Annual Report 2016

VIG Re

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REINSURANCE COMPANY

Our Business is Energising

It starts with a single charge that runs 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.

Plugged Into the Market

By providing made-to-measure reinsurance to more than 300 clients in 29 countries in the 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

Since our founding in 2008, Standard & Poor's Financial Services LLC have given us a long-term public issuer rating of "A+" and a financial strength rating of "A+", both with a "stable outlook". The rating was most recently reconfirmed on August 1, 2016.

STANDARD & POOR'S

Lighting the Way Since 1824

As part of the Vienna Insurance Group, whose history reaches back to 1824 VIG Re has been bringing energy to the industry since its founding in 2008 by establishing ourselves as a core player in the reinsurance market in Austria and CEE.

1824

VIG's roots in Austria date back to 1824 and the foundation of Wechselseitige k.k. private Brandschaden-Versicherungsgesellschaft in Vienna.

1989

VIG treated the fall of the iron curtain as an opportunity, aiming to achieve the number one position as the leading insurance corporation in Austria and the CEE region. The main focus was placed on further expansion of insurance activities in the CEE regions. This strategy has essentially been maintained until today.

2008

As part of this strategy, **VIG Re** was founded on **August 8, 2008** when the Czech National Bank granted us our license. This was quickly followed in October by an **A+ rating** from Standard & Poor's, which we maintain unaltered until today.

2009

Starting in 2009, VIG Re began **underwriting treaty reinsurance** for all major Property & Casualty and Life & Health lines of business. While focusing in the first years on inward business from VIG, step-by-step we expanded our franchise VIG and began drawing business from third parties.

2010

We completed the **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 services in property and engineering lines.

2011

By **expanding our underwriting territories into Kazakhstan, Azerbaijan,** and **Armenia,** 2011 saw us steadily grow our portfolio. In the same year, **Karl Fink** succeeded Peter Hagen as **CEO, who was appointed as VIG Group CEO the same year.**

2012

With a significantly widened reinsurance proposition to VIG, our premium income peaked in 2012. Foremost, we increased our lines on VIG Property treaties and concluded a large life transaction, which contributed to a **60% premium increase** in our VIG business.

2013

With **Johannes Martin Hartmann** as our new CEO in 2013, we expanded our marketing and underwriting activities in the CEE region and experienced additional growth beyond VIG's boundaries. When in spring 2013 severe flooding hit Austria and CEE, we had a chance to demonstrate our ability to settle claims in a quick and non-bureaucratic way.

2014

In 2014 we recorded an all-time high in our Property & Casualty book. Despite the unexpected frequency of large, man-made losses reported by VIG companies, we managed to secure a net combined ratio below 98% and to grow our consolidated profit before tax to **EUR 19.9 million.**

2015

As a response to the increasingly competitive market environment, we adhered to our strict underwriting discipline and reduced our Property & Casualty book by 6 percent. Consequently, our net combined ratio improved to 95.5% and consolidated pre-tax profit increased to EUR 22.7 million.

VIG Re – Part of Vienna Insurance Group

Vienna Insurance Group (VIG) is well established in all lines of business and thus offers a comprehensive customer-oriented portfolio of products and services with more than 50 Group companies and more than 24,000 employees in 25 countries. The Group generated around EUR 9 billion in premiums in 2016, further strengthening its market leader position in Austria and Central and Eastern Europe (CEE), where VIG has been operating for more than 25 years.

VIG's successful expansion into the CEE region

VIG's roots reach back more than 190 years in Austria, during which time the Company developed from its start as a local insurer in 1824 to an international insurance group. In 1990, visionaries in Wiener Städtische recognised the many opportunities offered by the CEE region and took the chance of entering the market in former Czechoslovakia. The expansion continued throughout the following years. From Estonia to Albania and Germany to Georgia, the entire region was slowly covered. The 2014 entry into the market in the Republic of Moldova filled the final remaining gap in coverage of the CEE region.

Using its combined strengths to become number 1

Over the years, VIG has worked its way to the top of the insurance market in many countries. Using a focused growth strategy and long-term perspective, it created a stable base that led to double-digit market share in many markets.

The figures for the region show that the decision to expand into CEE was correct. In 2016, around half of VIG's total premium volume of around EUR 9 billion was generated in CEE markets. The Group continues to believe in the potential offered by the ongoing economic growth in the region, which brings with it a rising demand for insurance products.

The importance of the region was confirmed by another decision by the Group in 2008 to establish the registered office of the internal Group reinsurance company VIG Re in the Czech Republic.

Focusing together on the core business

The decisions above underscore the path followed by VIG and strengthen the focus on insurance as the clear core business. It pursues a progressive and highly risk-conscious insurance strategy. Reliability, trustworthiness and solidity define its relationships with business partners, employees and shareholders.

This fundamental approach is also reflected in its strategy of continuous sustainable growth and excellent creditworthiness. The international rating agency Standard & Poor's has confirmed VIG's development with an A+ rating with stable outlook for many years. VIG continues to have the best rating of all companies in the ATX, the leading index of the Vienna Stock Exchange.

