Annual Report 2015

VIG Re

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REINSURANCE COMPANY

There’s a Pattern to Our Success

It starts with a single thread that weaves its way through every aspect of our business – from our company values, to the hard work of our team of talented professionals, to our relationships with our partners and clients.

Sewing up the Market in Central and Eastern Europe

By providing made-to-measure insurance to more than 270 clients in 28 countries in the CEE region, our team of professionals intuitively understands the challenges our partners face in managing their risk and capital.

A+ Rating From S&P Since 2008

Standard & Poor’s Financial Services LLC have rated us A+ with a “stable outlook” since our founding in 2008.The rating was reconfirmed most recently in December 2015.

STANDARD & POOR’S

The Fabric of Our History

As part of the Vienna Insurance Group, whose history reaches back to 1824, VIG Re has knit a pattern of success since our founding by establishing ourselves as a key player in the reinsurance market in Austria and CEE.

1824

VIG's roots in Austria date back to 1824. After the fall of the iron curtain, the company has developed from a local player to **the leading insurance group** in Austria and Central and Eastern Europe.

2008

With Prague as home to its offices, **VIG Re** began operating as a reinsurer when the Czech National Bank granted us our license on **August 8, 2008**. This was quickly followed in October by an **A+ rating** from Standard & Poor's, which we maintain until today.

2009

Starting in 2009, VIG Re began **underwriting treaty reinsurance** for the major lines. Originally focusing on inward business from VIG, we were soon successful in gaining business from the greater market and began expanding our marketing and underwriting activities.

2010

We completed our **acquisition of a 99.2% share** in Wiener Re a.d.o. Beograd, a Serbian reinsurance company, which helped us continue to **expand our reinsurance activities** in CEE. We also began offering facultative cover in property and engineering lines.

2011

By **expanding into Kazakhstan, Azerbaijan**, and **Armenia**, 2011 saw us grow our portfolio still further. In the same year, **Karl Fink** succeeded Peter Hagen as **CEO**.

2012

With our business expanding and our team of professionals growing, **we reorganized our internal structure** and made changes to management. At the same time, we widened our property reinsurance proposition to VIG, which contributed to a **60% increase in GWP**.

2013

With **Johannes Martin Hartmann** as our new CEO in 2013, we experienced significant growth beyond VIG's boundaries. And when the severe flooding hit Austria and CEE in the spring, we had a chance to demonstrate our ability to settle claims in a quick and unbureaucratic way.

2014

2014 was another strong year for us, with the company **increasing its** after-tax **profit by 21.3% to EUR 16.7 million**, the sixth year in a row with a combined ratio below 98%. This year also saw us serving more than **240 clients**.

VIG Re – Part of Vienna Insurance Group

The Group has operated in Central and Eastern Europe (CEE) for more than 25 years and is one of the leading listed insurance Groups in the region. VIG generated more than EUR 9 billion in premiums in 2015, making it number 1 in its core markets again. With close to 23,000 employees and around 50 Group companies in 25 countries, the Group offers an extensive customer-oriented portfolio of products and services across all lines of business (property and casualty, life and health insurance).

Expansion into Central and Eastern Europe

VIG's roots in Austria reach back to 1824. Since that time, the Company has developed from a locally based insurer to a leading international insurance Group. Wiener Städtische set the course for the international expansion. In 1990, it became one of the first Western European insurance companies to recognise the growth potential of Central and Eastern Europe and to take a chance on entering the market in the former Czechoslovakia. The past 25 years saw a series of further expansions, including Hungary (1996), Poland (1998), Croatia (1999) and Romania (2001). After entering the market in Moldova in 2014, VIG now operates in a total of 25 countries.

Number 1 in its core markets

VIG's core markets are Austria, the Czech Republic, Slovakia, Poland, Romania, Bulgaria, Croatia, Hungary, Serbia and Ukraine. A market share of more than 18 % makes VIG the clear number 1 insurer in this group of countries. The strategic decision that was made in 1990 to expand into Central and Eastern Europe has proven to be very successful. In 2015, nearly half of VIG's total premiums of more than EUR 9 billion were generated in CEE markets. VIG is convinced that the economic growth of the region as well as the demand for insurance there will continue to rise. The CEE region's importance as a growth market for VIG is also shown by the decision to locate the registered office of its reinsurance company VIG Re (established in 2008) in the Czech Republic.

Customer proximity is VIG's trump card in 25 markets

VIG's success is primarily based on local entrepreneurship and customer proximity. This is reflected in the regional ties, multi-brand strategy and wide variety of distribution channels used. The Group made a conscious decision to rely on regionally established brands united under the Vienna Insurance Group umbrella. VIG's success as a corporate Group is also due to the individual strengths of these brands and local expertise of around 50 Group companies.

Its core business is the key of VIG's success

VIG's activities are clearly focused on its core business, the insurance business. It operates as a progressive and highly risk-conscious insurer. Reliability, trustworthiness and solidarity are qualities that benefit the Group not only in its relationships with customers, but also with business partners, employees and shareholders. Values such as honesty, integrity, diversity, equal opportunity and customer-orientation form the basis for business decisions at VIG.

The effects of this fundamental approach are shown in its strategy of continuous sustainable growth, as well as its excellent creditworthiness. VIG's development is confirmed by the international rating agency Standard & Poor's which has awarded the Group a rating of A+ with a stable outlook for years. As a result, VIG has the best rating of all companies in the ATX, the leading index of the Vienna Stock Exchange.

VIG and Erste Group:

A strong team

Erste Group has strong ties to Austria and is one of the leading banking Groups in Central and Eastern Europe. VIG and Erste Group entered into a strategic partnership in 2008 that benefits both of them in the region: Erste Group branches distribute VIG insurance products, and in return VIG Group companies offer Erste Group bank products.

Stable dividend policy of the Group

VIG has been listed since October 1994 and is now one of the top companies in the "Prime Market" segment of the Vienna Stock Exchange. The company has an attractive dividend policy that offers shareholders a dividend of at least 30 % of Group profit (after taxes and non-controlling interests). Its listing on the Prague Stock Exchange in February 2008 also emphasises the great importance of the Central and Eastern European economic area for VIG. As in Vienna, VIG is also one of the top companies in the Prague stock market. Around 70 % of VIG's shares are held by its principal shareholder Wiener Städtische Versicherungsverein. The remaining shares are in free float.

An attractive employer in Austria and Central and Eastern Europe

In addition to being number 1 for insurance products, VIG also wants to be the number 1 choice as an employer and attract the most talented and the smartest employees. Identifying and developing individual employee skills are a central priority in the Company's modern human resources management. Diversity is seen as an opportunity and is part of the day-to-day life at VIG. The Group also places great importance on creating an environment that promotes the development of its employees. This is because Vienna Insurance Group is aware that its success is based on the dedication of it's around 23,000 employees.

Further information on Vienna Insurance Group is available at www.vig.com, or in the VIG Group Annual Report.

What We Achieved in 2015

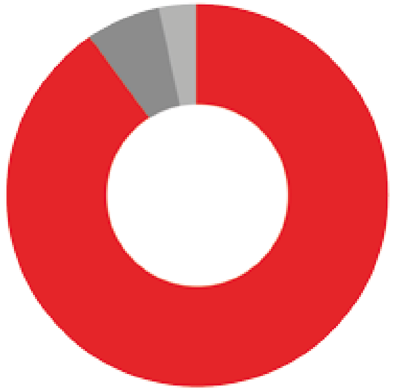
Consolidated Results

2015 was yet another strong year for VIG Re, with the company posting EUR 22.7 million in consolidated pre-tax profits and improving its combined underwriting ratio from 97.6% to 95.5% while seeing its number of clients exceed 270.

390.3 **Millions € GWP**	**349.3** **Millions € of GWP Contributed P&C**	**41.0** **Millions € of GWP Contributed L&H**
95.5 **% Combined Ratio (-2.1%)**	**16.8** **Millions € Investments Yielded (+5.1%)**	**19.2** **Millions € Net Profit (+14.9%)**

Premium Income

GWP for 2015 was EUR 390.3 million, of which P&C contributed EUR 349.3 million and L&H EUR 41.0 million. In order to maintain profitability amid challenging market conditions, VIG Re adhered to its strict underwriting discipline withdrawing from business where the renewal terms were not in line with VIG Re's technical standards. In addition, the effects of depreciating currencies in markets such as Turkey, Ukraine and Kazakhstan negatively impacted premium income.

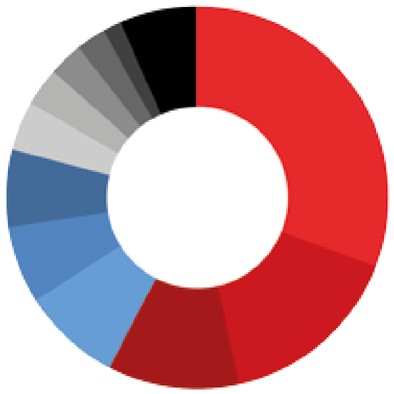


GWP Split (in EUR '000)

Property / Casualty	349 270
Health	21 602
Life	19 428
Total GWP	**390 300**

GWP P/C per Line of Business (in EUR '000)

Property	246 614
Motor 3rd Party Liability	43 752
Other Motor Vehicle Ins.	26 387
Liability	12 121
Marine	10 280
Casualty	10 116
Total	**349 270**



GWP P/C per Country (in EUR '000)

Austria	129 271
Czech Republic	42 489
Serbia	32 124
Slovakia	21 487
Poland	20 696
Kazakhstan	16 701
Germany	12 285
Turkey	12 277
Romania	14 013
Croatia	4 560
Hungary	7 582
Other*	35 785
Total	**349 270**

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

Financial Investments

VIG Re achieved a solid investment return of 3.8% amid decreasing interest rates and volatile bond and equity markets.

Another Record Year

The company realized a financial result of EUR 16.8 million, representing 5.1% growth in comparison to the year 2014. Due to the structure of the investment portfolio, the bond portfolio, with a total income of EUR 11.1 million, was the main contributor to income, of which a significant portion stemmed from extra-ordinary profits. An additional EUR 4.5 million in income came from funds deposited with cedents in respect of Life and Health Reinsurance contracts. Equity and fund investments accounted for only a minor part of the investment profits.

Conservative Strategy

Low, or even negative, market yields and volatile equity markets make the investment outlook even more challenging than before. Planned investment yield has been adjusted accordingly in order to stick to our policy of always maintaining conservative risk/return profile of diversified portfolio and disciplined risk management.

Protection Programme

VIG Re takes a very conservative approach to buying reinsurance and exceeds the VIG Group's rule of not retaining more than 3% of equity value while buying 250-year natural catastrophe coverage. Our well diversified reinsurance panel is carefully chosen based on our security guidelines and avoids concentrating risk on single counterparties.

16.8

Millions € Investment Result

Wiener Re

Assigned Markets
Since its founding in 2008 as VIG Re's reinsurance company, Wiener Re Belgrade has established business relationships with a significant number of insurance companies in Serbia and the CEE region.

Continued Growth
Wiener Re achieved continued, constant growth in gross written premiums as a result of the increasing number of cedents, providing a wide range of reinsurance services to regional insurance companies.

Market Leader
Since 2013, Wiener Re has become the number one reinsurer in Serbian, with more than 40% market share, EUR 40 million in GWP 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, Dunav Re, Sava, Lovčen, as well as many others).

2015
2015 continued to be an successful year for Wiener Re Belgrade, which saw a 19% (EUR 38.6 million) increase in GWP compared to 2014 and a improved combined ratio of 92.9% (compared to 99.8% in the previous year). With more than 40% of its business coming from non-group companies, profit remained almost stable at more than EUR 0.5 million.

Disclosures

Environmental Protection
The nature of our business places a minor burden on the environment. The company meets all environmental requirements prescribed by Czech law.

Units Abroad
VIG Re has no organizational units abroad.

Research and Development
We focus development on incorporating new information technologies and forms of communication into the process of providing reinsurance services.

Processes
Increasing requirements for reporting, risk management and data quality have lead us to the develop new tools, most notably:

- IT in the areas of Underwriting, Accounting and Claims that optimize the workflow of core business processes and further improve data quality (Business Support System – BSS)
- A new modelling tool for Underwriting (MetaRisk), which we implemented in 2015

We continue to refine all our business processes and standards, and are continuously developing the skills and extending the knowledge of each of our team members. In order to support implementation of the new tools and processes, we've substantially strengthened the resources of our Business Processes team and have created a new Actuarial Analytics department, partially insourcing the actuarial activities previously provided by VIG CZ's shared services.

People

Flexible Working Time

We accommodate part time employment and flexible working 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.

Personal Development
Each employee receives regular feedback from their manager in regards to their professional development and performance. This is formally documented in the annual appraisal process, in which, in addition to a performance review and goal setting, special emphasis is placed on personal development targets. Language lessons, technical and finance trainings for reinsurance and soft-skills seminars are part of each team member's yearly development plan.

Eager to Learn
It's essential for us that our entire team identifies and actively supports the company's values, vision and strategy. We encourage discussions and differences in opinions, and it's vital to us that our team stays curious, is eager to learn, and sees more than one way to solve a problem or create a new opportunity.

Made of the Strongest Fibre

Just as a suit is only as good as the cloth from which it's cut, so a company is only as good as the people that drive its business.

STATUTORY BODIES

Board of Directors

Claudia Stránský
Member of the Board
(until 31 December 2015)

Protection Programme
Reinsurance VIG Companies
Technical Accounting, Claims
Human Resources, Marketing

Johannes Martin Hartmann
Chairman of the Board

Corporate Affairs
P&C Reinsurance, Underwriting
Active Reinsurance Non-VIG clients

Dušan Bogdanović
Member of the Board

Life and Health Reinsurance
Finance
IT and Business organization

STATUTORY BODIES

Supervisory Board

Karl Fink
Chairman

Peter Hagen
Vice-Chairman

Wolfgang Eilers
Member

Roland Gröll
Member

Peter Höfinger
Member

Juraj Lelkes
Member

Vladimír Mráz
Member

Changes after 31 December 2015:

Resigned from the office of Supervisory Board as of 31 December 2015:
Peter Hagen

Resigned from the office of Supervisory Board as of 1 April 2016:
Roland Gröll
Juraj Lelkes
Vladimír Mráz

Nominated Supervisory Board members as of 1 April 2016, subject to approval by the Czech National Bank:
Vladimír Bakeš
Gary Wheatley Mazzotti
Elisabeth Stadler
Peter Thirring

STATUTORY BODIES

Audit Committee

Karl Fink

Vladimír Mráz

Hynek Vodička

Changes after 31 December 2015:

Nominated Audit Committee members as of 28 April 2016, subject to approval by the General Assembly:
Karl Fink
Elisabeth Stadler
Hynek Vodička

MEET OUR TEAM

Underwriting – Non-Life

Aneta Stloukalová
Assistant Underwriter

Olaf Dietrich
Head of Department

Viera Horáková
Treaty Underwriter

MEET OUR TEAM

Underwriting – Non-Life Treaty

Petr Štěpán
Treaty Underwriter

Claudia Davidová
Assistant Underwriter

Petko Koev
Treaty Underwriter

Adéla Stollinová
Assistant Underwriter

MEET OUR TEAM

Underwriting – Non-Life Facultative

Monika Půhoná
Associate Facultative Underwriter

Petr Mareš
Facultative Underwriter

Jitka Kynclová
Facultative Underwriter

Jan Hynek
Assistant Underwriter

MEET OUR TEAM

Underwriting – Life

Eva Vrbková
Underwriter

Martin Tesařík
Assistant Underwriter

MEET OUR TEAM

Underwriting – Accident & Health

Anna Vedyushenko
Assistant Underwriter

Ondřej Roztomilý
Underwriter

MEET OUR TEAM

Retrocession

Tomáš Benko
Retrocession Associate

Michal Teplý
Retrocession Specialist

MEET OUR TEAM

Actuarial Analysis

Marek Krajča
Associate Non-Life Actuary

Jan Hrevuš
Head of Department

Michal Bošeľa
Non-Life Actuary

MEET OUR TEAM

Financial, Accounting & Claims

Zdeňka Němcová
Accounting Associate

Milan Přibyl
Head of Department

Petra Vrkočová
Accounting Specialist

MEET OUR TEAM

Financial, Accounting & Claims

Silwia Krause	**Lucie Holomelová**	**Ondřej Broukal**	**Nikola Roubalová**
Accounting Specialist	Accounting Specialist	Accounting Specialist	Accounting Specialist

MEET OUR TEAM

Operations – Board Office

Tereza Bártová	**Sabina Gaudeková**	**Natálie Karanová**	**Lenka Havránek Malenková**
Boardoffice Manager	Assistant to the Board	Assistant to the Board	Head of Department

MEET OUR TEAM

Operations – Controlling

Jakub Věříš	**Kateřina Valášková**
Controlling Specialist	Controlling Associate

MEET OUR TEAM

Operations – Business Processes

Zuzana Mádrová	**Kamil Kováč**	**Ondřej Hyneš**
Business Processes Manager	Business Processes Assistant	Business Processes Associate Data Architect

Weaving Our Way Through Risk

Our closeness to markets and prudent underwriting, together with thorough risk management, robust capitalisation, and sound liquidity, fashion the broadcloth for our quality reinsurance services.

Services

Treaty Reinsurance

- **Property and Casualty**
  - Property
  - Engineering
  - Motor
  - General Third-Party liability
  - Marine
- **Accident and Health**
- **Life**

Facultative Reinsurance

- **Property and Engineering**
  - Property Named Perils including Business Interruption
  - Construction All Risks including ALoP
  - Erection All Risks including ALoP
  - Machinery Breakdown including MLoP
  - Electronic Equipment
- **Casualty**
  - General Third-Party Liability
  - Product Liability
  - Product Recall
  - Employers Liability
  - Professional Indemnity
  - Directors and Officers

Made-to-Measure

Our professional background, together with our extensive knowledge and understanding of local environments, allows us to tailor specific solutions to our clients.

