.b.H., Linz	non-consolidated	Austria	25.00
Wien 3420 Aspern Development AG, Vienna	non-consolidated	Austria	33.33
Wiener Städtische Donau Leasing GmbH, Vienna	non-consolidated	Austria	100.00
WSBV Beteiligungsverwaltung GmbH, Vienna	non-consolidated	Austria	100.00
WSV Vermögensverwaltung GmbH, Vienna	non-consolidated	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 the Board of Directors

Dušan Bogdanovič
Member of the Board of Directors

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and make business more personal

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