Side-by-side with our customers

Customer loyalty and customer proximity are major factors in VIG's success. Our local employees know the needs of their customers the best, which is why VIG places its trust in these employees and local entrepreneurship.

In order to create stability and trust, the Group uses a multi-brand strategy that retains established brands and unites them under the Vienna Insurance Group umbrella. This also allows a wide variety of distribution channels to be used. The Company's strategic orientation is rounded off by a conservative investment and reinsurance policy.

Erste Group and VIG: strong together

Erste Group is strongly anchored in Austria and is one of the top players in the CEE region. The strategic partnership between Erste Group and VIG began in 2008 and has grown and strengthened over the past eight years. VIG Group companies offer Erste Group products, while Erste Group branches sell VIG insurance products in return.

Stable Group dividend policy

VIG has been listed on the Vienna stock exchange since 1994. Today, it is one of the top companies in the "prime market" segment and offers an attractive dividend policy with a dividend payout ratio of at least 30% of Group profits (after taxes and non-controlling interests) for shareholders.

The significance of the Central and Eastern European economic area was once again underscored by the Company's second listing on the Prague Stock Exchange in February 2008. VIG shares have also established themselves as one of the top companies there.

The shareholder structure has remained stable since the capital increase in 2005. Around 70% of the shares are held by its principal shareholder, Wiener Städtische Versicherungsverein. The remaining 30% of the shares are in free float.

Searching for the best together

All VIG Group companies strive to attract the most talented and intelligent employees. As a result, identifying and developing individual skills is a central priority in the company's human resources management. Promoting diversity is also highly important, as is creating a framework that offers appropriate development opportunities for employees. This is because it's clear to VIG that its success is built on the dedication of its 24,000 employees.

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

What We Achieved in 2016

Financial Results

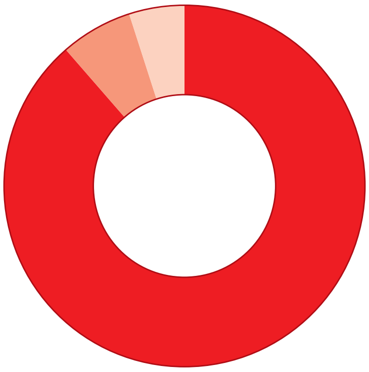
Stable performance is one of the most important key indicator for VIG Re and its shareholders. In 2016, the number of VIG Re clients passed 300 for the first time. Our gross written premium income increased by 7% to EUR 383 million. Due to relatively benign loss activities in the year and as a result to our continued strict underwriting policy, we achieved an excellent net combined ratio of 93.2% and consequently a very strong underwriting result.

	Individual		Consolidated	
	2015	2016	2015	2016
Income statement				
in EUR '000				
Premiums written	**357 748**	**383 058**	**390 300**	**417 432**
Property/Casualty	316 718	339 329	349 270	373 703
Life	19 428	19 021	19 428	19 021
Health	21 602	24 708	21 602	24 708
Combined ratio*	**95.7%**	**93.2%**	**95.5%**	**93.2%**
Result from investments	**16 401**	**11 279**	**16 540**	**11 195**
Profit before taxes	**22 312**	**22 279**	**22 682**	**22 404**
Profit for the period	**18 912**	**17 028**	**19 248**	**17 083**
Balance sheet				
in EUR '000				
Investments	**445 279**	**449 744**	**446 984**	**451 262**
Total assets	**708 677**	**731 005**	**738 801**	**762 532**
Shareholders' equity	**134 785**	**138 795**	**135 087**	**139 132**
Underwriting provisions	**483 205**	**500 242**	**493 879**	**510 406**

*Combined ratio is calculated for P&C and Health business segments

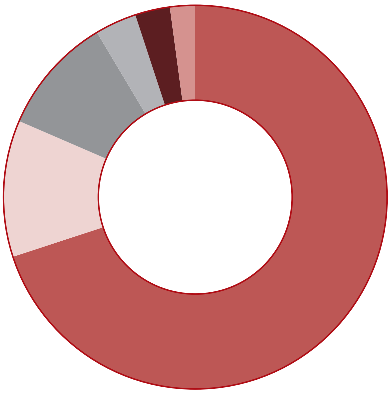
Premium Income

Gross Written Premium for 2016 was EUR 383 million, of which P&C contributed EUR 339.3 million and L&H EUR 43.7 million. In order to maintain profitability under the 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. On the other hand, the strong franchise of VIG Re in its core markets and increased marketing activities with selected clients enabled VIG Re to originate new business at sufficient technical margins. On the other hand, premium income was negatively impacted by the depreciation of foreign currencies such as the Turkish Lira and Ukrainian Grivna.