Cutting the Cloth

We're dedicated to providing a platform for our business partners to exchange and develop know-how

Stitching the Fabric

We maintain close relationships with brokers for both incoming and outgoing business

Taking In the Seams

By being close to our clients, we intuitively understand their needs and are available to provide fast, concise, and friendly feedback

The Fibre of Our Values

By maintaining a convivial, yet professional relationship with our clients, they experience our company values personally and trust us for them.

Ethical Behaviour

Respect, integrity, and transparency are our fundamental principles

Stability and Security

We are in it for the long haul

Performance Matters

We grow our profits through expertise

Professional Infrastructure

We invest in smart tools without over-engineering

People Development

We create an environment in which people take responsibility

Colourful Company Culture

We add freshness to reinsurance

Market Overview

Forecast

The majority of international economic research institutes predict continued growth for the economies of Central and Eastern Europe. For instance, the Wiener Institut für Internationale Wirtschaftsvergleiche predicts that Romania's GDP will grow by 4.0%, Poland's by 3.4%, Lithuania's and Latvia's each by 3.0% and Estonia's by 2.2%. Solid growth rates are also forecasted for the Czech Republic (+2.4%) and Hungary (+2.2%). Still lagging behind in recovery, however, are Slovenia (2.0%) and most of the western Balkan states.

Challenges in Europe

Amongst the biggest challenges lying ahead are the uncertainties surrounding cohesion of the European Union itself, the impact of the ongoing migration of refugees from Syriah, Central Asia and Africa, and the transition of the energy sector. In addition to these regional factors, the evolving risk landscape will be impacted by the global trends of rapid digitalization and automation, as well as other emerging risks, though these trends also represent significant economic and political opportunities.

CEE Impediments

The main impediments to greater growth rates in CEE include: several EU development programs for CEE countries, especially Hungary, fading out; the EU's continued restrictive fiscal policy; Germany's own sluggish growth; and even slower growth in other Western European countries. As a result, growth in CEE countries is primarily being driven by stimulation of private consumption.

Industry Challenges in CEE

The biggest challenge in the insurance industry continues to be the all-time-low interest yields. In addition, the industry is facing ongoing harsh competition, a pronounced example of this being the Polish motor insurance market.

Solvency II

The Solvency II framework, which sets new standards for insurance regulation and enterprise risk management for insurance and reinsurance companies based in the EU, was set to come into force on January 1, 2016. However, for the Czech Republic the transformation in national law is still pending. Solvency II, as well as other national regulations, will require insurance companies to allocate substantial additional resources.

Regional Losses

2015 was relatively benign in respect of major natural catastrophes, though a number of hailstorms affected the region, most notably in southern Austria and various neighbouring countries in July 2015. The largest market losses for the region were reported in the Czech Republic with an explosion at the Unipetrol RPA refinery on 13 August 2015, which had an estimated fire and business interruption loss well in excess of EUR 500 million.

Reinsurance Industry

2015 saw the highest level of mergers and acquisitions in the insurance and reinsurance industry in years, both in respect of the number and size of deals. Ace and Chubb, Willis and Towers Watson, Tokio Marine and HCC, Exor and Partner Re, MS&AD and Amlin, XL and Catlin accounted for transactions in excess of USD 4 billion. According to a report from Moody's, the main factors driving this development include the low cost of debt funding, increased regulatory pressure, a tough economic environment and favorable exchange rates. And while in previous years the reinsurance industry experienced a continuous flow of additional capital, this trend came to a stop in 2015. After adjustments for currency effects, capital stabilised at a high level, however the share of "alternative capital" continues to grow.

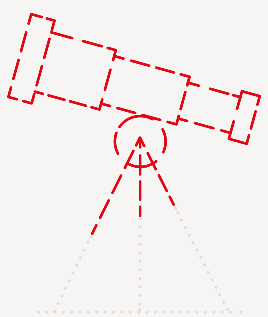
Outlook

The CEE region offers an attractive long-term growth scenario for insurance, however, countries are slow to adopt necessary reforms.

Strong Growth Ahead
The rising purchasing power of a growing middle class will trigger an increased demand for insurance solutions from private households, which will consequently increase insurance density. As a result, mid- to long-term macro-economic trends provide strong growth potential for insurance and reinsurance companies in the region. However, the future development of the insurance market will also depend on CEE countries implementing national reforms. And while many countries are indeed planning reforms in social, health and pension insurance, political decision-making and actual implementation often lag behind.

Emerging Landscape
The health insurance and reinsurance field is poised to become one of the most rapidly evolving segments in the CEE region in the very near future and VIG Re is ready to offer the reinsurance protection and services to meet the demand. In 2016 and beyond, VIG Re will adhere to its conservative investment and protection policy in line with its A+ stable outlook rating by providing the operational flexibility, broad risk solutions across all main lines of business and the strong financial security that are crucial for seizing opportunities in this emerging landscape.

Strict Discipline Required
VIG Re expects the terms and conditions for most lines of reinsurance business in its markets to develop positively for reinsurance buyers. While the current financial environment limits investment yields and calls for strict underwriting discipline, the continuoued high level of competition and absence of any market defining events will likely not allow for adjustments in terms and conditions, especially in those lines of business that have shown solid performance in recent years.



ANNUAL REPORT 2015

Financial Statements

VIG Re

Supervisory Board Report

The Supervisory Board received the financial statements prepared by the Board of Directors, including the proposal for distribution of profit from 2015 and the report on economic results, business activity and company status as of 31 December 2015 and examined and reviewed it thoroughly. As a result of this examination, the Supervisory Board adopted a unanimous resolution that the separate and consolidated financial statements as well as the proposal for distribution of profit from 2015 can be submitted to the General Meeting for approval.

The Supervisory Board of the Company fulfilled its tasks in the course of the year 2015 pursuant to Company's Articles and effective legal regulations, particularly the Act No. 90/2012 Coll., on Business Corporations, as amended. The Supervisory Board reports that it has taken the opportunity as supervising body to comprehensively monitor the performance of the Board of Directors and the business and economic activities of the Company. One Annual General Meeting and four Supervisory Board meetings were held in 2015.

The Supervisory Board informs the General Meeting that the 2015 financial statements were submitted to the auditor KPMG Česká republika Audit, s. r. o.; the auditor informed that the 2015 financial statements are currently under his review and so far he is not aware of any significant event having impact on the true and fair presentation of financial position of the Company and its economic results in line with effective legal regulations. Pursuant to Section 20 of the Act No. 93/2009 Coll., on Auditors, as amended the Auditor will issue a written report on the statutory audit of the annual report consisting of the separate and consolidated financial statements; this report together with the Annual report will be then submitted to the General Meeting. The Supervisory Board certifies that there are no reservations about the conclusions of the Auditor.

The Supervisory Board further examined the Report on Relationships between Related Parties prepared by the Board of Directors pursuant to Section 82 of the Business Corporations Act. The Supervisory Board certifies that no errors or deficiencies had been identified in this report and the company did not suffer any damage from the agreements or other legal acts performed under the influence of related parties.

Prague, 1 April 2016

Dkfm. Karl Fink
Chairman of the Supervisory Board

Auditor's Report

KPMG

KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a
186 00 Praha 8
Česká republika
+420 222 123 111
www.kpmg.cz

This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

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., prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as of 31 December 2015, 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, 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 2015, 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.

Other Information

Other information is defined as information (other than the consolidated financial statements and our auditor's report) included in the consolidated annual report. The statutory body is responsible for the other information.

Our opinion on the consolidated financial statements of VIG RE zajišťovna, a.s. as of 31 December 2015 does not cover the other information and we do not express any form of opinion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information included in the consolidated annual report is not materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, whether the consolidated annual report is prepared in accordance with applicable legislation and whether such information otherwise does not appear to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Prague
27 April 2016

KPMG Česká republika Audit

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

Jindřich Vašina
Partner
Registration number 2059

KPMG Česká republika Audit, s.r.o.
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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

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

We have audited the accompanying financial statements of VIG RE zajišťovna, a.s., prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as of 31 December 2015, 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, 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 2015, 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.

Other Information

Other information is defined as information (other than the financial statements and our auditor's report) included in the annual report. The statutory body is responsible for the other information. In connection with our audit of the financial statements, our responsibility is to report on the other information.

As described in Note A.3 to the financial statements, VIG RE zajišťovna, a.s. has not prepared an annual report as at 31 December 2015, as it plans to include the respective information in a consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

Prague
27 April 2016

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

Jindřich Vašina
Partner
Registration number 2059

VIG RE zajišťovna, a.s.
Separate Financial Statements

31 December 2015

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STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2015

ASSETS		2015	2014
In EUR '000			
Intangible assets	F.1	1 112	1 133
Property, plant and equipment	F.2	72	99
Investment in subsidiaries	F.3	6 722	6 722
Financial investments	F.4	438 557	425 211
Financial assets held to maturity		137 228	157 008
Financial assets available for sale		161 812	129 972
Loans – Term deposits		1 211	1 510
Deposits due from cedents		138 306	136 721
Trade and other receivables	F.5	47 991	45 516
Ceded share of reinsurance liabilities	F.6	206 815	166 435
Current tax assets	F.24	275	
Other assets	F.8	434	672
Deferred acquisition costs	F.9	4 168	3 261
Cash and cash equivalents	F.10	2 531	8 724
Total ASSETS		708 677	657 773

EQUITY AND LIABILITIES			
Shareholders' equity	F.11		
Share capital		101 958	101 958
Other components of equity		2 310	10 045
Retained earnings		30 517	21 650
Total EQUITY		134 785	133 653
Reinsurance liabilities		501 225	451 671
Unearned premiums	F.12	18 020	18 450
Outstanding claims	F.13	352 435	303 220
Life reinsurance provision	F.14	130 770	130 001
Payables	F.15	71 593	67 606
Deferred tax liabilities	F.7	9	41
Current tax liabilities	F.24		3 635
Other liabilities	F.16	1 065	1 167
Total LIABILITIES		573 892	524 120
Total EQUITY AND LIABILITIES		708 677	657 773

INCOME STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2015

Income Statement	Notes	2015	2014
In EUR '000			
Premiums	F.17		
Premiums written – Gross		357 748	405 073
Premiums written – Ceded		-150 728	-172 030
Premiums written – Retention		**207 020**	**233 043**
Change due to provision for premiums – Gross		-199	-1 973
Change due to provision for premiums – Ceded		-932	2 618
Net earned premiums		**205 889**	**233 688**
Investment and interest income		17 211	16 409
Investment and interest expenses		-552	-666
Total investment result	F.18	**16 659**	**15 743**
Other income	F.19	**12**	**886**
Claims and insurance benefits	F.20		
Expenses for claims and insurance benefits – Gross		-184 566	-217 863
Expenses for claims and insurance benefits – Ceded		55 135	65 663
Claims and insurance benefits – retention		**-129 431**	**-152 200**
Change in claims and other reinsurance liabilities – Gross		-55 233	-45 868
Change in claims and other reinsurance liabilities – Ceded		41 815	27 682
Total expenses for claims and insurance benefits		**-142 849**	**-170 386**
Acquisition expenses			
Commission expenses	F.21	-70 740	-70 945
Other acquisition expenses		-939	-904
Change in deferred acquisition expenses		854	87
Commission income from retrocessionaires		17 446	14 478
Total acquisition expenses		**-53 379**	**-57 284**
Other operating expenses	F.22	**-3 419**	**-2 798**
Other expenses	F.23	**-601**	**-183**
Profit before taxes		**22 312**	**19 666**
Tax expense	F.24	**- 3 400**	**-3 045**
Profit for the period		**18 912**	**16 621**
Attributable to owners of the Company		**18 912**	**16 621**
Attributable to owners of non-controlling interest			

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 31 DECEMBER 2015

Statement of comprehensive income	2015			2014		
In EUR '000	Gross	Tax *)	Net	Gross	Tax *)	Net
Profit for the period	**22 312**	**- 3 400**	**18 912**	**19 666**	**-3 045**	**16 621**
Other comprehensive income						
Gains (losses) recognized in equity – Available for sale financial assets	-4 509	857	-3 652	5 509	-1 047	4 462
Other comprehensive income for the year	**-4 509**	**857**	**-3 652**	**5 509**	**-1 047**	**4 462**
Comprehensive income for the period	**17 803**	**-2 543**	**15 260**	**25 175**	**-4 092**	**21 083**
Attributable to owners of the Company	**17 803**	**-2 543**	**15 260**	**25 175**	**-4 092**	**21 083**
Attributable to owners of non-controlling interest						

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

SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2015

In EUR '000	Share capital	Available for sale reserve	Legal and statutory reserves	Other reserves	Retained earnings	Shareholders' equity attributable to owners of the Company
As of 1 January 2015	101 958	5 962	4 083		21 650	133 653
Total comprehensive income for the period		-3 652			18 912	15 260
Dividends					-14 128*	-14 128
Cancelation and transfer of legal and statutory reserves			-4 083		4 083	
As of 31 December 2015	**101 958**	**2 310**			**30 517**	**134 785**

In EUR '000	Share capital	Available for sale reserve	Legal and statutory reserves	Other reserves	Retained earnings	Shareholders' equity attributable to owners of the Company
As of 1 January 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	
As of 31 December 2014	**101 958**	**5 962**	**4 083**		**21 650**	**133 653**

* dividend per share was EUR 565 (in 2014: EUR 459)

VIG RE zajišťovna, a.s.
Separate Financial Statements for the year ended 31 December 2015
In EUR '000

CASH FLOW STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2015

Cash flow statement	Notes	2015	2014
In EUR '000			
Profit before taxes		**22 312**	**19 666**
Adjustments to profit before taxes			
- interest and other investment income		-11 740	-10 903
- exchange differences		-67	230
- depreciation		335	273
- change in deferred acquisition costs		-907	-51
- dividends		-469	-618
Cash flows from operating activities			
Change in reinsurance liabilities		49 554	37 885
Change in ceded share of reinsurance liabilities		-40 380	-25 330
Change in receivables		-2 475	8 704
Change in deposits due from cedents and Loans – Term deposits		-1 286	1 687
Change in payables		3 987	-7 934
Change in other assets and liabilities		136	235
Income tax paid		-6 464	-898
Net cash flow from operating activities		**12 536**	**22 946**
Cash flows from investing activities			
Interest received		8 842	9 138
Dividends received		447	592
Payment for acquisition of intangible assets and property, plant and equipment		-288	-306
Cash proceeds from the sale of intangible assets and property, plant and equipment		7	3
Payment for acquisition of available for sale financial assets		-121 465	-113 939
Cash proceeds from the sale of available for sale financial assets		88 398	59 476
Cash proceeds from the maturity/sale of held to maturity financial assets		19 243	36 089
Net cash flow from investing activities		**-4 816**	**-8 947**
Cash flows from financing activities			
Dividend payment		-14 128	-11 481
Net cash flow from financing activities		**-14 128**	**-11 481**
Net change in cash and cash equivalents		**-6 408**	**2 518**
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at beginning of period		**8 724**	**6 134**
Foreign currency translation differences on cash balances		215	72
Net change in cash and cash equivalents		-6 408	2 518
Cash and cash equivalents at end of period		**2 531**	**8 724**

SEGMENT REPORTING

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

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

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

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

The disclosures under segment reporting should be read in conjunction with additional disclosures under F.17.

SEGMENT REPORTING

INCOME STATEMENT BY LINES OF BUSINESS

INCOME STATEMENT	Property/Casualty		Health		Life		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
In EUR '000								
Premiums written – Gross	316 718	343 816	21 602	21 064	19 428	40 193	357 748	405 073
Premiums written – Ceded	-148 565	-171 204			-2 163	-826	-150 728	-172 030
Change due to provision for premiums – Net	- 1 364	226	-13		246	419	-1 131	645
1. Net earned premiums	**166 789**	**172 838**	**21 589**	**21 064**	**17 511**	**39 786**	**205 889**	**233 688**
Interest revenue	7 303	8 676	6	10	5 203	5 262	12 512	13 948
Other income and expense from investments	4 220	1 882	3	2	-76	-89	4 147	1 795
2. Investment result	**11 523**	**10 558**	**9**	**12**	**5 127**	**5 173**	**16 659**	**15 743**
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities– Gross	-222 104	-224 405	-1 194	-1 161	-16 501	-38 165	-239 799	-263 731
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	96 664	93 169			286	176	96 950	93 345
3. Claims and insurance benefits	**-125 440**	**-131 236**	**- 1 194**	**-1 161**	**-16 215**	**-37 989**	**-142 849**	**-170 386**
Commission expenses including change in deferred acquisition expenses	-56 681	-58 969	-9 424	-9 002	-3 781	-2 887	-69 886	-70 858
Other acquisition expenses	-699	-661	-48	-40	-192	-203	-939	-904
Commission income from retrocessionaires	16 176	14 215			1 270	263	17 446	14 478
4. Acquisition expenses	**-41 204**	**-45 415**	**-9 472**	**-9 042**	**-2 703**	**-2 827**	**-53 379**	**-57 284**
Operating profit measured on the segment basis	**11 668**	**6 745**	**10 932**	**10 873**	**3 720**	**4 143**	**26 320**	**21 761**
5. Other operating expenses	**-2 626**	**-2 095**	**-179**	**-128**	**-614**	**-575**	**-3 419**	**-2 798**
Operating profit	**9 042**	**4 650**	**10 753**	**10 745**	**3 106**	**3 568**	**22 901**	**18 963**
6. Other income							**12**	**886**
7. Other expenses							**-601**	**-183**
Profit before tax							**22 312**	**19 666**
Income tax							**-3 400**	**-3 045**
Profit after tax							**18 912**	**16 621**

Investment result was allocated among individual segments based on the balance of reinsurance liabilities as of 31 December 2015.