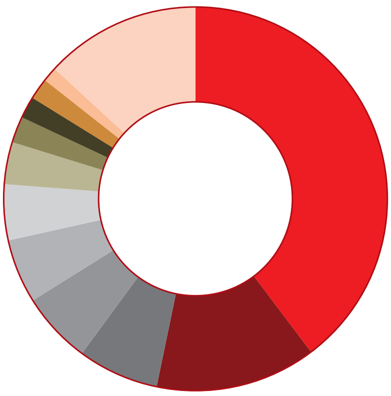
GWP Split (in EUR '000)

Property / Casualty	339 329
Health	24 708
Life	19 021
Total	**383 058**



GWP per Line of Business (in EUR '000)

Property	237 392
MTPL	39 189
Other Motor Vehicle Reinsurance	33 727
Liability	11 899
Marine	9 921
Casualty	7 201
Total	**339 329**



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

Austria	134 726
Czech Republic	46 005
Slovakia	23 239
Poland	20 439
Germany	18 280
Turkey	15 939
Romania	12 040
Hungary	7 485
Serbia	6 264
Croatia	6 064
Kazakhstan	4 206
Other*	44 642
Total	**339 329**

*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.

Large Losses

In 2016, VIG Re was not affected by any large natural catastrophe loss. Of the regional events, flooding occurred in Germany in May 2016 (”Elvira”), with gross claims of EUR 25.5 million for VIG Re. Other notable events were a landslide in the Kazbegi district in Georgia, a hailstorm in Plovdiv, Bulgaria, a flash flood in Macedonia and the Earthquakes in Italy on August 24, 2016, and October 26, 2016, none of which exceeded a loss of EUR 2 million for VIG Re’s share.

The largest manmade loss in 2016 was reported for a wood processing plant in Chirk, Wrexham. As a result of the explosion at the power station and the following business interruption, a gross loss of EUR 8 million was reported for VIG Re’s share.

The total burden of large losses (VIG Re’s gross share above EUR 1 million) decreased in 2016 compared to 2015. For 2016, 10 large claims were reported for VIG Re with a total net loss of EUR 9.2 million, compared to 17 large losses in 2015 with a total net loss of EUR 16.7 million.

Financial Investments

In an environment of historically low interest rates and volatile bond and equity markets as seen in 2016, VIG Re achieved a solid investment income of EUR 11.3 million. The 2016 result was mainly driven by ordinary investment income and adversely impacted by a stop-loss on equity funds accounted in January 2016 (- EUR 0.9 million).

Due to the structure of the investment portfolio, the bond portfolio, with a total income of EUR 7.5 million, was the main contributor to investment income. An additional EUR 4.5 million contributed funds deposited with cedents in respect of Life and Health Reinsurance contracts. Equity and fund investments accounted for a total minor loss of EUR 0.1 million.

No extraordinary gains were realized in the year 2016.

Conservative Investment Strategy

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

Protection Programme

VIG Re takes a prudent approach to buying reinsurance and excels the VIG Group’s rule of not retaining more than 3% of equity on any underwritten risk while Natural catastrophe coverage is secured on a 250-year event basis. Our well-diversified reinsurance panel is carefully chosen based on our security guidelines and avoids concentrating risk on single counterparties.