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 the 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 2015:

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 2015 as follows:

Chairman:	Johannes Martin Hartmann, Munich, Germany
Member:	Claudia Stránský, Vienna, Austria (until 31 December 2015)
Member:	Dušan Bogdanović, Belgrade, Serbia

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

The members of the Supervisory Board as of 31 December 2015 were as follows:

Chairman:	Karl Fink, Vienna, Austria
Vice-Chairman:	Hans-Peter Hagen, Vienna, Austria (until 31 December 2015)
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 Company is shown in note C.

A.3. Basis of preparation

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

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 that are valued at historic cost are stated at amortized cost or historic cost, as appropriate, net of any relevant impairment.

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

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

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

B. SIGNIFICANT ACCOUNTING POLICIES

B.1. Intangible assets

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

Intangible assets are amortized using the straight-line method.

B.2. Property, plant and equipment

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

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

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

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

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

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

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

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

B.3. Investment in subsidiaries

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

B.4. Financial investments

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

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

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

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

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

Financial assets held to maturity

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

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

Available for sale financial assets

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

Loans – Term deposits

Loans consist mainly of deposits with financial institutions, or with third party companies in the case of financial reinsurance (B.23.). Loans and receivables (B.5.) are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than being classified as available for sale. Loans and receivables are measured at amortized cost using the effective interest method and are reported net of allowances for loan losses to reflect the estimated recoverable amounts.

Deposits due from cedents

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

B.5. Receivables

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

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

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

B.6. Ceded share of reinsurance liabilities

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

B.7. Taxes

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

The current tax is calculated using the Company's taxable income and the tax rate enacted or substantially enacted by the end of 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 that corresponds to the unearned premium reserve. Deferred acquisition costs are subject to recoverability testing at the time of policy issue and at the end of each accounting period. Deferred acquisition costs which are not deemed to be recoverable are charged to the income statement.

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

B.10. Cash and cash equivalents

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

B.11. Reinsurance liabilities

Unearned premiums

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

Outstanding claims

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

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

Whilst the Board of Directors considers the provision for outstanding claims and the related reinsurance recoveries to be 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 take 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 its insurance contracts (see D). If those estimates show that the carrying amount of the provision is insufficient in the light of the estimated future cash flows, the difference is recognized in the income statement with corresponding increase to the life reinsurance provision.

Other

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

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

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

B.12. 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 announced to the Company. Premium revenue is recognized as and when due in terms of the reinsurance contract.

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

Outward ceded premiums are recognized as an expense.

B.15. Investment result

Interest income and interest expense are recognized in the income statement on an accrual basis, taking into account the effective yield of the asset or liability, or an applicable floating rate. Interest income and interest expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated using the effective interest method.

Other income and expenses from financial assets comprise realized gains/losses, dividends and impairment losses. A realized gain/loss arises on derecognition of financial assets. The amount of the realized gain/loss represents the difference between the carrying value of the financial asset and the sale price, adjusted for any cumulative gain or loss that had been recognized directly in 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) or internal costs attributable to claims settlement, are shown as expenses for claims. Expenses for claims are reduced by the income gained from recourses (this applies in particular to property/casualty reinsurance). Changes in provision for outstanding claims and other technical provisions are also shown in the expenses for claims item as well as bonuses and rebates.

Bonuses comprise all amounts chargeable for the financial year, representing the allocation of surplus or profit arising from the business as a whole or from a section of business, after the deducting amounts provided in previous years that are no longer required. Rebates comprise such amounts to the extent that they represent a partial refund of premiums resulting from the experience of individual contracts.

B.17. Acquisition expenses

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

Acquisition expenses that vary with and are directly related to the acquisition of reinsurance policies or the renewal of existing policies are deferred (namely brokerage for reinsurance intermediaries and reinsurance commissions) – see B.9.

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

B.18. Other operating expenses (Administrative expenses)

Administrative expenses include expenses relating to the administration of the Company. These include personnel costs, office rental expenses and other operating expenses. Personnel costs include expenses arising from employee benefits, such as salaries and wages, management remuneration and bonuses, social insurance and the costs of premium collection, portfolio administration and the processing of inwards and outwards reinsurance.

B.19. Foreign currency transaction

A foreign currency transaction is a transaction denominated in, or which requires settlement in, a currency other than the functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the exchange rate effective at the date of the transaction. At each balance sheet date:

a) foreign currency monetary items are translated using the closing foreign exchange rate;

b) non-monetary items denominated in a foreign currency that 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 that 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 that are specifically identified. General impairment losses are losses that are present in a portfolio of loans or receivables but not specifically identified.

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

The recoverable amount of the Company's investments in held to maturity securities, loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of an available for sale asset is its current fair value. When there is objective evidence that it is impaired, the decline in fair value that had been recognized directly in other comprehensive income is recognized in the income statement.

An impairment loss in respect of a held to maturity security, loan, advance, receivable, or available for sale debt instrument is reversed through the income statement (up to the amount of the amortized cost), if the subsequent increase in the recoverable amount can be attributed objectively to an event occurring after the impairment loss was recognized.

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

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

B.21. Classification of reinsurance contracts

A reinsurance contract, whereby the Company assumes a significant insurance risk from another party (an insurance company) as a result of a provision whereby the insurance company receives compensation if a specified uncertain future event (the insured event) adversely affects the insurance company, is treated as an insurance policy as defined in IFRS. A distinction is made between insurance risk and financial risk. Financial risk is the risk of a possible future change in specific interest rates, securities prices, price indices, interest rate indices, credit ratings, credit indices, or another variable, provided that, in the case of a non-financial variable, the variable is not specific to one counterparty. In many cases, particularly in the life insurance area, reinsurance policies as defined in IFRS also transfer financial risk.

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

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

B.22. Novation

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

B.23. Financial reinsurance

Financial reinsurance is a risk management tool, especially useful when the motivations of the ceding insurance company are focussed not only on managing underwriting risk but also on explicitly recognising and addressing other financially oriented risks. The use of financial reinsurance, which represents a combination of a transfer of an insignificant insurance 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 that 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 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 2015.

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 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.

<u>Standards not yet in force</u>

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

(Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.)
These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.
Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.
It is expected that the Amendments, when initially applied, will not have a material impact on the Entity's financial statements as the Entinty has no interests in joint operations.

Amendments to IAS 1

*(*Effective for annual periods beginning on or after 1 January 2016. Early application is permitted.)
The Amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard.
The guidance on materiality in IAS 1 has been amended in order to clarify that:

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) have been amended, to:

- Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
- Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

The Entity expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Entity.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

(Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.)

Revenue-based depreciation banned for property, plant and equipment

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

New restrictive test for intangible assets

The amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

It is expected that the Amendments, when initially applied, will not have material impact on the Entity's financial statements as the Entity does not apply revenue-based methods of amortisation/depreciation.

Amendments to IAS 16 Property Plant and Equipment and IAS 41 Agriculture

(Effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.)

These amendments result in bearer plants being in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture, to reflect the fact that their operation is similar to that of manufacturing.

The Entity does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Entity has no bearer plants.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions1

(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 plans2 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 entity does not expect the Amendment to have any impact on the financial statements since it does not have any defined benefit plans.

Amendments to IAS 27 : Equity method in the separate financial statements

(Effective for annual periods beginning on or after 1 January 2016 and apply retrospectively. Early application is permitted.)

The amendments to IAS 27 allow an entity to use the equity method in its separate financial statements to account for

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

investments in subsidiaries, associates and joint ventures.

The Entity does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Entity intends to continue to carry its investments in subsidiaries, associates or joint ventures at cost.

D. PRINCIPAL ASSUMPTIONS

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

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

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

E.1.2. Risk management objectives and methods

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

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

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

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

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

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

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

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

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

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

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

Risk management department: VIG Re, with the support of the risk management department of VIG Group companies in the Czech Republic, prepares a quarterly risk budget for the investment area. Budget compliance at VIG Re is checked regularly. Compliance with securities guidelines and the Company's own limit system is monitored continuously. Periodic VaR calculations and analyses and detailed stress tests are performed for this monitoring. Furthermore, a risk and control assessment is performed once a year.

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

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

E.2. UNDERWRITING RISK

E.2.1. Introduction

VIG Re assumes both reinsurance from VIG Group companies and reinsurance from external parties. In 2015 the majority of reinsurance assumed was from VIG Group companies. VIG Re writes long tail as well as short tail business, both proportional and non-proportional reinsurance business, and also provides facultative reinsurance.

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

E.2.2. Insurance risks

The Company assumes insurance risk transferred from client to insurance and through reinsurance contract to VIG Re. The risk under any one reinsurance contract is the possibility that the insured event occurs. This risk can also include the uncertainty of the amount of the resulting claim. By the very nature of a reinsurance contract, this risk is random and therefore unpredictable. For a portfolio of reinsurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that VIG Re faces under its reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of the reinsurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Claim events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Experience shows that the larger the portfolio of similar reinsurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its reinsurance underwriting strategy to diversify the type of insurance risks accepted and, within each of these categories, to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Property/Casualty

Property reinsurance: For property reinsurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding, hurricanes, typhoons, etc.) and their consequences (for example, subsidence claims). The Company usually assumes one-year reinsurance policies and thus has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. The greatest likelihood of significant losses on these contracts arises from storm or flood damage. The Company has reinsurance cover for such damage in order to limit losses.

Casualty reinsurance: The frequency and severity of claims can be affected by several factors. The most significant are the increasing amounts of awards for damage suffered and the increasing numbers of cases coming to court that were inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period of time typically required to settle these cases.

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

Life

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that increase longevity. Uncertainty in the estimation of future benefit payments and premium receipts for long-term reinsurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour. VIG Re uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides.

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

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

Health

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

E.2.3. Reinsurance guidelines

The approach to the Company's own reinsurance protection

The reinsurance guidelines and protection structure are jointly determined each year by the Board of Directors and approved by the Supervisory Board of VIG Re, following the overall guidelines and security policy of VIG.

The reinsurance guidelines govern the following matters:

- Retrocession is a prerequisite for providing reinsurance coverage. VIG Re may only make a binding commitment to reinsure a risk if sufficient reinsurance coverage from external reinsurers has already been ensured, if applicable.
- Retention: The maximum VIG Re retention per individual loss is less than 2.6 MIO EUR, and the retention per event of loss due to natural catastrophe is less than 20.1 MIO EUR.
- Selection of reinsurers – diversification. VIG Re divides its reinsurance coverage among many different international reinsurance companies of appropriate credit quality so as to minimize the risk arising from a reinsurer being unable to pay. No significant default of a reinsurer has occurred in the history of VIG and VIG Re.

- Selection of reinsurers – rating. For business segments where claims take a long time to be settled, especially for motor third party liability and general liability, VIG Re uses as reinsurers companies with outstanding ratings (at least a Standard & Poor's "A" rating and preferably "AA" or higher), which in all likelihood will continue to exist over the long term. Even for business segments with claims that are settled quickly (for example, natural catastrophes, fire, technology, transportation, storm, burglary, household, water pipes, auto collision), where there is a larger number of reinsurers the preferred rating is Standard & Poor's "A" or higher. Reinsurers with lower ratings are only accepted in a few cases – and for limited periods of time.

Approach to the reinsurance contracts assumed by the Company

VIG Re's objective is to maintain strict underwriting policy that, in combination with its very solid financial security and its in-depth understanding of local market standards, provide a strong value proposition to its clients.

The aim of VIG Re's underwriting strategy is to build up and maintain a well balanced portfolio of property / casualty, life and health reinsurance contracts, both obligatory reinsurance treaties and facultative acceptances, making use of the diversification advantage of the spread within CEE, Austria, Italy, Turkey and Germany and eastern Europe.

In order to achieve this, VIG Re follows a disciplined underwriting policy which is defined in detail in VIG Re's underwriting guidelines. As a principle, the Company does not assume any credit & surety, other financial risks, agriculture, or aviation. The Company monitors and controls its accumulation risks, especially in the area of natural catastrophe exposure. As part of the risk management strategy, underwriting limits are defined by class of business and underwriting authorities are allocated "ad personam" according to the level of the underwriter's professional expertise.

In respect of business originating from VIG Group companies, VIG Re assumes up to 100% of the respective contracts. In the event of significant underlying exposures, for instance from natural catastrophe or motor third party liability treaties, VIG Re acts as an aggregator and transformer, while not retaining a material risk position. In addition to its strict portfolio management, VIG Re controls its net risk position through a very conservative retrocession policy.

E.2.4. Concentration risk

In general, the Company writes business primary in CEE region, Austria and Germany and eastern Europe. See F.17 for geographical concentration measured by premium written. The tables also show premium split according to lines and classes of business. The concentration risk for VIG Re can mainly be detected in the property class of business, where the natural catastrophe risk is accounted. For natural catastrophes the main exposures are flood, storm and earthquake. These exposures are annually modelled by the actuaries of the retrocession brokers based on the actual status of all portfolios, including cross country exposures, and analysed by the Company. Based on this, the above mentioned full retrocession cover for VIG Re is determined and placed with a high number of reinsurers with security according to the guidelines, thus preventing concentration risk on the net base.

E.3. CREDIT RISK

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

E.3.1. Credit risk from financial investments

The Company invests in debt securities, 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, see below.

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

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

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

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

	Trade and other receivables 2015	2014	Other financial assets 2015	2014
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	36 065	28 789	0	0
31 days to 90 days after maturity	3 845	7 836	0	0
91 days to 180 days after maturity	3 313	5 940	0	0
181 days to 1 year after maturity	4 196	836	0	0
1 year to 2 years after maturity	572	2 115	0	0
Neither past due nor impaired – carrying amount	**0**	**0**	**647 903**	**600 370**
Total carrying amount	**47 991**	**45 516**	**647 903**	**600 370**

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.25.) 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	2015					
Standard & Poor's rating	**AAA**	**AA**	**A**	**B / BB / BBB**	**No Rating**	**Carrying value in balance sheet**
in EUR '000						
Financial investments*	29 035	63 601	150 954	9 023	47 638	300 251
Deposits due from cedents	0	96 846	41 448	0	12	138 306
Cash and cash equivalents	0	0	0	0	2 531	2 531
Receivables from reinsurance and ceded share of reinsurance liabilities	0	113 929	123 842	4 030	12 581	254 382
Other receivables	0	0	0	0	424	424
Total	**29 035**	**274 376**	**316 244**	**13 053**	**63 186**	**695 894**
In %	*4.17*	*39.43*	*45.45*	*1.88*	*9.07*	*100*

* Except for deposits due from cedents

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

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 credit-related losses that may occur as a result of future negative development in the European Union and/or of any of the bond portfolio issuers.

E.4. LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may arise because the actual payout structure of our liabilities differs from that assumed in our asset-liability management, for example due to a lengthening or acceleration of the period to pay claims in a line of business or in a particular region.

An important aspect of the Company's management of assets and liabilities is ensuring that cash is available to settle liabilities as they fall due. The Company maintains cash and liquid deposits to meet these demands on a daily basis. The majority of claims are settled with the cash deposit under normal circumstances.

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

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

Expected remaining contractual maturities of assets:			2015			
	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	**31 056**	**127 504**	**144 854**	**88 718**	**46 425**	**438 557**
Financial assets held to maturity	8 623	83 896	44 709	0	0	137 228
Financial assets available for sale	7 687	15 640	66 313	25 747	46 425	161 812
Loans – Term deposits	0	1 211	0	0	0	1 211
Deposit due from cedents *	14 746	26 757	33 832	62 971	0	138 306
Receivables from reinsurance	**47 567**	**0**	**0**	**0**	**0**	**47 567**
Ceded share of reinsurance liabilities *	**99 403**	**42 985**	**36 936**	**27 491**	**0**	**206 815**
Cash and cash equivalents	**2 531**	**0**	**0**	**0**	**0**	**2 531**
Current tax assets	**275**	**0**	**0**	**0**	**0**	**275**
Other receivables	**424**	**0**	**0**	**0**	**0**	**424**
Total	**181 256**	**170 489**	**181 790**	**116 209**	**46 425**	**696 169**

*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.

			2015		
	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*	**188 660**	**111 871**	**95 122**	**105 572**	**501 225**
Unearned premiums	18 020	0	0	0	18 020
Outstanding claims	160 832	85 717	62 430	43 456	352 435
Life reinsurance provision	9 808	26 154	32 692	62 116	130 770
Other liabilities	**69 272**	**513**	**957**	**851**	**71 593**
Total	**257 932**	**112 384**	**96 079**	**106 423**	**572 818**

*expected timing of cash flows

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

Expected remaining contractual maturities of assets:	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 from reinsurance	**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 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:	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*	**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	**66 730**	**195**	**389**	**292**	**67 606**
Tax liabilities	**3 635**	**0**	**0**	**0**	**3 635**
Total	**221 417**	**106 608**	**91 712**	**103 175**	**522 912**

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

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

- Currency risk
- Interest rate risk
- Equity risk

E.5.1. Currency risk

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

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

The Company exposure to foreign currency risk within the investment portfolios supporting the Company's euro zone reinsurance and investment operations arises primarily from purchased investments and reinsurance contracts that are denominated or payable in currencies other than Euros.

The tables below summarize the Company's exposure to foreign currency exchange rate risk as of 31 December. The Company's assets and liabilities at carrying amounts are included in the table, categorized by currency at their carrying amount:

	2015		
Currency	**Total Assets**	**Total Liabilities**	**Net Amount**
In EUR '000			
EUR	634 744	497 105	137 639
USD	28 679	30 734	-2 055
PLN	16 101	16 238	-137
CZK	15 407	13 739	1 668
TRY	7 830	8 135	-305
Other	5 916	7 941	-2 025
Total	**708 677**	**573 892**	**134 785**

A 10% negative movement in exchange rates can cause a total profit of 285 TEUR.