Millions € Investment Result

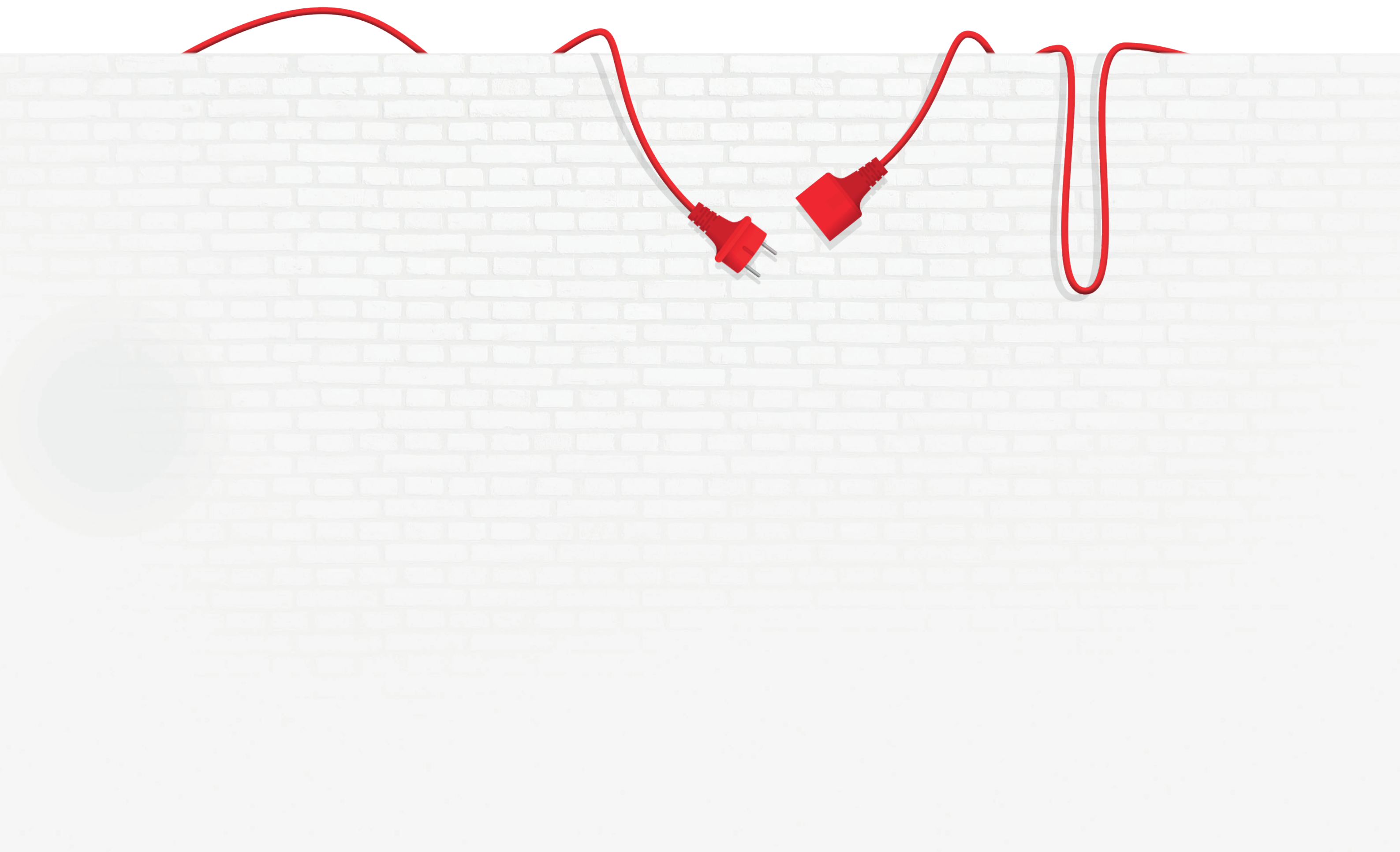
Wiener Re

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 western Balkans. It is currently active in Serbia and neighbouring countries Bosnia and Herzegovina, Montenegro and Macedonia.

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

Market Leader
Since 2013, Wiener Re has become the number one reinsurer in Serbia, with more than 40% market share, more than EUR 40 million in GWP and more than 20 cedents from the region, most importantly Wiener Städtische Insurance Belgrade, Wiener Insurance BiH, Uniqa Insurance RS, Axa Life and Non-life Insurance RS, Triglav Insurance RS, Dunav Re, Sava RS and Lovčen MNE.

Wiener Re Financial Performance in 2016
2016 continued to be a successful year for Wiener Re Belgrade, which saw a 5% increase in GWP to EUR 40.5 million and an even further improved combined ratio of 92.2% (compared to 92.9% in 2015). Profit remained almost stable at more than EUR 0.5 million. More than 40% of its business came from companies outside of VIG.



Risk Management

VIG Re operates on principles that fall within the framework of a conservative risk policy, in accordance with Solvency II and in line with the VIG Risk Policy. These principles ensure effective performance of all activities at VIG Re and form the basis of a general culture in which risk management plays an essential role.

These principles are:
- integrity and ethical value
- avoiding conflicts of interests
- unique allocation of responsibilities
- aligning motivation with the Company's objectives
- the four eyes principle

These principles are applied in all activities the Company needs for its operation regardless of whether such activities are carried out directly by the Company or are outsourced.

The internal structure of the risk management system is laid out in three lines of defence that reflect and require compliance with the Company's principles. The essence of this structure lies in transparent segregation of employee responsibilities into each line of defence, i.e. avoiding conflicts of interests, preventing the Company from risks and setting of effective controls.

The main focus of risk management in 2016 was implementing risk management policies, conducting the ORSA process, and the further improving the SCR calculation process, including further development of a partial internal model.

Disclosures

Environmental Protection

The nature of our business places a minor burden on the environment. In 2016, VIG Re implemented the first modules of a workflow system aimed at creating a paperless office. The Company meets all environmental requirements prescribed by Czech law.

Units Abroad

VIG Re maintains no organizational units abroad.

Research and Development

We focus development on incorporating new information technologies and forms of communication when providing reinsurance services.

Processes

In order to further improve the quality of reporting, risk management and data quality a number of new IT solutions and automated processes have been introduced, mainly:

- a set of non-life underwriting pricing tools and underwriting administration systems have been in production since 2016,
- in reinsurance accounting, an automated workflow process for payment management went live in 2016, while an IT solution for supporting quarterly closings and claims management started being used for transactions since December 31, 2016,
- Unified Database – a base for reporting data that enables VIG Re to report efficiently and meet increased reporting demands,
- a revised Life model for SCR calculation under Solvency II.

We refine all our business processes and standards, and are continually developing the skills and extending the knowledge of each of our team members. Further automation will follow during 2017.

The Energy That Drives Us

People
As a company, we get our energy from the people that drive our business.

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

Flexible Working Time
We accommodate and foster flexible working hours, part-time employment and home office in response to the increasing demand of our employees to organise their working time and place in a flexible way.

Personal Development
Personal development of our team members is one of our core values.

Each employee receives regular feedback from their manager in regards to their performance and professional development. This is documented in the annual appraisal process. Technical and finance training for reinsurance, language courses and soft-skills seminars are part of each team member's yearly development plan. We support employees in qualified professional programs, including participation in international conferences and seminars.