Such a EUR/USD change can cause a profit of 205 TEUR, and in EUR/HUF a profit of 124 TEUR.

	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**

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 in 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.

2015	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	1,58%	2 682	5 005	3 427	12 214	92 059	0	115 387
Financial assets available for sale – investment funds		0	0	0	0	0	46 425	46 425
Financial assets held to maturity – debt securities	4,3%	2 368	6 255	7 880	76 016	44 709	0	137 228
Loans – Term deposits	6,3%	0	0	0	1 211	0	0	1 211
Deposit due from cedents	3,52%	0	14 746	26 757	0	96 803	0	138 306
Cash and cash equivalents		2 531	0	0	0	0	0	2 531
Total financial assets		**7 581**	**26 006**	**38 064**	**89 441**	**233 571**	**46 425**	**441 088**

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**

E.5.3. Equity risk

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

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In EUR '000

E.5.4. Sensitivity analysis:

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

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

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

- A 99 percent confidence level does not reflect losses that may occur beyond this level.
- VaR is a statistical estimation and therefore it is possible that there could be a greater number of days in any given period 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	2015	2014
In EUR '000		
Market value of portfolio	327 402	320 111
Historical VaR 60d; 99%	6 770	6 644
Relative VaR (%) 60d; 99%	2,07%	2,08%

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

VaR excluding HTM as of 31 December	2015	2014
In EUR '000		
Market value of portfolio	155 038	120 430
Historical VaR 60d; 99%	4 415	3 035
Relative VaR (%) 60d; 99%	2,85%	2,52%

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

The VaR figures can be interpreted as giving a 1% probability that the portfolio will fall in value by more than 6 770 TEUR or 4 415 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		2015	2014
In EUR '000			
Required solvency margin	Life and non-life reinsurance	54 947	59 087
Available solvency elements	Life and non-life reinsurance	133 672	132 520

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 ON THE FINANCIAL STATEMENTS

F.1. INTANGIBLE ASSETS

Intangible assets	2015	2014
In EUR '000		
Software and licenses	1 112	1 133
Total intangible assets	**1 112**	**1 133**

2015	Software	License	Other intangible assets	Total
In EUR '000				
Balance as of 1 January	394	1 705	243	2 342
Additions	0	33	255	288
Balance as of 31 December	**394**	**1 738**	**498**	**2 630**
Balance as of 1 January	309	852	48	1 209
Amortization	35	174	100	309
Balance as of 31 December	**344**	**1 026**	**148**	**1 518**
Book value as of 1 January	**85**	**853**	**195**	**1 133**
Book value as of 31 December	**50**	**712**	**350**	**1 112**

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**

F.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment – 2015	Vehicles	Other	Total
In EUR '000			
Balance as of 1 January	**74**	**143**	**217**
Additions	0	7	7
Disposals	0	7	7
Balance as of 31 December	**74**	**143**	**217**
Balance as of 1 January	**56**	**62**	**118**
Depreciation	10	22	32
Disposals	0	5	5
Balance as of 31 December	**66**	**79**	**145**
Book value as of 1 January	**18**	**81**	**99**
Book value as of 31 December	**8**	**64**	**72**

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**

F.3. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries	31.12.2015	Country	Cost of investment	Impairment losses	Net cost of investment	Proportion of ownership	Proportion of voting power
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	31.12.2014	Country	Cost of investment	Impairment losses	Net cost of investment	Proportion of ownership	Proportion of voting power
in '000 EUR							
Wiener Re a.d.o. Serbia	6 722	Serbia	6 722		6 722	99%	99%
Total	**6 722**		**6 722**				

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

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

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

F.4. FINANCIAL INVESTMENTS

Financial investments	2015	2014
In EUR '000		
Available for sale financial assets	161 812	129 972
Held to maturity financial assets	137 228	157 008
Loans and receivables	139 517	138 231
Total	**438 557**	**425 211**

F.4.1. Financial assets available for sale

Financial assets available for sale	2015	2014
In EUR '000		
Debt securities		
Government bonds	103 243	85 962
Covered bonds	8 277	5 122
Bonds from banks	3 867	0
Investment funds	41 422	33 885
Shares in other related parties	5 003	5 003
Total	**161 812**	**129 972**

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

Amortized value	Amortized value/ Purchase price	FX differences	Unrealized gains or losses	Impairment	Fair value
Debt securities	112 641	-569	3 315		115 387
Investment funds	41 858		-436		41 422
Shares in affiliated non-consolidated companies	5 003				5 003
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**		**Total**
Financial assets available for sale	149 349	7 460	5 003		161 812

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, then 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	2015	2014
In EUR '000		
Debt securities		
Government bonds	126 481	145 937
Corporate bonds	10 747	11 071
Total	**137 228**	**157 008**

Financial assets held to maturity	Carrying amount	Fair value
In EUR '000		
Debt securities		
Government bonds	126 481	148 148
Corporate bonds	10 747	12 690
Total	**137 228**	**160 838**

F.4.3. Loans and deposits

Loans and deposits	2015	2014
In EUR '000		
Loans - Term deposits	1 211	1 510
Deposits due from cedents	138 306	136 721
Total	**139 517**	**138 231**

Deposits due from cedents in relation to reinsurance liabilities			
In EUR '000			
Assets		**Liabilities**	
Deposits due from cedents	138 306	Unearned premiums	4 124
		Outstanding claims	3 412
		Life reinsurance provision	130 770
Total gross	**138 306**		**138 306**

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. TRADE AND OTHER RECEIVABLES

Receivables	2015	2014
In EUR '000		
Receivables arising out of assumed reinsurance - cedents	35 678	26 492
Receivables arising out of reinsurance operations - retrocession	11 889	14 861
Receivable from liquidation of subsidiary	0	4 000
Trade and other receivables	7	157
Prepayments	417	6
Total gross	**47 991**	**45 516**
Impairment	0	0
Total net	**47 991**	**45 516**

F.6. CEDED SHARE OF REINSURANCE LIABILITIES

Ceded share of reinsurance liabilities	2015	2014
In EUR '000		
Unearned premiums	2 324	4 030
Outstanding claims	204 029	162 405
Life reinsurance provision - retrocession	462	0
Total	**206 815**	**166 435**

F.7. DEFERRED TAX

The deferred tax credits and liabilities recognized relate to the amounts of temporary differences in balance sheet items listed in the following table. The differences were already valued using applicable tax rates.

Deferred tax	2015		2014	
Balance sheet position	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	0	5	0	4
Intangible assets	0	73	0	118
Provisions	69	0	81	0
Total	**69**	**78**	**81**	**122**
Net Balance		**9**		**41**

Movement in deferred tax	2015	2014
Net deferred tax assets/(liability) – opening balance	-41	-94
Deferred tax (expense)/income for the period	32	53
Net deferred tax asset/(liability) – closing balance	**-9**	**-41**

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 (2014: 19%).

F.8. OTHER ASSETS

Other Assets	2015	2014
In EUR '000		
Prepaid expenses	434	672
Total	**434**	**672**

F.9. DEFERRED ACQUISITION COSTS

Development of DAC	2015	2014
In EUR '000		
Book value – opening balance	3 261	3 210
Costs deferred during the current year	3 616	2 833
DAC released during the current year	2 762	2 746
FX translation	53	-36
Book value – closing balance	**4 168**	**3 261**

F.10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2015	2014
in '000 EUR		
Cash and cash equivalents	5	5
Cash at bank	2 526	8 719
Total	**2 531**	**8 724**

F.11. SHAREHOLDERS' EQUITY

Share capital	2015	2014
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 - 2015	Gross	Reinsurance	Net
In EUR '000			
Book value - opening balance	**18 450**	**4 030**	**14 420**
Premium written during the current year	357 748	150 728	207 020
Less premium earned during the current year	-357 549	-151 660	-205 889
Effect of clean cut	-743	-545	-198
FX translation	114	-229	343
Book value – closing balance	**18 020**	**2 324**	**15 696**

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

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**

F.13. OUTSTANDING CLAIMS

Provisions (RBNS, IBNR) - 2015	Gross	Reinsurance	Net
In EUR '000			
Book value – opening balance	**303 220**	**162 405**	**140 815**
Claims incurred and reported	239 370	97 025	142 345
Less claims paid	-184 566	-55 135	-129 431
Effect of clean cut	-5 019	729	-5 748
FX translation	-570	-995	425
Book value – closing balance	**352 435**	**204 029**	**148 406**

Claims development table - Property/casualty on a gross basis	UY 2015	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	205 507	225 203	248 954	99 028	69 418	206 227	155 120	
One year later		251 289	257 699	115 795	82 973	214 401	175 798	
Two years later			254 582	115 588	79 040	217 175	177 081	
Three years later				112 777	75 586	209 765	167 027	
Four years later					74 521	206 395	161 648	
Five years later						206 019	159 069	
Six years later							156 883	
Estimate of cumulative claims	205 507	251 289	254 582	112 777	74 521	206 019	156 883	1 261 578
Cumulative payment	92 039	153 505	211 300	84 565	53 830	173 585	140 411	909 235
Value recognized in balance sheet	**113 468**	**97 784**	**43 282**	**28 212**	**20 691**	**32 434**	**16 472**	**352 343**

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

Outstanding claims relating to health (0.25 MIO EUR), life (2.64 MIO EUR) and FX differences are not included in the above table due to their relative insignificance.

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
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**

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

F.14. LIFE REINSURANCE PROVISION

Life reinsurance provision	2015	2014
In EUR '000		
Gross	130 770	130 001
Retrocession	462	0
Net	**130 308**	**130 001**

Development in 2015	Gross	Reinsurance	Net
In EUR '000			
Book value - opening balance	130 001	0	130 001
Additions	1 016	462	554
Disposals	247	0	247
Book value – closing balance	**130 770**	**462**	**130 308**

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**

F.15. PAYABLES

Payables	2015	2014
In EUR '000		
Payables arising out of reinsurance operations - cedents	51 840	53 082
Payables arising out of reinsurance operations - retrocession	17 706	12 797
Trade payables	846	974
Wages and salaries	240	102
Social security and health insurance and tax payables	134	59
Other payables	827	592
Total	**71 593**	**67 606**

F.16. OTHER LIABILITIES

Other liabilities	2015	2014
In EUR '000		
Accruals	1 065	1 167
Total	**1 065**	**1 167**

F.17. PREMIUM

Premium written – Reinsurance premium	Property/Casualty 2015	Health 2015	Life 2015	Total 2015
In EUR '000				
Gross				
Austria	128 854	18 212	11 072	158 138
Czech Republic	42 489	0	57	42 546
Slovakia	21 487	0	969	22 456
Poland	20 696	0	471	21 167
Kazakhstan	16 701	0	0	16 701
Romania	14 013	0	0	14 013
Germany	12 285	1 068	1 409	14 762
Turkey	12 277	2 307	0	14 584
Hungary	7 583	0	321	7 904
Serbia	5 476	1	27	5 504
Croatia	4 560	0	4 688	9 248
Other*	30 297	14	414	30 725
Premium written	**316 718**	**21 602**	**19 428**	**357 748**
Retroceded premium	**-148 565**	**0**	**-2 163**	**-150 728**
Premium written – Retained	**168 153**	**21 602**	**17 265**	**207 020**

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

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.

In 2015 the Company wrote premium of 285.7 MIO EUR from VIG Group companies and 72.0 MIO EUR from external parties (in 2014 321.9 MIO EUR from VIG Group companies and 83.1 MIO EUR from external parties).

Premium written – Reinsurance premium	Gross 2015	Ceded 2015	Net 2015
In EUR '000			
Property/Casualty			
MTPL	40 754	-23 200	17 554
Other motor vehicle reinsurance	22 270	-1 501	20 769
Casualty	7 624	-4 882	2 742
Liability	9 500	-788	8 712
Property	227 357	-113 754	113 603
Marine	9 213	-4 440	4 773
Premium written	**316 718**	**-148 565**	**168 153**

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**

F.18. INVESTMENT RESULT

Investment Income	2015	2014
In EUR '000		
Interest income		
Loans and term deposits	75	85
Deposits due from cedents	4 676	4 655
Financial investments held to maturity	5 792	7 153
Financial investments available for sale	1 969	2 055
Total current income	**12 512**	**13 948**
Gains from the disposal of financial investments		
Financial investments held to maturity	18	0
Financial investments available for sale	4 466	2 372
Total gains from disposals of investments	**4 484**	**2 372**
FX Derivative – Income from sale	**0**	**34**
Kick-back and other fees	**215**	**55**
Total	**17 211**	**16 409**

Investment Expense	2015	2014
In EUR '000		
Losses from disposal of investments	25	0
Management fees	378	347
FX losses	149	309
Total current expenses	**552**	**656**
FX Derivative revaluation	0	10
Total losses from disposals of investments	**552**	**666**

F.19. OTHER INCOME

Other income	2015	2014
In EUR '000		
Foreign currency gains	12	886
Total	**12**	**886**

F.20. CLAIMS AND INSURANCE BENEFITS

Expenses for claims and insurance benefits – 2015	Gross	Retrocession	Net
In EUR '000			
Property/casualty/health			
Expenses for insurance claims			
Claims and benefits	168 514	54 781	113 733
Changes in provision for outstanding claims	54 784	41 883	12 901
Subtotal	**223 298**	**96 664**	**126 634**
Changes in other insurance liabilities	0	0	0
Total non-life expenses for claims and insurance benefits	**223 298**	**96 664**	**126 634**

Expenses for claims and insurance benefits – 2015	Gross	Retrocession	Net
In EUR '000			
Life			
Expenses for insurance claims			
Claims and benefits	16 052	354	15 698
Changes in provision for outstanding claims	20	7	13
Subtotal	**16 072**	**361**	**15 711**
Changes in mathematical reserve	429	-75	504
Changes in other insurance liabilities	0	0	0
Total life expenses for claims and insurance benefits	**16 501**	**286**	**16 215**
Total	**239 799**	**96 950**	**142 849**

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**

F.21. ACQUISITION EXPENSES

	2015			2014		
Commission expenses	Property/Casualty	Health	Life	Property/Casualty	Health	Life
In EUR '000						
Reinsurance commission – Fix	24 792	508	1 395	28 332	350	518
Reinsurance commission – Sliding scale	20 859	1 414	0	19 504	1 287	0
Reinsurance commission – Profit commission	11 616	7 441	2 715	11 268	7 282	2 404
Total	**57 267**	**9 363**	**4 110**	**59 104**	**8 919**	**2 922**

F.22. OTHER OPERATING EXPENSES

Other operating expenses	2015	2014
in EUR '000		
Personnel expenses	1 961	1 599
Mandatory social security contributions and expenses	439	357
Depreciation of property, plant and equipment	32	32
Amortization of intangible assets	308	244
Rental expenses	164	151
Services	70	65
Other administrative and IT expenses	445	350
Total	**3 419**	**2 798**

Management and employee statistics	2015	2014
Number of members		
Management – BoD	3	3
Other employees	37	31
Total	40	33

Personal expenses	2015	2014
in EUR '000		
Wages and salaries	1 945	1 587
Mandatory social security contribution expenses	439	357
Other social security expenses	16	12
Total	**2 400**	**1 956**

Board of Directors and Supervisory Board compensation	2015	2014
in EUR '000		
Board of Directors compensation	1 029	763
Supervisory Board compensation	32	32
Total	**1 061**	**795**

F.23. OTHER EXPENSES

Other expenses	2015	2014
in EUR '000		
Foreign currency losses	334	2
Interests from retrocession operations	258	173
Gifts	9	8
Total	**601**	**183**

F.24. TAX EXPENSE

Tax expense	2015	2014
In EUR '000		
Current taxes		
- Actual taxes current period	4 315	5 490
- Actual taxes related to other periods	-904	-2 458
Total current taxes	**3 411**	**3 032**
Deferred taxes (F.7)	**-32**	**-53**
Other income tax	**21**	**66**
Total taxes	**3 400***	**3 045***

* Tax calculated based on tax base in CZK (currency used for tax purposes). The final tax is then recalculated using the EUR/CZK FX rate as of 31 December 2015 and 31 December 2014.