In 2016, we introduced the "Expert" concept for functions of strategic importance to the company. Apart from further promoting the professional skill set, it provides employees who do not strive for a management position with the opportunity for an alternative career path.

In the same year, we also introduced the VIG competence model, which defines the core competencies for all employees as well as additional competencies for experts and managers that we believe are essential for the professional performance and teamwork of our employees.

STATUTORY BODIES

Board of Directors

Dušan Bogdanović
Member of the Board of Directors

Main Responsibilities:
Retrocession
Actuarial Analytics
VIG Re Subsidiaries

Ivana Jurčíková
Member of the Board of Directors
(Since 1 September 2016)

Main Responsibilities:
Finance, Investments
Planning & Controlling
Reinsurance Accounting
Claims Management
Operations

Johannes Martin Hartmann
Chairman of the Board of Directors

Main Responsibilities:
Underwriting
Human Resources
Public Relations & Communication

Changes after 31 December 2016:

Nominated Member of the Board of Directors as of 1 March 2017:
Tomasz Rowicki

STATUTORY BODIES

Supervisory Board

Karl Fink
Chairman

Wolfgang Eilers
Vice-Chairman

Elisabeth Stadler
Vice-Chairwoman

Peter Höfinger
Member

Gary Wheatley Mazzotti
Member

Vladimír Bakeš
Member

Peter Thirring
Member

Changes after 31 December 2016:

Resigned from the office of Supervisory Board as of 31 December 2016:
Wolfgang Eilers

Resigned from the office of Supervisory Board as of 31 May 2017:
Gary Wheatley Mazzotti

STATUTORY BODIES

Audit Committee

Karl Fink

Elisabeth Stadler

Hynek Vodička

Changes after 31 December 2016:

Resigned from the office of Audit Committee as of 30 April 2017:
Hynek Vodička

MEET OUR TEAM

Underwriting – Non-Life

Fabian Christoph
Head of Germany, Austria, Switzerland

Viera Horáková
Treaty Underwriter

Aneta Stloukalová
Assistant Underwriter

Olaf Dietrich
Head of Department

MEET OUR TEAM

Underwriting – Non-Life Treaty

Alexander Melnik
Treaty Underwriter

Alena Pak
Assistant Underwriter

Petko Koev
Treaty Underwriter

MEET OUR TEAM

Underwriting – Non-Life Treaty

Jakub Šandera	**Adéla Stollinová**	**Marek Polec**	**Petr Štěpán**
Assistant Underwriter	Assistant Underwriter	Treaty Underwriter	Treaty Underwriter

MEET OUR TEAM

Underwriting – Non-Life Facultative

Petr Mareš	**Monika Půhoná**	**Lukáš Srp**	**Jan Hynek**
Facultative Underwriter	Associate Facultative Underwriter	Facultative Underwriter	Assistant Underwriter

MEET OUR TEAM

Underwriting – Life

Eva Vrbková
Underwriter

Martin Tesařík
Associate Underwriter

MEET OUR TEAM

Underwriting – Accident & Health

Ondřej Roztomilý
Underwriter

Anna Vedyushenko
Assistant Underwriter

MEET OUR TEAM

Retrocession

Michal Teplý
Retrocession Specialist

Tomáš Benko
Retrocession Associate

MEET OUR TEAM

Actuarial Analytics

Marek Krajča
Associate Non-Life Actuary

Michal Bošeľa
Non-Life Actuary

Iveta Macho
Life Actuary

Jan Hrevuš
Head of Department

MEET OUR TEAM

Financial, Accounting & Claims

Tina Kubes
Claims Specialist

Petra Vrkočová
Accounting Specialist

Milan Přibyl
Head of Department

MEET OUR TEAM

Financial, Accounting & Claims

Ondřej Broukal
Accounting Specialist

Silwia Krause
Accounting Specialist

Lucie Holomelová
Accounting Specialist

Nikola Roubalová
Accounting Specialist

MEET OUR TEAM

Operations – Board Office

Zuzana Nulíčková
Compliance Officer

Lukáš Dvořák
Risk Manager

Lenka Havránek Malenková
Head of Department

MEET OUR TEAM

Operations – Board Office

Markéta Musilová
Board Office Coordinator

Barbora Labíková
Assistant to the Board

Natálie Karanová
Assistant to the Board

Zuzana Bendová
Assistant to the Board

MEET OUR TEAM

Operations – Controlling

Kateřina Valášková
Controlling Associate

Jakub Věříš
Controlling Specialist

MEET OUR TEAM

Operations – Business Processes

José Francisco Felío-Montes
Business Processes Manager

Luboš Machata
Business Processes Assistant

Katarína Bartošová
Administrative Support

Kamil Kováč
Business Processes Associate

Martina Lefkaničová
Administrative Support

Ondřej Hyneš
Business Processes Associate & Data Architect

Putting Risk in a Different Light

Our closeness to markets and prudent underwriting, together with thorough risk management, robust capitalisation, and sound liquidity, generate the power behind our quality reinsurance services.