Tax rate reconciliation	2015	2014
In EUR '000		
Expected tax rate in %	19	19
Profit before tax	22 312	19 666
Expected tax expense	**4 239**	**3 737**
Adjusted for tax effects due to:		
- Tax exempt income	-371	-996
- Non-deductible expenses – other	380	1 101
- Income exempted from tax	0	0
- Expense exempted from tax	64	132
- Taxes from previous years	-904	-2 458
- Changes in tax rates	0	0
Other adjustments	0	0
- FX differences**	-8	1 529
Income tax expense	**3 400**	**3 045**
Effective tax rate in %	15.24	15.48

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

F.25. RELATED PARTIES

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

F.25.1. Shareholders

Shareholders as of 31 December 2015:

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	2015	2014
In EUR '000		
Balance sheet		
Receivables	1 301	1 570
Outstanding claims	41 428	33 352
Liabilities	3 020	2 165
Income statement		
Premiums written	13 231	14 098
Change due to provision for premiums	-52	-52
Expenses for claims and insurance benefits	-6 415	-3 247
Change in claims and other reinsurance liabilities	-7 725	-18 387
Commission expenses	-1 508	-1 313
Other operating expenses	-351	-521

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

Transactions with other entities with joint control or significant influence	2015	2014
In EUR '000		
Balance sheet		
Deposits due from cedents	342	297
Receivables	6 102	2 949
Unearned premiums	2 335	2 519
Premium reserve	342	297
Outstanding claims	51 184	46 276
Liabilities	16 371	19 073
Income statement		
Premiums written	77 291	84 570
Change due to provision for premiums	-220	254
Investment and interest income/expense	-24	388
Expenses for claims and insurance benefits	-29 075	-33 609
Change in claims and other reinsurance liabilities	-3 677	516
Commission expenses	-10 283	-8 363
Intergroup outsourcing	-549	-545

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

F.25.2. Subsidiaries

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

Transactions with subsidiaries	2015	2014
In EUR '000		
Balance sheet		
Receivables	888	734
Unearned premiums	605	282
Outstanding claims	1 626	2 662
Liabilities	355	502
Income statement		
Premiums written	6 020	6 153
Change due to provision for premiums	-323	190
Investment and interest income	211	406
Expenses for claims and insurance benefits	-5 213	-5 909
Change in claims and other reinsurance liabilities	1 036	-2 220
Commission expenses	-1 636	-1 866

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

F.25.3. Key management personnel of the entity and its parent

Key management personnel are those persons with 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 are comprised of 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.25.4. Other related parties

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

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

Transactions with other related parties	2015	2014
In EUR '000		
Balance sheet		
Deposits due from cedents	43 353	39 946
Receivables	34 325	31 590
Unearned premiums	11 602	11 779
Premium reserve	37 661	36 638
Outstanding claims	131 985	121 687
Liabilities	55 697	51 539
Income statement		
*Premiums written**	186 794	209 970
Change due to provision for premiums	-1 229	-1 259
Miscellaneous earnings/expenditures of investment	-1 368	362
Expenses for claims and insurance benefits	-102 490	-131 170
Change in claims and other reinsurance liabilities	- 11 055	-16 001
Commission expenses	-49 235	-45 644

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

The single premium Q/S treaty agreement with written premium in 2014 reaching 20 MIO EUR with related party Benefia Towarzystvo Ubezpieczeń na Życie S.A. VIG, Poland expired in 2014.

F.26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	31.12.2015		31.12.2014	
Financial assets	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
In EUR '000				
Financial investments	**323 861**	**300 251**	**310 866**	**288 490**
Financial assets held to maturity	160 838	137 228	179 384	157 008
Financial assets available for sale	161 812	161 812	129 972	129 972
Loans – Term deposits	1 211	1 211	1 510	1 510
Receivables	**47 991**	**47 991**	**45 516**	**45 516**
Cash and cash equivalents	**2 531**	**2 531**	**8 724**	**8 724**
Total financial assets	**374 383**	**350 773**	**365 106**	**342 730**

Financial liabilities	Fair value	Carrying amount	Fair value	Carrying amount
Payables	71 593	71 593	67 606	67 606
Other liabilities	1 065	1 065	1 167	1 167
Total financial liabilities	**72 658**	**72 658**	**68 773**	**68 773**

The fair value of financial assets besides loans is determined through either an observable market price or a price calculated by discounting cash flow. The price calculated by discounting cash flow is equal to the present value of future cash flows discounted by a risk free yield curve and an appropriate credit spread. The appropriate credit spread is obtained from a

reference bond with the same rating, from the same industry sector, and with similar maturity, seniority and issuer.

The deposits due from cedents amounting to 138 306 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.27. 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.27.1. 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.27.2. 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.27.3. 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.27.4. 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.27.5. Contract classification

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

F.28. 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 27 April 2016.

Johannes Martin Hartmann Chairman of the Board of Director	Dušan Bogdanović Member of the Board of Director

VIG RE zajišťovna, a.s.
Consolidated Financial Statements

31 December 2015

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2015

ASSETS		2015	2014
In EUR '000			
Intangible assets	G.1	1 159	1 172
Property, plant and equipment	G.2	120	155
Financial investments	G.3	446 984	433 519
Financial assets held to maturity		137 503	159 102
Financial assets available for sale		169 213	134 826
Loans – Term deposits		1 648	2 560
Deposits due from cedents		138 620	137 031
Trade and other receivables	G.4	57 854	55 404
Ceded share of reinsurance liabilities	G.5	223 904	193 143
Current tax assets	G.25	341	99
Other assets	G.7	1 650	1 731
Deferred acquisition costs	G.8	3 995	3 164
Cash and cash equivalents	G.9	2 794	9 146
Total ASSETS		738 801	697 533

EQUITY AND LIABILITIES			
Shareholders' equity	G.10		
Shareholders' equity attributable to the Group		135 039	133 494
Share capital		101 958	101 958
Other components of equity		1 626	9 280
Retained earnings		31 455	22 256
Shareholders' equity attributable to minority interests		48	46
Total EQUITY		135 087	133 540
Reinsurance liabilities		519 320	479 392
Unearned premiums	G.11	25 440	25 596
Outstanding claims	G.12	363 109	323 795
Life reinsurance provision	G.13	130 770	130 001
Other	G.14	1	
Provisions	G.15	1	
Payables	G.16	82 131	78 637
Deferred tax liabilities	G.6	22	62
Current tax liabilities	G.25		3 636
Other liabilities	G.17	2 240	2 266
Total LIABILITIES		603 714	563 993
Total EQUITY AND LIABILITIES		738 801	697 533

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2015

Income Statement	Notes	2015	2014
In EUR '000			
Premiums	G.18		
Premiums written – Gross		390 300	431 211
Premiums written – Ceded		-179 467	-194 834
Premiums written – Retention		210 563	236 377
Change due to provision for premiums – Gross		-518	-2 976
Change due to provision for premiums – Ceded		-679	3 642
Net earned premiums		209 636	237 043
Investment and interest income		17 453	16 743
Investment and interest expenses		-655	-766
Total investment result	G.19	16 798	15 977
Other income	G.20	34	895
Claims and insurance benefits	G.21		
Expenses for claims and insurance benefits – Gross		-206 609	-240 303
Expenses for claims and insurance benefits – Ceded		75 386	86 247
Claims and insurance benefits – retention		-131 223	-154 056
Change in claims and other reinsurance liabilities – Gross		-45 380	-65 130
Change in claims and other reinsurance liabilities – Ceded		32 031	46 679
Total expenses for claims and insurance benefits		-144 572	-172 507
Acquisition expenses	G.22		
Commission expenses		-78 641	-77 610
Other acquisition expenses		-1 075	-1 036
Change in deferred acquisition expenses		1 049	151
Commission income from retrocessionaires		24 023	20 437
Total acquisition expenses		-54 644	-58 058
Other operating expenses	G.23	-3 924	-3 269
Other expenses	G.24	-646	-221
Profit before taxes		22 682	19 860
Tax expense	G.25	-3 434	-3 114
Profit for the period		19 248	16 746
Attributable to owners of the Group		19 244	16 744
Attributable to owners of non-controlling interest		4	2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 31 DECEMBER 2015

Statement of comprehensive income	2015			2014		
In EUR '000	Gross	Tax *)	Net	Gross	Tax *)	Net
Profit for the period	**22 682**	**-3 434**	**19 248**	**19 860**	**-3 114**	**16 746**
Other comprehensive income						
Gains (losses) recognized in equity – Available for sale financial assets	-4 369	836	-3 533	5 560	-1 054	4 506
Translation reserve	-38		-38	-351		-351
Other comprehensive income for the year	**-4 407**	**836**	**-3 571**	**5 209**	**-1 054**	**4 155**
Comprehensive income for the period	**18 275**	**-2 598**	**15 677**	**25 069**	**-4 168**	**20 901**
Attributable to owners of the Group	**18 271**	**-2 598**	**15 673**	**25 067**	**-4 168**	**20 899**
Attributable to owners of non-controlling interest	**4**		**4**	**2**		**2**

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

CONSOLIDATED SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2015

In EUR '000	Share capital	Available for sale reserve	Legal and statutory reserves	Retained earnings	Translation reserve	Attributable to equity holders of Parent Group	Attributable to non-controlling interest	Total
As of 1 January 2015	101 958	6 030	4 083	22 256	-833	133 494	46	133 540
Total comprehensive income for the period		-3 533		19 244	-38	15 673	4	15 677
Dividends				-14 128*		-14 128	-2	-14 130
Cancelation and transfer of legal and statutory reserve			-4 083	4 083				
As of 31 December 2015	**101 958**	**2 497**		**31 455**	**-871**	**135 039**	**48**	**135 087**

*) Dividend per share was EUR 565.

In EUR '000	Share capital	Available for sale reserve	Legal and statutory reserves	Retained earnings	Translation reserve	Attributable to equity holders of Parent Group	Attributable to non-controlling interest	Total
As of 1 January 2014	101 958	1 524	3 408	17 804	-482	124 212	47	124 259
Effect of acquisition				-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				
As of 31 December 2014	**101 958**	**6 030**	**4 083**	**22 256**	**-833**	**133 494**	**46**	**133 540**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2015

Cash flow statement	Notes	2015	2014
In EUR '000			
Profit before taxes		**22 682**	**19 860**
Adjustments to profit before taxes			
- interest and other investment income		-12 140	-11 309
- exchange differences		-84	-116
- depreciation		356	292
- impairment of financial investments			2
- change in deferred acquisition costs		-948	-190
- dividends		-469	-618
Cash flows from operating activities			
Change in reinsurance liabilities		39 928	56 967
Change in ceded share of reinsurance liabilities		-30 761	-44 218
Change in receivables		-2 450	2 730
Change in deposits due from cedents		-1 290	1 624
Change in payables		3 494	-6 299
Change in provisions		1	-2
Change in other assets and liabilities		170	277
Income tax paid		-6 466	-986
Net cash flow from operating activities		**12 023**	**18 014**
Cash flows from investing activities			
Interest received		9 177	9 451
Dividends received		447	592
Payment for acquisition of intangible assets and property, plant and equipment		-309	-330
Cash proceeds from the sale of intangible assets and property, plant and equipment		3	3
Payment for acquisition of available for sale financial assets		-123 825	-115 286
Cash proceeds from the sale of available for sale financial assets		88 397	59 476
Payment for acquisition of held to maturity financial assets		1 791	1 619
Cash proceeds from the maturity/sale of held to maturity financial assets		19 242	36 089
Net cash flow from investing activities		**-5 077**	**-8 386**
Cash flows from financing activities			
Dividend payment		-14 130	-11 484
Net cash flow from financing activities		**-14 130**	**-11 484**
Net change in cash and cash equivalents		**-7 184**	**-1 856**
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at beginning of period		**10 197**	**11 956**
Foreign currency translation differences on cash balances		218	97
Net change in cash and cash equivalents		-7 184	-1 856
Cash and cash equivalents at end of period		**3 231**	**10 197**

Cash and cash equivalents is represented by cash and cash equivalents and demand deposits recognized as Loans – Term deposits (In 2015 cash and cash equivalents consisted of 2 794 TEUR cash and remaining part of 437 EUR is represented as a loan. In 2014 the balance consists of 9 146 TEUR cash and demand deposits, remaining part of 1 051 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, and for which discrete financial information is available. Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other income, other expenses and income tax expenses.

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

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

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

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

SEGMENT REPORTING

CONSOLIDATED INCOME STATEMENT BY LINES OF BUSINESS

INCOME STATEMENT	Property/Casualty		Health		Life		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
In EUR '000								
Premiums written – Gross	349 270	369 954	21 602	21 064	19 428	40 193	390 300	431 211
Premiums written – Ceded	-177 304	-194 008			-2 163	-826	-179 467	-194 834
Change due to provision for premiums – Net	-1 430	247	-13		246	419	-1 197	666
1. Net earned premiums	**170 536**	**176 193**	**21 589**	**21 064**	**17 511**	**39 786**	**209 636**	**237 043**
Interest revenue	7 137	8 677	6	10	5 203	5 262	12 346	13 949
Other income and expense from investments	4 525	2 115	3	2	-76	-89	4 452	2 028
2. Investment result	**11 662**	**10 792**	**9**	**12**	**5 127**	**5 173**	**16 798**	**15 977**
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities– Gross	-234 294	-266 107	-1 194	-1 161	-16 501	-38 165	-251 989	-305 433
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	107 131	132 750			286	176	107 417	132 926
3. Claims and insurance benefits	**-127 163**	**-133 357**	**-1 194**	**-1 161**	**-16 215**	**-37 989**	**-144 572**	**-172 507**
Commission expenses including change in deferred acquisition expenses	-64 387	-65 570	-9 424	-9 002	-3 781	-2 887	-77 592	-77 459
Other acquisition expenses	-835	-793	-48	-40	-192	-203	-1 075	-1 036
Commission income from retrocessionaires	22 754	20 174			1 269	263	24 023	20 437
4. Acquisition expenses	**-42 468**	**-46 189**	**-9 472**	**-9 042**	**-2 704**	**-2 827**	**-54 644**	**-58 058**
Operating profit measured on the segment basis	**12 567**	**7 439**	**10 932**	**10 873**	**3 719**	**4 143**	**27 218**	**22 455**
5. Other operating expenses	**-3 131**	**-2 567**	**-179**	**-128**	**-614**	**-574**	**-3 924**	**-3 269**
Operating profit	**9 436**	**4 872**	**10 753**	**10 745**	**3 105**	**3 569**	**23 294**	**19 186**
6. Other income							**34**	**895**
7. Other expenses							**-646**	**-221**
Profit before tax							**22 682**	**19 860**
Income tax							**-3 434**	**-3 114**
Profit after tax							**19 248**	**16 746**
Profit after tax attributable to owners of the Group							**19 244**	**16 744**
Profit after tax attributable to owners of non-controlling							**4**	**2**

Investment result was allocated among individual segments based on the balance of reinsurance liabilities as of 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL INFORMATION

A.1. Description of the Group

VIG RE zajišťovna, a.s. ('VIG RE' or 'Parent Company') is the first professional reinsurance Parent Company established in the Czech Republic and is part of Vienna Insurance Group ('VIG' or 'Group'). VIG RE was incorporated on 18 August 2008 (ID 28445589) and has its registered office at Templová 747/5, Prague 1, postcode 110 01. VIG RE received its license to carry out reinsurance business and related activities on 8 August 2008 and has conducted reinsurance business in property/casualty, life and health since 2009.

The consolidated financial statements of the Parent Company for the year ending 31 December 2015 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 2015 and 2014.

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 2015:

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

The members of the Board of Directors as of 31 December 2015 were as follows:

Chairman:	Johannes Martin Hartmann, Munich, Germany
Member:	Claudia Stránský, Vienna, Austria (until 31 December 2015)
Member:	Dušan Bogdanović, Belgrade, Serbia

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

The members of the Supervisory Board as of 31 December 2015 were as follows:

Chairman:	Karl Fink, Vienna, Austria
Vice-Chairman:	Hans-Peter Hagen, Vienna, Austria (until 31 December 2015)
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 after the date the financial statements were issued that were not effective on 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 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 as 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 that are valued at historic cost are stated at amortized cost or historic cost, as appropriate, net of any relevant impairment.

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

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

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

B. CONSOLIDATION

B.1. Basis of consolidation

Subsidiaries are those entities controlled by the 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 2015 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 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 negative goodwill 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 a 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.

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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 the 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

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

C.6. Taxes

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

The current tax is calculated using the Group's taxable income and the tax rate enacted or substantially enacted by the end of reporting period.

Deferred tax is calculated using the balance sheet liability method for all temporary differences between the asset and liability values recognized in the IFRS separate financial statements and the Company tax bases for these assets and liabilities. Deferred tax is calculated using the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. Deferred tax assets are not recognized if it is not probable that the tax benefits they contain can be realized.

Deferred tax assets and liabilities are offset if there is 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 that 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 the provision for outstanding claims and the related reinsurance recoveries to be 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 take 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 light of the estimated future cash flows, the difference is recognized in the income statement with corresponding increase to the life reinsurance provision.

Other

Other reinsurance liabilities consist mainly of the ageing provision in 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 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 can be made of the amount of the obligation.

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

C.12. Payables

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

C.13. Premiums

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 announced to the Group. Premium revenue is recognized as and when due in terms of the reinsurance contract.

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

Outward ceded premiums are recognized as an expense.

C.14. Investment result

Interest income and interest expense are recognized in the income statement on an accrual basis, taking into account the effective yield of the asset or liability, or an applicable floating rate. Interest income and interest expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated using the effective interest method.

Other income and expenses from financial assets comprise realized gains/losses, dividends and impairment losses. A realized gain/loss arises on derecognition of financial assets. The amount of the realized gain/loss represents the difference between the carrying value of the 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) or internal costs attributable to claims settlement are shown as expenses for claims. Expenses for claims are reduced by the income gained from recourses (this applies in particular to property/casualty reinsurance). Changes in provision for outstanding claims and other technical provisions are also shown in the expenses for claims item as well as bonuses and rebates.

Bonuses comprise all amounts chargeable for the financial year, representing the allocation of surplus or profit arising from the business as a whole or from a section of business, after deducting amounts provided in previous years that 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 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 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 that 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 that 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 that are specifically identified. General impairment losses are losses that are present in a portfolio of loans or receivables, but not specifically identified.

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

The recoverable amount of the Group's investments in held to maturity securities, loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of an available for sale asset is its current fair value. When there is objective evidence that it is impaired, the decline in fair value that had been recognized directly in other comprehensive income is recognized in the income statement.

An impairment loss in respect of a held to maturity security, loan, advance, receivable, or available for sale debt instrument is reversed through the income statement (up to the amount of the amortized cost), if the subsequent increase in the recoverable amount can be attributed objectively to an event occurring after the impairment loss was recognized.

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

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

C.20. Classification of reinsurance contracts

A reinsurance contract, whereby the Group assumes a significant insurance risk from another party (an insurance company) as a result of a provision whereby the insurance company receives compensation if a specified uncertain future event (the insured event) adversely affects the insurance company, is treated as an insurance policy as defined in IFRS. A distinction is made between insurance risk and financial risk. Financial risk is the risk of a possible future change in specific interest rates, securities prices, price indices, interest rate indices, credit ratings, credit indices, or another variable, provided that, in the case of a non-financial variable, the variable is not specific to one counterparty. In many cases, particularly in the life insurance area, reinsurance policies as defined in IFRS also transfer financial risk.