Services

Non-Life Reinsurance

- **Property and Casualty Treaty**
  - Property
  - Engineering
  - Motor Third-Party liability
  - Motor Own Damage
  - General Third-Party Liability
  - Marine
- **Property and Engineering Facultative**
- **Casualty Facultative**

Accident and Health Reinsurance

- Personal Accident Treaty
- Health Treaty
- Personal Accident Facultative
- Health Facultative

Life Reinsurance

- Life Treaty
- Life Facultative

Underwriting Territories

Energizing the Market in Central and Eastern Europe

- PRAGUE HEADQUARTERS
- BELGRADE SUBSIDIARY WIENER RE
  www.wienerre.rs

A Guiding Light

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

Stringing the Lights

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

Plugging in the Cord

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

Powering Up

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

Charged by Our Values

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

1

Ethical Behaviour

Respect, integrity and transparency are our fundamental principles

2

Stability and Security

We are in for the long haul

3

Performance Matters

We grow our profits through expertise

4

Professional Infrastructure

We invest in smart tools without over-engineering

5

People development

We create an environment in which people take responsibility

6

Colourful Company Culture

We add freshness to reinsurance

Market Overview

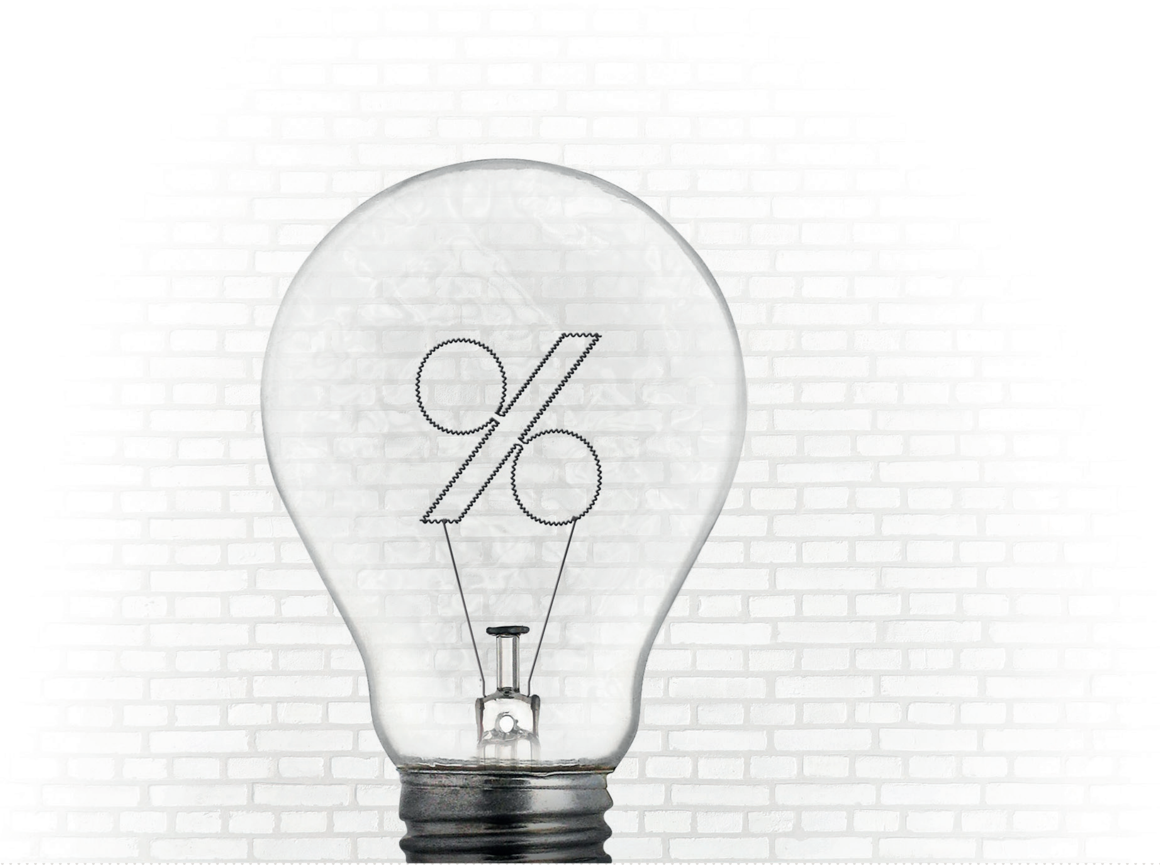
Macroeconomics

The majority of international economic research institutes predict continued growth for the economies of Central and Eastern Europe, which should benefit from the various European infrastructure and regional development programs. Especially for major economies such as Poland (+3.5%) and Czech Republic (+2.4%), WIIW (Wiener Institut für Internationale Wirtschaftsvergleiche) forecasts an acceleration in growth, which has recently been hampered by the sluggish economic development of Western European economies. In addition, for Hungary, the outlook is now more positive and growth – after two challenging years – is expected to recover by 0.6 percentage points to 2.6%. The institute expects only three CEE countries to experience a slowdown in growth in 2017, namely Romania (2017: +3.5%), Turkey (2017: +3.0%) and Slovakia (2017: +3.1%), all countries that already have shown robust growth in 2016. Smaller CEE countries such as Bulgaria (+3%), Croatia (+2.7%) or Baltic states (avg. + 2.5%) are expected to grow at slightly slower, but stable rates.

Global Challenges

Amongst the biggest challenges lying ahead are the continuous global uncertainties and the cohesion of the European Union. In 2016, the decision of the UK to exit the European Union, as well as the outcome of the presidential elections in the US, with its subsequent change of policy, has taken many by surprise. The outcome of various major elections in European countries in 2017 remains to be seen. Obviously, the re-nationalisation of global and European economies will also have an impact on the international terms of trade. The global economy will likely be impacted by the US Fed's quantitative easing coming to an end. As a consequence, the first signs of increasing yields on bond markets can be observed and commodity prices, such as crude oil, remain at persistent low.

Financial markets are expected to show a high level of volatility.



Outlook

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 macroeconomic 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 still often lag behind.

Emerging Landscape

In addition to the above political and economic factors, the evolving risk landscape is impacted by the global technology trends of rapid digitalization and automation. While these represent emerging risks, it should be emphasized that these trends ultimately may represent significant opportunities for reinsurance to extend its value proposition and further improve the efficiency of the industry.
The health insurance and reinsurance fields are poised to become one of the most rapidly evolving segments in the CEE region in the future and VIG Re is ready to offer reinsurance protection and services to meet the rising demand. VIG announced that the health sector will be one of its strategic priorities in the next year and VIG Re is taking an active role in the execution of the Group strategy.

VIG Re Strategy 2020

Although VIG Re, in the first years after its foundation, focused on accepting business from VIG companies, from the beginning it has built a value proposition for clients outside of VIG Group. As a result, third-party business has been gaining momentum since 2013. While still adhering to the same underwriting areas, VIG Re has been gradually building its franchise beyond VIG core insurance markets, such as Germany, Italy, Russia and Turkey. As part of its revised strategy, VIG Re aims to strengthen its underwriting activities in Germany and to enter additional, mainly continental European, markets in a careful and controlled way. There, VIG Re will focus on those business segments and client relations that provide opportunities for profitable and sustainable growth with selected clients. In combination with the further development of its established business segments, the Company is aiming to grow its underwriting profits by 10% annually until 2020. The focus on underwriting results will enable the Company to offset the forecasted lower ordinary investment results driven by the continued low-interest environment.

Strict Underwriting and Investment Discipline

Terms and conditions for most lines of reinsurance business have been developing in favour of reinsurance buyers in recent years, mainly driven by an abundance of capital in the reinsurance industry and relative benign loss activity. VIG Re expects that reinsurance market terms will stabilize on the current level. The continued 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. While interest rates on bonds appear to slowly be picking up, interest rates remain at a historically low level and equity markets show significant volatility. In this context, focus on underwriting profitability and continued strict underwriting discipline remain key.

In 2017 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, the broad risk solutions across all main lines of business, and the strong financial security that are crucial for seizing opportunities in this emerging landscape.

ANNUAL REPORT 2016

Financial Statements

VIG Re

Auditor's Report

KPMG

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Czech Republic
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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.

Opinion

We have audited the accompanying financial statements of VIG RE zajišťovna, a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note A.1. to these financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, 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.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Financial Statements

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

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and Audit Committee are responsible for the oversight of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of VIG RE zajišťovna, a.s. as at 31 December 2016, based on which this independent auditor's report has been prepared.

Prague
13 April 2017

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 2016

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STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2016

ASSETS		2016	2015
In EUR '000			
Intangible assets	**F.1**	**1 765**	**1 112**
Property, plant and equipment	**F.2**	**252**	**72**
Investment in subsidiaries	**F.3**	**6 722**	**6 722**
Financial investments	**F.4**	**443 022**	**438 557**
Financial assets held to maturity		128 446	137 228
Financial assets available for sale		173 084	161 812
Loans – Term deposits		423	1 211
Deposits due from cedents		141 069	138 306
Trade and other receivables	**F.5**	**56 565**	**47 991**
Ceded share of reinsurance liabilities	**F.6**	**210 687**	**206 815**
Deferred tax assets	**F.7**	**53**	**0**
Current tax assets	**F.24**	**0**	**275**
Other assets	**F.8**	**249**	**434**
Deferred acquisition costs	**F.9**	**4 390**	**4 168**
Cash and cash equivalents	**F.10**	**7 300**	**2 531**
Total ASSETS		**731 005**	**708 677**

EQUITY AND LIABILITIES			
Shareholders' equity	**F.11**		
Share capital		101 958	101 958
Other components of equity		5 367	2 310
Retained earnings		31 470	30 517
Total EQUITY		**138 795**	**134 785**
Reinsurance liabilities		**521 138**	**501 225**
Unearned premiums	**F.12**	20 896	18 020
Outstanding claims	**F.13**	368 747	352 435
Life reinsurance provision	**F.14**	131 495	130 770
Payables	**F.15**	**68 429**	**71 593**
Deferred tax liabilities	**F.7**	**0**	**9**
Current tax liabilities	**F.25**	**1 399**	**0**
Other liabilities	**F.16**	**1 244**	**1 065**
Total LIABILITIES		**592 210**	**573 892**
Total EQUITY AND LIABILITIES		**731 005**	**708 677**