Reinsurance contracts in property/casualty and health are considered 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 insurance 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 that 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 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 2015:

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 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.

<u>Standards not yet in force</u>

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

(Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.)
These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.
Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.
It is expected that the Amendments, when initially applied, will not have a material impact on the Group's financial statements as the Group has no interests in joint operations.

Amendments to IAS 1

(Effective for annual periods beginning on or after 1 January 2016. Early application is permitted.)
The Amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard.
The guidance on materiality in IAS 1 has been amended to clarify that:

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) have been amended in order to:

- Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
- Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

(Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.)

Revenue-based depreciation banned for property, plant and equipment

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

New restrictive test for intangible assets

The amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

It is expected that the Amendments, when initially applied, will not have a material impact on the Group's financial statements as the Group does not apply revenue-based methods of amortisation/depreciation.

Amendments to IAS 16 Property Plant and Equipment and IAS 41 Agriculture

(Effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.)

These amendments result in bearer plants being in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture, to reflect the fact that their operation is similar to that of manufacturing.

The Group does not expect that the amendments, when initially applied, will have a material impact on the financial statements as the Group has no bearer plants.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions[1]

(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 plans2 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 financial statements since it does not have any defined benefit plans.

1 *Post-employment defined benefit plans or other long-term employee defined benefit plans*

E. PRINCIPAL ASSUMPTIONS

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

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

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 that 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 the life reinsurance provisions reduced by any unamortized acquisition costs and other intangible assets, the deficiency is recognized through the creation of a life reinsurance provision.

F. RISK REPORTING

F.1. RISK MANAGEMENT

F.1.1. Introduction

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

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

F.1.2. Risk management objectives and methods

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

The overall risk can be divided into the following risk categories as defined by the Group.

- *Underwriting (reinsurance business) risks:* The core business of the Group is the underwriting of insurance risks transferred from an insurance company to the Group. This also creates concentration risk, which is a single direct or indirect position or group of positions with the potential to significantly endanger the Group, its core business or key performance indicators.
- *Credit risk:* This risk quantifies the potential loss due to the deterioration of the situation of a contracting party owing receivables, or other financial investments arising from financial assets and reinsurance contracts.
- *Market risk:* Market risk is taken to mean the risk of changes in the value of investments caused by unforeseen fluctuations in interest rate curves, share prices and currency rates, and the risk of changes in the market value of ownership interests.
- *Liquidity risk:* Liquidity risk means the risk that insurance and reinsurance companies are unable to realize investments and other assets in order to settle their financial obligations when they fall due. It depends on how good the fit is between the financial investment portfolio and reinsurance commitments.
- *Strategic risks:* Strategic risk is a function of the incompatibility between two or more of the following components: 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 that 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 2015, 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 type of insurance risks accepted and, within each of these categories, to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Property/Casualty

Property reinsurance: For property reinsurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding, hurricanes, typhoons, etc.) and their consequences (for example, subsidence claims). The Group usually assumes one-year reinsurance policies and thus has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. The greatest likelihood of significant losses on these contracts arises from storm or flood damage. The Group has reinsurance cover for such damage in order 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 2.6 MIO EUR, and the retention per event of loss due to natural catastrophe is less than 20.1 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

VIG Re's objective is to maintain a strict underwriting policy that, in combination with its very solid financial security and its in-depth understanding of local market standards, provide a strong value proposition to its clients.

The aim of VIG Re's underwriting strategy is to build up and maintain a well balanced portfolio of property / casualty, life and health reinsurance contracts, both obligatory reinsurance treaties and facultative acceptances, making use of the diversification advantage of the spread within CEE, Austria, Italy, Turkey and Germany and eastern Europe.

In order to achieve this, VIG Re follows a disciplined underwriting policy, which is defined in detail in VIG Re's underwriting guidelines. As a principle, the Company does not assume any credit & surety, other financial risks, agriculture, or aviation. The Company monitors and controls its accumulation risks, especially in the area of natural catastrophe exposure. As part of the risk management strategy, underwriting limits are defined by class of business and underwriting authorities are allocated "ad personam" according to the level of the underwriter's professional expertise.

In respect of business originating from VIG Group companies, VIG Re assumes up to 100% of the respective contracts. In the case of significant underlying exposures, for instance from natural catastrophe or motor third party liability treaties, VIG Re acts as an aggregator and transformer, while not retaining a material risk position. In addition to its strict portfolio management, VIG Re controls its net risk position through a very conservative retrocession policy.

F.2.4. Concentration risk

In general, the Group writes business primarily in the CEE region, Austria and Germany and eastern Europe. See G.18 for geographical concentration measured by premium written. The tables also show premium split according to lines and classes of business. The concentration risk for the Group can mainly be detected in the property class of business, where the natural catastrophe risk is accounted. For natural catastrophes, the main exposures are flood, storm and earthquake. These exposures are annually modelled by the actuaries of the retrocession brokers based on the actual status of all portfolios, including cross country exposures, and analysed by the Group. Based on this, the above mentioned full retrocession cover for the Group is determined and placed with a high number of reinsurers with security according to the guidelines, thus preventing concentration risk on the net base.

F.3. CREDIT RISK

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

F.3.1. Credit risk from financial investments

The Group invests in debt securities, 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, see below.

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

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

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

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

F.3.2. Credit risk - Receivables due from cedents

Consideration is only given to those issuers or contracting parties whose credit quality or reliability can be assessed by the Group. The majority of the cedents are companies within VIG. Management believes that it has sufficient internal data to reliably assess the creditworthiness of the companies.

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

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

F.3.4. Credit risk exposure

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

	Trade and other receivables		Other financial assets	
	2015	2014	2015	2014
In EUR '000				
Individually impaired:				
Gross amount	94	72	130	153
Carrying amount	67	46	77	100
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	35 642	28 121	0	0
31 days to 90 days after maturity	4 027	8 087	0	0
91 days to 180 days after maturity	3 349	5 940	0	0
181 days to 1 year after maturity	4 244	836	0	0
1 year to 2 years after maturity	575	2 115	0	0
Neither past due nor impaired – carrying amount	**9 950**	**10 259**	**673 605**	**635 708**
Total carrying amount	**57 854**	**55 404**	**673 682**	**635 808**

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	2015					
Standard & Poor's rating	**AAA**	**AA**	**A**	**B / BB / BBB**	**No Rating**	**Carrying value in balance sheet**
in EUR '000						
Financial investments*	29 035	63 601	150 954	17 059	47 715	308 364
Deposits due from cedents	0	96 846	41 448	0	326	138 620
Cash and cash equivalents	0	0	0	263	2 531	2 794
Receivables from reinsurance and ceded share of reinsurance liabilities	0	118 978	139 447	4 162	18 574	281 161
Other receivables	0	0	0	0	597	597
Total	**29 035**	**279 425**	**331 849**	**21 484**	**69 743**	**731 536**
In %	*3.97*	*38,20*	*45.36*	*2.94*	*9.53*	*100*

* Except for deposits due from cedents

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

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 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:	2015					
	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	**32 632**	**131 611**	**147 353**	**88 718**	**46 670**	**446 984**
Financial assets held to maturity	8 821	83 896	44 786	0	0	137 503
Financial assets available for sale	8 314	19 747	68 735	25 747	46 670	169 213
Loans – Term deposits	437	1 211	0	0	0	1 648
Deposit due from cedents *	15 060	26 757	33 832	62 971	0	138 620
Receivables from reinsurance	**57 110**	**147**	**0**	**0**	**0**	**57 257**
Ceded share of reinsurance liabilities *	**115 951**	**43 524**	**36 938**	**27 491**	**0**	**223 904**
Cash and cash equivalents	**2 794**	**0**	**0**	**0**	**0**	**2 794**
Current tax assets	**341**	**0**	**0**	**0**	**0**	**341**
Other receivables	**597**	**0**	**0**	**0**	**0**	**597**
Total	**209 425**	**175 282**	**184 291**	**116 209**	**46 670**	**731 877**

*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.

	2015				
	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*	**206 210**	**112 414**	**95 124**	**105 572**	**519 320**
Unearned premiums	24 895	543	2	0	25 440
Outstanding claims	171 506	85 717	62 430	43 456	363 109
Life reinsurance provision	9 808	26 154	32 692	62 116	130 770
Other reinsurance provision	1	0	0	0	1
Other	**1**	**0**	**0**	**0**	**1**
Payables	**79 667**	**656**	**957**	**851**	**82 131**
Total	**285 878**	**113 070**	**96 081**	**106 423**	**601 452**

*expected timing of cash flows

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

Expected remaining contractual maturities of assets:	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 from reinsurance	**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 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:	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	**77 758**	**198**	**389**	**292**	**78 637**
Tax liabilities	**3 636**	**0**	**0**	**0**	**3 636**
Total	**259 257**	**107 521**	**91 712**	**103 175**	**561 665**

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

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

- Currency risk
- Interest rate risk
- Equity risk

F.5.1. Currency risk

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

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

The Group exposure to foreign currency risk within the investment portfolios supporting the Group's euro zone reinsurance and investment operations arises primarily from purchased investments and reinsurance contracts that are denominated or payable in currencies other than Euros.

The tables below summarize the Group's exposure to foreign currency exchange rate risk as of 31 December. The Group's assets and liabilities at carrying amounts are included in the table, categorized by currency at their carrying amount:

		2015	
Currency	**Total Assets**	**Total Liabilities**	**Net Amount**
In EUR '000			
EUR	652 026	508 504	143 522
CZK	15 407	13 739	1 668
USD	28 679	30 734	-2 055
RSD	11 974	17 260	-5 286
TRY	7 830	8 135	-305
PLN	16 101	16 238	-137
Other	6 784	9 104	-2 320
Total	**738 801**	**603 714**	**135 087**

A 10% negative movement in exchange rates can cause a total profit of 843 TEUR.

Such a EUR/RSD change can cause a profit of 529 TEUR, and in EUR/USD a profit of 205 TEUR.

		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**

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 in 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.

2015	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	1.79%	2 682	5 632	4 049	15 698	94 482	0	122 543
Financial assets available for sale – investment funds		0	0	0	0	0	46 670	46 670
Financial assets held to maturity – debt securities	4.30%	2 566	6 255	7 880	76 016	44 786	0	137 503
Loans – Term deposits	5.37%	437	0	0	1 211	0	0	1 648
Deposit due from cedents	3.51%	314	14 746	26 757	0	96 803	0	138 620
Cash and cash equivalents		2 531	0	0	0	0	263	2 794
Total financial assets		**8 530**	**26 633**	**38 686**	**92 925**	**236 071**	**46 933**	**449 778**

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**

F.5.3. Equity risk

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

F.5.4. Sensitivity analysis:

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

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

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

- A 99 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 a greater number of days in any given period 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	2015	2014
In EUR '000		
Market value of portfolio	334 391	326 183
Historical VaR 60d; 99%	7 488	6 827
Relative VaR (%) 60d; 99%	2,24%	2,09%

The VAR including HTM is calculated on the total portfolio including he

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

F.6. CAPITAL MANAGEMENT

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

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

Regulatory capital as of 31 December		2015	2014
In EUR '000			
Required solvency margin	Life and non-life reinsurance	54 768	63 551
Available solvency elements	Life and non-life reinsurance	146 967	145 760

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 ON THE FINANCIAL STATEMENTS

G.1. *INTANGIBLE ASSETS*

Intangible assets	2015	2014
In EUR '000		
Software and licenses	1 159	1 172
Total intangible assets	**1 159**	**1 172**

2015	Software	License	Other intangible assets	Total
In EUR '000				
Balance as of 1 January	440	1 707	243	2 390
Additions	13	64	255	332
Disposals	31	0	0	31
Balance as of 31 December	**422**	**1 771**	**498**	**2 691**
Balance as of 1 January	317	853	48	1 218
Amortization	39	175	100	314
Balance as of 31 December	**356**	**1 028**	**148**	**1 532**
Book value as of 1 January	**123**	**854**	**195**	**1 172**
Book value as of 31 December	**66**	**743**	**350**	**1 159**

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**

G.2. *PROPERTY, PLANT AND EQUIPMENT*

Property, plant and equipment – 2015	Vehicles	Other	Total
In EUR '000			
Balance as of 1 January	**121**	**208**	**329**
Additions	0	14	14
Disposals	0	8	8
Balance as of 31 December	**121**	**214**	**335**
Balance as of 1 January	**82**	**92**	**174**
Depreciation	16	31	47
Disposals	0	6	6
Balance as of 31 December	**98**	**117**	**215**
Book value as of 1 January	**56**	**140**	**196**
Book value as of 31 December	**23**	**97**	**120**

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**

G.3. *FINANCIAL INVESTMENTS*

Financial investments	2015	2014
In EUR '000		
Available for sale financial assets	169 213	134 826
Held to maturity financial assets	137 503	159 102
Loans and receivables	140 268	139 591
Total	**446 984**	**433 519**

G.3.1. *Financial assets available for sale*

Financial assets available for sale	2015	2014
In EUR '000		
Debt securities		
Government bonds	110 399	90 585
Covered bonds	8 277	5 123
Bonds from banks	3 867	0
Investment funds	41 667	34 115
Shares in other related parties	5 003	5 003
Total	**169 213**	**134 826**

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	119 694	-552	3 401	0	122 543
Investment funds	42 019	0	-352	0	41 667
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	156 750	7 460	5 003		169 213

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, then 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	2015	2014
In EUR '000		
Debt securities		
Government bonds	126 679	147 932
Corporate bonds	10 824	11 170
Total	**137 503**	**159 102**

Financial assets held to maturity	Carrying amount	Fair value
In EUR '000		
Debt securities		
Government bonds	126 679	148 348
Corporate bonds	10 824	12 820
Total	**137 503**	**161 168**

G.3.3. Loans and deposits

Loans and deposits	2015	2014
In EUR '000		
Loans - Term deposits	1 648	2 560
Deposits due from cedents	138 620	137 031
Total	**140 268**	**139 591**

Deposits due from cedents in relation to reinsurance liabilities			
In EUR '000			
Assets		**Liabilities**	
Deposits due from cedents	138 620	Unearned premiums	4 124
		Outstanding claims	3 726
		Life reinsurance provision	130 770
Total gross	**138 620**		**138 620**

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. TRADE AND OTHER RECEIVABLES

Receivables	2015	2014
In EUR '000		
Receivables arising out of assumed reinsurance - cedents	43 253	32 993
Receivables arising out of reinsurance operations - retrocession	14 031	18 063
Receivable from liquidation of subsidiary	0	4 000
Trade and other receivables	174	358
Prepayments	423	16
Total gross	**57 881**	**55 430**
Impairment	27	26
Total net	**57 854**	**55 404**

G.5. CEDED SHARE OF REINSURANCE LIABILITIES

Ceded share of reinsurance liabilities	2015	2014
In EUR '000		
Unearned premiums	9 517	11 014
Outstanding claims	213 925	182 129
Life reinsurance provision - retrocession	462	0
Total	**223 904**	**193 143**

G.6. DEFERRED TAX

The deferred tax credits and liabilities recognized relate to the amounts of temporary differences in balance sheet items listed in the following table. The differences were already valued using applicable tax rates.

Deferred tax	2015		2014	
In EUR '000				
Balance sheet position	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	0	5	0	4
Intangible assets	0	73	0	118
Available for sale	0	13	0	18
Reinsurance liabilities	0	1	0	2
Provisions	70	0	81	0
Equalization reserve	0	0	0	1
Total	**70**	**92**	**81**	**143**
Net Balance		**22**		**62**

Movement in deferred tax	2015	2014
In EUR '000		
Net deferred tax assets/(liability) – opening balance	-62	-109
Deferred tax (expense)/income for the period	35	54
Non-earnings dependent deferred tax	5	-7
Net deferred tax asset/(liability) – closing balance	**-22**	**-62**

In accordance with the accounting method described in C.6., the amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date which is 19% for the year in question (2014: 19%).

G.7. OTHER ASSETS

Other Assets	2015	2014
In EUR '000		
Prepaid expenses	1 650	1 731
Total	**1 650**	**1 731**

G.8. DEFERRED ACQUISITION COSTS

Development of DAC	2015	2014
In EUR '000		
Book value – opening balance	3 164	3 070
Costs deferred during the current year	3 634	3 013
DAC released during the current year	2 856	2 883
FX translation	53	-36
Book value – closing balance	**3 995**	**3 164**

G.9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2015	2014
in '000 EUR		
Cash and cash equivalents	5	5
Cash at bank	2 789	9 141
Total	**2 794**	**9 146**

G.10. SHAREHOLDERS' EQUITY

Share capital	2015	2014
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 - 2015	Gross	Reinsurance	Net
In EUR '000			
Book value - opening balance	**25 596**	**11 014**	**14 582**
Premium written during the current year	390 300	179 467	210 833
Less premium earned during the current year	-389 782	-180 174	-209 608
Clean cut system	-743	-545	-198
FX translation	69	-245	314
Book value – closing balance	**25 440**	**9 517**	**15 923**

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
Clean cut system	-3 157	-3 108	-49
FX translation	-425	-305	-120
Book value – closing balance	**25 596**	**11 014**	**14 582**

G.12. OUTSTANDING CLAIMS

Provisions (RBNS, IBNR) - 2015	Gross	Reinsurance	Net
In EUR '000			
Book value – opening balance	**323 795**	**182 129**	**141 666**
Claims incurred and reported	257 868	113 828	144 040
Less claims paid	-217 035	-85 812	-131 223
Novation	4 119	4 091	28
Clean cut system	-5 019	729	-5 748
FX translation	-619	-1 040	421
Book value – closing balance	**363 109**	**213 925**	**149 184**

Claims development table - Property/casualty on a gross basis	JY 2015	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	221 165	266 111	258 272	106 244	76 801	209 282	158 102	
One year later		288 978	266 651	121 817	89 294	223 048	177 549	
Two years later			263 550	120 438	85 082	223 135	177 081	
Three years later				117 451	81 318	215 738	169 058	
Four years later					79 881	212 034	163 639	
Five years later						211 527	160 889	
Six years later							156 897	
Estimate of cumulative claims	221 165	288 978	263 550	117 451	79 881	211 527	156 897	1 339 449
Cumulative payment	100 764	188 395	218 910	89 832	59 069	179 042	140 425	976 437
Value recognized in balance sheet	**120 401**	**100 583**	**44 640**	**27 619**	**20 812**	**32 485**	**16 472**	**363 012**

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 (0.25 MIO EUR), life (2.64 MIO EUR) and FX differences are not included in the above table due to their relative insignificance.

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**

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

G.13. LIFE REINSURANCE PROVISION

Life reinsurance provision	2015	2014
In EUR '000		
Gross	130 770	130 001
Retrocession	462	0
Net	**130 308**	**130 001**

Development in 2015	Gross	Reinsurance	Net
In EUR '000			
Book value - opening balance	130 001	0	130 001
Additions	1 016	462	554
Disposals	247	0	247
Book value – closing balance	**130 770**	**462**	**130 308**

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**

G.14. OTHER REINSURANCE PROVISION

Life reinsurance provision	2015	2014
In EUR '000		
Gross	1	0
Retrocession	0	0
Net	**1**	**0**

Development in 2015	Gross	Reinsurance	Net
In EUR '000			
Book value - opening balance	0	0	0
Additions	1	0	1
Book value – closing balance	**1**	**0**	**1**

G.15. PROVISIONS

Provisions	2015	2014
In EUR '000		
Miscellaneous provisions	1	0
Total	**1**	**0**

G.16. PAYABLES

Payables	2015	2014
In EUR '000		
Payables arising out of reinsurance operations - cedents	56 180	57 577
Payables arising out of reinsurance operations - retrocession	23 516	18 907
Deposit on ceded reinsurance business	283	279
Trade payables	846	974
Wages and salaries	272	151
Social security and health insurance	152	70
Other payables	882	679
Total	**82 131**	**78 637**

G.17. OTHER LIABILITIES

Other liabilities	2015	2014
In EUR '000		
Accruals	2 240	2 266
Total	**2 240**	**2 266**

G.18. PREMIUM

Premium written – Reinsurance premium	Property/Casualty 2015	Health 2015	Life 2015	Total 2015
In EUR '000				
Gross				
Austria	129 271	18 212	11 072	158 555
Czech Republic	42 489	0	57	42 546
Serbia	32 124	1	27	32 152
Slovakia	21 487	0	969	22 456
Poland	20 696	0	471	21 167
Kazakhstan	16 701	0	0	16 701
Germany	12 285	1 068	1 409	14 762
Turkey	12 277	2 308	0	14 585
Romania	14 013	0	0	14 013
Croatia	4 560	0	4 688	9 248
Hungary	7 582	0	321	7 903
Other*	35 785	13	414	36 212
Premium written	**349 270**	**21 602**	**19 428**	**390 300**
Retroceded premium	**-177 304**	**0**	**-2 163**	**-179 467**
Premium written – Retained	**171 966**	**21 602**	**17 265**	**210 833**

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

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

In 2015 the Group wrote premium of 297.4 MIO EUR from VIG Group companies and 92.9 MIO EUR from external parties (in 2014 332.9 MIO EUR from VIG Group companies and 98.2 MIO EUR from external parties).

Premium written – Reinsurance premium	Gross 2015	Ceded 2015	Net 2015
In EUR '000			
Property/Casualty			
MTPL	43 752	-25 998	17 754
Other motor vehicle reinsurance	26 387	-5 242	21 145
Casualty	10 116	-7 155	2 961
Liability	12 121	-3 317	8 804
Property	246 614	-130 098	116 516
Marine	10 280	-5 494	4 786
Premium written	**349 270**	**-177 304**	**171 966**

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**

G.19. INVESTMENT RESULT

Investment Income	2015	2014
In EUR '000		
Interest income		
Loans and term deposits	107	127
Deposits due from cedents	4 676	4 655
Financial investments held to maturity	5 838	7 289
Financial investments available for sale	2 082	1 878
FX gains	**17**	**334**
Total current income	**12 720**	**14 283**
Gains from the disposal of financial investments		
Financial investments held to maturity	18	0
Financial investments available for sale	4 500	2 372
Total gains from disposals of investments	**4 518**	**2 372**
FX Derivative – Income from sale	**0**	**34**
Kick-back and other fees	**215**	**54**
Total investment and interest income	**17 453**	**16 743**

Investment Expense	2015	2014
In EUR '000		
Losses from disposal of investments	25	0
Management fees	481	445
FX losses	149	309
Impairment	0	2
Total current expenses	**655**	**756**
FX Derivative revaluation	0	10
Total losses from disposals of investments	**655**	**766**

G.20. OTHER INCOME

Other income	2015	2014
In EUR '000		
Foreign currency gains	13	887
Payment of depreciated receivables	6	4
Income from all kind of fees	15	4
Total	**34**	**895**

G.21. CLAIMS AND INSURANCE BENEFITS

Expenses for claims and insurance benefits – 2015	Gross	Retrocession	Net
In EUR '000			
Property/casualty/health			
Expenses for insurance claims			
Claims and benefits	190 557	75 032	115 525
Changes in provision for outstanding claims	44 931	32 099	12 832
Subtotal	**235 488**	**107 131**	**128 357**
Changes in other insurance liabilities	0	0	0
Total non-life expenses for claims and insurance benefits	**235 488**	**107 131**	**128 357**

Expenses for claims and insurance benefits – 2015	Gross	Retrocession	Net
In EUR '000			
Life			
Expenses for insurance claims			
Claims and benefits	16 052	354	15 698
Changes in provision for outstanding claims	20	7	13
Subtotal	**16 072**	**361**	**15 711**
Changes in mathematical reserve	429	-75	504
Total life expenses for claims and insurance benefits	**16 501**	**286**	**16 215**
Total	**251 989**	**107 417**	**144 572**

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**

G.22. ACQUISITION EXPENSES

	2015			2014		
Commission expenses	**Property/Casualty**	**Health**	**Life**	**Property/Casualty**	**Health**	**Life**
in EUR '000						
Reinsurance commission – Fix	28 609	508	1 395	31 709	350	518
Reinsurance commission – Sliding scale	24 786	1 414	0	22 720	1 287	0
Reinsurance commission – Profit commission	11 773	7 441	2 715	11 340	7 282	2 404
Total	**65 168**	**9 363**	**4 110**	**65 769**	**8 919**	**2 922**

G.23. OTHER OPERATING EXPENSES

Other operating expenses	2015	2014
in EUR '000		
Personnel expenses	2 150	1 783
Mandatory social security contributions and expenses	470	382
Depreciation of property, plant and equipment	45	44
Amortization of intangible assets	308	244
Rental expenses	209	188
Services	111	98
Other administrative and IT expenses	631	530
Total	**3 924**	**3 269**

Management and employee statistics	2015	2014
in EUR '000		
Management – BoD	3	3
Other employees	55	46
Total	58	49

Personal expenses	2015	2014
in EUR '000		
Wages and salaries	2 134	1 770
Mandatory social security contribution expenses	468	382
Other social security expenses	18	13
Total	**2 620**	**2 165**

Board of Directors and Supervisory Board compensation	2015	2014
in EUR '000		
Board of Directors compensation	1 138	864
Supervisory Board compensation	32	32
Total	**1 170**	**896**

G.24. OTHER EXPENSES

Other expenses	2015	2014
in EUR '000		
Foreign currency losses	371	10
Impairment of receivables	0	26
Depreciation of receivables	7	0
Interests from retrocession operations	258	176
Gifts	10	9
Total	**646**	**221**

G.25. TAX EXPENSE

Tax expense	2015	2014
In EUR '000		
Current taxes		
- Actual taxes current period	4 352	5 560
- Actual taxes related to other periods	-905	-2 458
Total current taxes	**3 447**	**3 102**
Deferred taxes (G.6)	**-35**	**-54**
Other income tax	**22**	**66**
Total taxes	**3 434***	**3 114***

* Tax calculated based on tax base in CZK (currency used for tax purposes). The final tax is then recalculated using the EUR/CZK FX rate as of 31 December 2015 and 31 December 2014.

Tax rate reconciliation	2015	2014
In EUR '000		
Expected tax rate in %	19	19
Profit before tax	22 682	19 860
Expected tax expense	**4 310**	**3 773**
Adjusted for tax effects due to:		
- Effects of tax rates in foreign jurisdiction	-427	-1 000
- Non-deductible expenses – other	400	1 138
- Expense exempted from tax	64	132
- Taxes from previous years	-905	-2 458
Other adjustments	0	0
- FX differences**	-8	1 529
Income tax expense	**3 434**	**3 114**
Effective tax rate in %	15.14	15.68

** FX effect caused by difference between functional currency (EUR) and currency used for calculating tax duty and preparing the 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 2015:

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	2015	2014
In EUR '000		
Balance sheet		
Receivables	1 301	1 570
Technical provisions	41 699	33 631
Liabilities	3 337	2 797
Income statement		
Premiums written	16 297	16 812
Change due to provisions for premiums	-52	-52
Claims	-7 862	-4 454
Commission expenses	-3 043	-2 681
Change in claims and other reinsurance liabilities	-7 718	-18 457
Other operating expenses	-351	-521

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

Transactions with other entities with joint control or significant influence	2015	2014
In EUR '000		
Balance sheet		
Deposits due from cedents	342	297
Receivables	6 102	2 954
Technical provisions	53 861	49 092
Liabilities	16 413	19 107
Income statement		
Premiums written	77 291	84 570
Change due to provision for premiums	-220	254
Investment and interest income/expense	-24	388
Claims	-29 075	-33 609
Commission expenses	-10 283	-8 363
Change in claims and other reinsurance liabilities	-3 677	516
Intergroup outsourcing	-549	-545

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 with 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 are comprised of the 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 comprise fellow subsidiaries, associates and joint ventures of the ultimate Parent Company.

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

Transactions with other related parties	2015	2014
In EUR '000		
Balance sheet		
Deposits due from cedents	43 667	40 256
Receivables	37 594	35 527
Technical provisions	184 832	190 556
Other assets	130	56
Liabilities	57 932	54 978
Income statement		
*Premiums written**	202 307	218 245
Change due to provision for premiums	-1 475	-1 976
Miscellaneous earnings/expense of investment	-1 368	362
Claims	-111 938	-134 834
Commission expenses	-54 288	-49 198
Change in claims and other reinsurance liabilities	-9 353	-16 593

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

The single premium Q/S treaty agreement with written premium in 2014 reaching 20 MIO EUR with related party Benefia Towarzystvo Ubezpieczeń na Życie S.A. VIG, Poland expired in 2014.

G.27. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	31.12.2015		31.12.2014	
Financial assets	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
In EUR '000				
Financial investments	**332 029**	**308 364**	**318 939**	**296 488**
Financial assets held to maturity	161 168	137 503	181 553	159 102
Financial assets available for sale	169 213	169 213	134 826	134 826
Loans – Term deposits	1 648	1 648	2 560	2 560
Receivables	**57 854**	**57 854**	**55 404**	**55 404**
Cash and cash equivalents	**2 794**	**2 794**	**9 146**	**9 146**
Total financial assets	**392 677**	**369 012**	**383 489**	**361 038**

Financial liabilities	Fair value	Carrying amount	Fair value	Carrying amount
Payables	82 131	82 131	78 637	78 637
Other liabilities	2 240	2 240	2 266	2 266
Total financial liabilities	**84 371**	**84 371**	**80 903**	**80 903**

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

The deposits due from cedents amounting to 138 620 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 International Financial Reporting Standards. In the application of management's judgement, the management considers the substance of the contractual arrangement rather than the legal terms, especially with regard to contractual arrangements that are complex in nature. The application of the substance of the arrangement includes the consideration of all information available when the contract becomes binding.

G.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 27 April 2016.

Johannes Martin Hartmann	Dušan Bogdanović
Chairman of the Board of Director	Member of the Board of Director

Report on Related Parties

Report of the Board of Directors of the Company
on Relationships Between Related parties
Under the Provisions of Section 82 of the Business Corporations Act

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 that is active in the field of re-insurance pursuant to Act No. 277/2009 Coll., on insurance business, as amended. Its area of business is specified in the company's by-laws and is also recorded in the Commercial Register.

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

3. Related parties
The list of companies affiliated to VIG AG, including business name and share of VIG AG in the authorized capital, forms an annex hereto.

PART II.

RELATIONSHIP BETWEEN THE HOLDING PARTIES

1. Manner of Controlling
VIG AG owns shares in VIG Re with a total nominal values of 70.00 % of the authorized capital and representing 70.00 % of the voting rights.

2. Relation Structure
The share of VIG AG in other affiliated companies, as expressed in a percentage of the authorized capital, is listed in an annex hereto.

PART III.

PERIOD

This report is prepared for the last accounting period, i.e. from January 1, 2015, to December 31, 2015.

PART IV.

CONTRACTS AND AGREEMENTS IN EFFECT FOR HOLDING PARTIES IN 2015

1. Contracts and Agreements in effect for VIG AG and VIG Re in 2015
Re-insurance contracts between VIG AG and VIG Re.

2. Contracts and Agreements in effect for VIG Re and other Controlled Parties, where the Controlling party is VIG AG in 2015
Re-insurance contracts between VIG Re and Wiener Städtische Versicherung AG.
Agreement on sharing of costs between VIG Re and Wiener Städtische Versicherung AG.
Re-insurance contracts between VIG Re and Asigurarea Romaneasca - ASIROM S.A. Vienna Insurance Group
Re-insurance contracts between VIG Re and BENEFIA TU S.A. Vienna Insurance Group
Re-insurance contracts between VIG Re and BENEFIA TU Na Zycie S.A. Vienna Insurance Group.
Re-insurance contracts between VIG Re and Bulstrad Life Vienna Insurance Group JSC.
Re-insurance contracts between VIG Re and Bulstrad Vienna Insurance Group Plc.
Re-insurance contracts between VIG Re and Compensa Life Vienna Insurance Group SE.
Re-insurance contracts between VIG Re and Compensa TU Na Życie Spolka Akcyjna Vienna Insurance Group.
Re-insurance contracts between VIG Re and Compensa TU S.A. Vienna Insurance Group.
Re-insurance contracts between VIG Re and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group.
Re-insurance contracts between VIG Re and Donau Versicherung AG Vienna Insurance Group.
Re-insurance contracts between VIG Re and Erste Sparkassen Biztosito.

Re-insurance contracts between VIG Re and Erste Sparkassen Osiguranje. Re-insurance contracts between VIG Re and Globus.
Re-insurance contracts between VIG Re and Helios d.d.
Re-insurance contracts between VIG Re and InterRisk Versicherungs - AG Vienna Insurance Group.
Re-insurance contracts between VIG Re and InterRisk TU S.A. Vienna Insurance Group.
Re-insurance contracts between VIG Re and InterRisk Lebensversicherungs - AG Vienna Insurance Group.
Re-insurance contracts between VIG Re and Intersig Insurance Company.
Re-insurance contracts between VIG Re and Komunálna poisťovňa, a.s., Vienna Insurance Group.
Re-insurance contracts between VIG Re and Kooperativa poisťovňa, a.s., Vienna Insurance Group.
Re-insurance contracts between VIG Re and Kooperativa pojišťovna, a.s., Vienna Insurance Group.
Insurance contracts between VIG Re and Kooperativa pojišťovna, a.s., Vienna Insurance Group.
Agreement on sharing of costs between VIG Re and Kooperativa pojišťovna, a.s., Vienna Insurance Group.
Lease contract between VIG Re and Kooperativa pojišťovna, a.s., Vienna Insurance Group.
Re-insurance contracts between VIG Re and OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest.
Re-insurance contracts between VIG Re and Wiener Osiguranje BiH.
Re-insurance contracts between VIG Re and Wiener Osiguranje.
Re-insurance contracts between VIG Re and Wiener Stadtische Osiguranje a.d.o.
Re-insurance contracts between VIG Re and Poisťovňa Slovenskej Sporitelne, a.s., Vienna Insurance Group.
Re-insurance contracts between VIG Re and Union Biztosító Zrt.
Re-insurance contracts between VIG Re and Sparkassen Versicherung AG Vienna Insurance Group.
Re-insurance contracts between VIG Re and Winner.
Re-insurance contracts between VIG Re and Winner Life.
Re-insurance contracts between VIG Re and Makedonija Osiguruvanje.
Re-insurance contracts between VIG Re and MSK Life.
Re-insurance contracts between VIG Re and GPI Holding.
Re-insurance contracts between VIG Re and International Insurance Group IRAO ltd.
Re-insurance contracts between VIG Re and Sigma Albania sh.a.
Re-insurance contracts between VIG Re and Sigma Interalbanian.
Re-insurance contracts between VIG Re and Sigma Kosovo.
Re-insurance contracts between VIG Re and WIENER RE ADO.
Re-insurance contracts between VIG Re and Ray Sigorta A.S.
Re-insurance contracts between VIG Re and Ukrainian Insurance Group.
Re-insurance contracts between VIG Re and PJSC "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP".
Re-insurance contracts between VIG Re and PJSC "Ukrainian Insurance Company Kniazha Vienna Insurance Group", Kiew
Re-insurance contracts between VIG Re and Donaris Group S.A.
Re-insurance contracts between VIG Re and Vienna Insurance Group AG.

VIG Re suffered no damage from the above contracts.

PART V.

OTHER LEGAL ACTS AND MEASURES TAKEN IN THE INTEREST OR AT THE INITIATIVE OF RELATED PARTIES

In 2015, no legal acts or other measures were taken in the interest or at the initiative of related parties.

PART VI.

CONFIDENTIALITY OF INFORMATION

1. Information and facts that are part of the business secrets of VIG AG, VIG Re and of other related parties are considered confidential; furthermore, any information that has been declared as confidential by any party that is part of the holding is considered confidential, as is any information originating from any business contact that could cause harm – by itself or in relation to other information and facts – to any party of the holding.

2. In order to prevent any harm to the controlled party pursuant to paragraph 1 hereof, the report of the statutory body does not 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 VIG RE zajišťovna, a.s., and will be submitted for review by the supervisory board. Given that VIG Re is obliged by law to prepare an annual report, this report shall be an integral annex to the annual report. The annual report will be submitted for review by KPMG Czech Republic Audit, s.r.o.

Dated in Prague, 31 March 2016.

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

Johannes Martin Hartmann
Chairman of the Board of Director

Dušan Bogdanović
Member of the Board of Director.

Annex to the Report on Related parties

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

Fully Consolidated Companies	Country	Share in %
"BULSTRAD LIFE VIENNA INSURANCE GROUP" JOINT STOCK COMPANY, Sofia	Bulgaria	100.00
"Baltikums Vienna Insurance Group" AAS, Riga	Latvia	100.00
"Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Vienna	Austria	100.00
"POLISA-ZYCIE" Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.43
"WIENER RE" akcionarsko društvo za reosiguranje, Belgrade	Serbia	100.00
Anděl Investment Praha s.r.o., Prague	Czech Republic	100.00
Anif-Residenz GmbH & Co KG, Anif	Austria	100.00
Arithmetica Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	Austria	100.00
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.57
BCR Asigurari de Viata Vienna Insurance Group S.A., Bucharest	Romania	93.98
Blizzard Real Sp. z o.o., Warsaw	Poland	100.00
BML Versicherungsmakler GmbH, Vienna	Austria	100.00
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	100.00
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00
CAL ICAL "Globus", Kiev	Ukraine	99.60
CAPITOL, akciová spolocnost', Bratislava	Slovakia	100.00
CENTER Hotelbetriebs GmbH, Vienna	Austria	80.00
Central Point Insurance IT-Solutions GmbH, Vienna	Austria	100.00
Česká podnikatelská pojišt'ovna, a.s., Vienna Insurance Group, Prague	Czech Republic	100.00
Compania de Asigurari "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni, Kishinev	Moldavia	99.99
COMPENSA Holding GmbH, Wiesbaden	Germany	100.00
Compensa Life Vienna Insurance Group SE, Tallinn	Estonia	100.00
Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	100.00
Compensa Towarzystwo Ubezpieczen S.A. Vienna Insurance Group, Warsaw	Poland	99.94
Compensa Towarzystwo Ubezpieczen S.A. Vienna Insurance Group, Vilnius	Lithuania	100.00
DBLV Immobesitz GmbH & Co KG, Vienna	Austria	100.00
DBLV Immobesitz GmbH, Vienna	Austria	100.00
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00
Deutschmeisterplatz 2 Objektverwaltung GmbH, Vienna	Austria	100.00
Donau Brokerline Versicherungs-Service GmbH, Vienna	Austria	100.00
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	99.24
DVIB GmbH, Vienna	Austria	100.00
ELVP Beteiligungen GmbH, Vienna	Austria	100.00
Erste osiguranje Vienna Insurance Group d.d.Zagreb	Croatia	95.00
ERSTE Vienna Insurance Group Biztositó Zrt., Budapest	Hungary	95.00
Gesundheitspark Wien -Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00
GPIH B.V., Amsterdam	Netherlands	91.11
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia	Bulgaria	98.38
International Insurance Company "IRAO" LTD, Tbilisi	Gruzia	100.00
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00
InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group, Warsaw	Poland	99.98
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	89.98
Joint Stock Company for Insurance and Reinsurance Makedonija Skopje - Vienna Insurance Group, Skopje	Macedonia	94.25
Joint Stock Company Insurance Company GPI Holding, Tbilisi	Gruzia	90.00
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	Macedonia	100.00
Kaiserstraße 113 GmbH, Vienna	Austria	100.00
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Hungary	100.00
KAPITOL pojišt'ovací a finanční poradenství, a.s., Brno	Czech Republic	100.00

KOMUNÁLNA poistovna, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00
KOOPERATIVA poist'ovna, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00
Kooperativa pojišt'ovna, a.s., Vienna Insurance Group, Prague	Czech Republic	98.39
LVP Holding GmbH, Vienna	Austria	100.00
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	100.00
MH 54 Immobilienanlage GmbH, Vienna	Austria	100.00
Neue Heimat Oberösterreich Holding GmbH, Vienna	Austria	87.07
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.49
Palais Hansen Immobilienentwicklung GmbH, Vienna	Austria	56.55
Passat Real Sp. z o.o., Warsaw	Poland	100.00
Pension Insurance Company Doverie AD, Sofia	Bulgaria	92.58
PFG Holding GmbH, Vienna	Austria	89.23
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	92.88
Poist'ovna Slovenskej sporitel'ne, a.s. Vienna Insurance Group, Bratislava	Slovakia	95.00
Pojišt'ovna České spořitelny, a.s., Vienna Insurance Group, Pardubice	Czech Republic	95.00
Private Joint-Stock Company "Insurance company" Ukrainian insurance group", Kiev	Ukraine	100.00
Private Joint-Stock Company "JUPITER LIFE INSURANCE VIENNA INSURANCE GROUP", Kiev	Ukraine	97.80
PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNIAZHA VIENNA INSURANCE GROUP", Kiev	Ukraine	99.99
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	60.00
Projektbau GesmbH, Vienna	Austria	100.00
Projektbau Holding GmbH, Vienna	Austria	90.00
Rathstraße 8 Liegenschaftsverwertungs GmbH, Vienna	Austria	100.00
Ray Sigorta Anonim Sirketi, Istanbul	Turkey	94.96
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH, Vienna	Austria	100.00
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG, Vienna	Austria	100.00
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	100.00
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70
Sigma Interalbanian Vienna Insurance Group Sh.a, Tirana	Albania	89.05
Skandia Zycie Towarzystwo Ubezpieczen Spolka Akcyjna, Warsaw	Poland	100.00

Sparkassen Versicherung AG Vienna Insurance Group, Vienna	Austria	95.00
SVZ GmbH, Vienna	Austria	100.00
SVZI GmbH, Vienna	Austria	100.00
T 125 GmbH, Vienna	Austria	100.00
TBI BULGARIA EAD, Sofia	Bulgaria	100.00
TBIH Financial Services Group N.V., Amsterdam	Netherlands	100.00
UNION Vienna Insurance Group Biztositó Zrt., Budapest	Hungary	100.00
Untere Donaulände 40 GmbH & Co KG, Vienna	Austria	100.00
V.I.G. ND, Prague	Czech Republic	100.00
Vienibas Gatve Investments OÜ, Tallinn	Estonia	100.00
Vienibas Gatve Properties SIA, Riga	Latvia	100.00
Vienna Life Vienna Insurance Group Biztositó Zártkörüen Müködö Részvénytársaság, Budapest	Hungary	100.00
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern	Lichtenstein	100.00
VIG FUND uzavřený investiční fond, a.s., Prague (Group Financial Statements)	Czech Republic	100.00
VIG Properties Bulgaria AD, Sofia	Bulgaria	99.97
VIG RE zajišt'ovna, a.s., Prague	Czech Republic	100.00
VIG REAL ESTATE DOO, Belgrade	Serbia	100.00
VIG Real Estate GmbH, Vienna	Austria	100.00
VIG-CZ Real Estate GmbH, Vienna	Austria	100.00
VLTAVA majetkovosprávní a podílová spol. s r.o., Prague	Czech Republic	100.00
WGPV Holding GmbH, Vienna	Austria	100.00
Wiener Osiguranje Vienna Insurance Group ad, Banja Luka	Bosna and Herzegovina	100.00
Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb	Croatia	99.47
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100.00
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	100.00
WIENER STÄDTISCHE OSIGURANJE akcionarsko drustvo za osiguranje, Belgrade	Serbia	100.00
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	Austria	99.90
WIENER VEREIN BESTATTUNGS- UND VERSICHERUNGSSERVICE-GESELLSCHAFT M.B.H., Vienna	Austria	100.00
WILA GmbH, Vienna	Austria	100.00
WSBV Beteiligungsverwaltung GmbH & Co KG, Vienna	Austria	100.00
WSV Immoholding GmbH, Vienna	Austria	100.00
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	75.00

Companies Consolidated by Equivalent Method	Country	Share in %
"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna	Austria	55.00
AIS Servis, s.r.o., Brno	Czech Republic	100.00
Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.84
Benefita, a.s., Prague	Czech Republic	100.00
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00
ČPP Servis, s.r.o., Prague	Czech Republic	100.00
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30.00
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99.77
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	55.00
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg	Austria	55.00
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00
GLOBAL ASSISTANCE a.s., Prague	Czech Republic	100.00
Global Expert, s.r.o., Pardubice	Czech Republic	100.00
HOTELY SRNÍ, a.s., Prague	Czech Republic	100.00
KIP, a.s., Prague	Czech Republic	100.00
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs-und SiedlungsgesmbH, Linz	Austria	99.82
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	54.17
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna (Group Financial Statements)	Austria	36.58
S - budovy, a.s., Prague	Czech Republic	100.00
S IMMO AG, Vienna (Group Financial Statements)	Austria	10.25
Sanatorium Astoria a.s., Karlovy Vary	Czech Republic	92.71
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	54.17
S - správa nemovitostí, a.s., Prague	Czech Republic	100.00
SURPMO, a.s., Prague	Czech Republic	100.00
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	Austria	60.00
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	Austria	54.17
VBV - Betriebliche Altersvorsorge AG, Vienna (Group Financial Statements)	Austria	23.56
WNH Liegenschaftsbesitz GmbH, Vienna	Austria	100.00

Non-consolidated Companies	Country	Share in %
"Assistance Company "Ukrainian Assistance Service" LLC, Kiev	Ukraine	100.00
"Compensa Services" SIA, Riga	Latvia	100.00
"DUNAJ - Finanse" - Spolka z organiczona adpowiedzialnoscia, Warsaw	Poland	50.00
"Medical Clinic "DIYA" LLC, Kiev	Ukraine	100.00
AISMP Meditzinski Tsentar Bulstrad Zdrave EOOD, Sofia	Bulgaria	100.00
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group, Podgorica	Monte Negro	100.00
Alpenlachs Soravia GmbH, Vienna	Austria	33.30
Amadi GmbH, Wiesbaden	Germany	100.00
Anif-Residenz GmbH & Co KG, Anif	Austria	100.00
AQUILA Hausmanagement GmbH, Vienna	Austria	100.00
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00
Autosig SRL, Bucharest	Romania	100.00
B&A Insurance Consulting s.r.o., Moravská Ostrava	Czech Republic	49.00
BENEFIA Dystrybucja Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
Brunn N68 Sanierungs GmbH, Vienna	Austria	50.00
Bulstrad Trudova Meditzina EOOD, Sofia	Bulgaria	100.00
Camelot Informatik und Consulting Gesellschaft m.b.H., Villach	Austria	99.48
CAPITOL BROKER DE PENSII PRIVATE S.R.L., Bucharest	Romania	100.00
CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L., Bucharest	Romania	100.00
CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L., Bucharest	Romania	100.00
CAPITOL Sp. z o.o., Warsaw	Poland	100.00
CARPLUS Versicherungsvermittlungsagentur GmbH, Vienna	Austria	100.00
CCA EDV für Versicherungswirtschaft GmbH, Vienna	Austria	24.28
Compensa Dystrybucja Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
Compensa Life Distribution, UAB, Vilnius	Lithuania	100.00
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100.00
DV CONSULTING EOOD, Sofia	Bulgaria	100.00
DV Invest EAD, Sofia	Bulgaria	100.00
DV Asset Management EAD, Sofia	Bulgaria	100.00
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Vienna	Austria	100.00
EBS Wohnungsgesellschaft mbH Linz, Linz	Austria	25.00
EBV-Leasing Gesellschaft m.b.H., Vienna	Austria	100.00
EGW Wohnbau gemeinnützige Ges.m.b.H., Vienna	Austria	100.00

Erste Bank und Sparkassen Leasing GmbH, Vienna	Austria	49.00
ERSTE d.o.o. - za upravljanje obveznim i dobrovljnim mirovinskim fondovimaZagreb	Croatia	25.30
Erste S Biztositasi Alkusz Kft, Budapest	Hungary	100.00
European Insurance & Reinsurance Brokers Ltd., London	United Kingdom	85.00
EXPERTA Schadenregulierungs-Gesellschaft mbH, Vienna	Austria	100.00
Finanzpartner GmbH, Vienna	Austria	50.00
Foreign limited liability company "InterInvestUchastie", Minsk	Belarus	100.00
Gain Capital SA, SICAV-FIS Real Estate Car Parks I, Luxembourg	Luxembourg	40.01
GELUP GmbH, Vienna	Austria	33.33
GEO HOSPITALS LLC, Tbilisi	Gruzia	100.00
GGVier Projekt-GmbH, Vienna	Austria	55.00
Glamas Beteiligungsverwaltungs GmbH, Vienna	Austria	23.33
Glamas Beteiligungsverwaltungs GmbH & Co "Beta" KG, Vienna	Austria	23.33
GLOBAL ASSISTANCE SERVICES s.r.o., Prague	Czech Republic	100.00
GLOBAL ASSISTANCE SLOVAKIA s.r.o., Bratislava	Slovakia	100.00
Global Services Bulgaria JSC, Sofia	Bulgaria	100.00
Henderson Global Investors Immobilien Austria GmbH, Vienna	Austria	35.00
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00
InterRisk Informatik GmbH, Wiesbaden	Germany	100.00
Jahorina auto d.o.o., Brcko	Bosna and Herzegovina	100.00
Jahorina Konseko Progres a.d., Pale	Bosna and Herzegovina	28.00
Joint Stock Company "Curatio", Tbilisi	Gruzia	100.00
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group Skopje	Macedonia	100.00
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company, Minsk	Belarus	98.26
KWC Campus Errichtungsgesellschaft m.b.H., Klagenfurt	Austria	50.00
Lead Equities II Auslandsbeteiligungs AG, Vienna		21.59
Lead Equities II.Private Equity Mittelstandsfinanzierungs AG, Vienna	Austria	21.59
LiSciV Muthgasse GmbH & Co KG, Vienna	Austria	23.33
MC EINS Investment GmbH, Vienna	Austria	50.00
Money & More Pénzügyi Tanácsadó Zártkörüen Müködö Részvénytársaság, Budapest	Hungary	100.00
People's Pharmacy LLC, Tbilisi	Gruzia	50.00
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	83.57
Privat Joint-Stock Company OWN SERVICE, Kiev	Ukraine	100.00
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	40.00

RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	Austria	51.00
S.C. CLUB A.RO S.R.L., Bucharest	Romania	100.00
S.O.S.- EXPERT d.o.o. za poslovanje nekretninamaZagreb	Croatia	100.00
Senioren Residenzen gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	100.00
Slovexperta, s.r.o., Žilina	Slovakia	100.00
Soleta Beteiligungsverwaltungs GmbH, Vienna	Austria	23.33
Soravia Food Market GmbH, Vienna	Austria	33.30
Sparkassen-Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100.00
Spoldzielnia Uslugowa VIG EKSPERT W WARSZAWIE, Warsaw	Poland	100.00
Spoldzielnia Vienna Insurance Group IT Polska, Warsaw	Poland	100.00
SVZ Immoholding GmbH & Co KG, Vienna	Austria	100.00
SVZ Immoholding GmbH, Vienna	Austria	100.00
TBI Info EOOD, Sofia	Bulgaria	100.00
Thermenland Congress Center Loipersdorf GmbH & Co KG, Loipersdorf	Austria	32.26
TOGETHER Internet Services GmbH, Vienna	Austria	24.99
UAB "Compensa Services", Vilnius	Lithuania	100.00
UNION-Informatikai Szolgáltató Kft., Budapest	Hungary	100.00
Untere Donaulände 40 GmbH, Vienna	Austria	100.00
Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H., Vienna	Austria	33.33
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	100.00
Vienna International Underwriters GmbH, Vienna	Austria	100.00
VIG AM Services GmbH, Wien	Austria	100.00
VIG Asset Management investiční společnost, a.s., Prague	Czech Republic	100.00
VIG Management Service SRL, Bucharest	Romania	100.00
VIG Services Bulgaria EOOD, Sofia	Bulgaria	100.00
VIG Services Shqiperi Sh.p.K., Tirana	Albania	100.00
VIG Services Ukraine, LLC, Kiev	Ukraine	100.00
VILE BAREDINE d.o.o.Zagreb	Croatia	30.00
VÖB Direkt Versicherungsagentur GmbH, Štýrský Hradec	Austria	50.00
VVTH GmbH, Vienna	Austria	33.33
WAG Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	25.00
Wien 3420 Aspern Development AG, Vienna	Austria	33.33
Wiener Städtische Donau Leasing GmbH, Vienna	Austria	100.00
WSBV Beteiligungsverwaltung GmbH, Vienna	Austria	100.00
WSV Vermögensverwaltung GmbH, Vienna	Austria	100.00
WSV Beta Immoholding GmbH, Vienna	Austria	100.00

Declaration of the Board of Directors

We declare that the information stated in this annual report corresponds to the actual situation and that no fundamental information that could influence a correct and precise assessment has been omitted.

27 April 2016

Johannes Martin Hartmann
Chairman of the Board of Director

Dušan Bogdanović
Member of the Board of Director.