INCOME STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2016

Income Statement	Notes	2016	2015
In EUR '000			
Premiums	F.17		
Premiums written – Gross		383 058	357 748
Premiums written – Ceded		-160 976	-150 728
Premiums written – Retention		**222 082**	**207 020**
Change due to provision for premiums – Gross		-4 612	-199
Change due to provision for premiums – Ceded		4 894	-932
Net earned premiums		**222 364**	**205 889**
Investment and interest income		13 736	17 211
Investment and interest expenses		-2 457	-810
Total investment result	F.18	**11 279**	**16 401**
Other income	F.19	**1**	**12**
Claims and insurance benefits	F.20		
Expenses for claims and insurance benefits – Gross		-205 699	-184 566
Expenses for claims and insurance benefits – Ceded		79 205	55 135
Claims and insurance benefits – retention		**-126 494**	**-129 431**
Change in claims and other reinsurance liabilities – Gross		-10 895	-55 233
Change in claims and other reinsurance liabilities – Ceded		-2 020	41 815
Total expenses for claims and insurance benefits		**-139 409**	**-142 849**
Acquisition expenses			
Commission expenses	F.21	-91 056	-70 740
Other acquisition expenses		-1 313	-939
Change in deferred acquisition expenses	F.21, F.22	186	854
Commission income from retrocessionaires	F.22	24 239	17 446
Reimbursement of administrative cost	F.22	983	0
Total acquisition expenses		**-66 961**	**-53 379**
Other operating expenses	F.23	**-3 903**	**-3 419**
Other expenses	F.24	**-1 092**	**-343**
Profit before taxes		**22 279**	**22 312**
Tax expense	F.25	**- 5 251**	**- 3 400**
Profit for the period		**17 028**	**18 912**
Attributable to owners of the Company		**17 028**	**18 912**
Attributable to owners of non-controlling interest			

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 31 DECEMBER 2016

Statement of comprehensive income	2016			2015		
In EUR ‘000	Gross	Tax *)	Net	Gross	Tax *)	Net
Profit for the period	**22 279**	**- 5 251**	**17 028**	**22 312**	**- 3 400**	**18 912**
Other comprehensive income						
Gains (losses) recognized in equity – Available for sale financial assets	3 774	-717	3 057	-4 509	857	-3 652
Other comprehensive income for the year	**3 774**	**-717**	**3 057**	**-4 509**	**857**	**-3 652**
Comprehensive income for the period	**26 053**	**-5 968**	**20 085**	**17 803**	**-2 543**	**15 260**

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

SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2016

	Share capital	Available for sale reserve	Legal and statutory reserves	Retained earnings	Shareholders' equity
In EUR '000					
As of 1 January 2016	101 958	2 310	0	30 517	134 785
Total comprehensive income for the period		3 057		17 028	20 085
Dividends				-16 075*	-16 075
As of 31 December 2016	**101 958**	**5 367**	**0**	**31 470**	**138 795**

	Share capital	Available for sale reserve	Legal and statutory reserves	Retained earnings	Shareholders' equity
In EUR '000					
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**	**0**	**30 517**	**134 785**

* dividend per share was EUR 643 (in 2015: EUR 565)

CASH FLOW STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2016

Cash flow statement	Notes	2016	2015
In EUR '000			
Profit before taxes		**22 279**	**22 312**
Adjustments to profit before taxes			
- interest and other investment income		- 6 788	-11 740
- exchange differences		247	-67
- depreciation		398	335
- change in deferred acquisition costs		-222	-907
- dividends		-913	-469
Cash flows from operating activities			
Change in reinsurance liabilities		19 913	49 554
Change in ceded share of reinsurance liabilities		- 3 872	-40 380
Change in receivables		-8 574	-2 475
Change in deposits due from cedents and Loans – Term deposits		-1 975	-1 286
Change in payables		-3 164	3 987
Change in other assets and liabilities		364	136
Income tax paid		-4 286	-6 464
Net cash flow from operating activities		**13 407**	**12 536**
Cash flows from investing activities			
Interest received		9 148	8 842
Dividends received		851	447
Payment for acquisition of intangible assets and property, plant and equipment		-1 010	-288
Cash proceeds from the sale of intangible assets and property, plant and equipment		-215	7
Payment for acquisition of available for sale financial assets		-44 322	-121 465
Cash proceeds from the sale of available for sale financial assets		34 527	88 398
Cash proceeds from the maturity/sale of held to maturity financial assets		8 511	19 243
Net cash flow from investing activities		**7 490**	**-4 816**
Cash flows from financing activities			
Dividend payment		-16 075	-14 128
Net cash flow from financing activities		**-16 075**	**-14 128**
Net change in cash and cash equivalents		**4 822**	**-6 408**
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at beginning of period		**2 531**	**8 724**
Foreign currency translation differences on cash balances		-53	215
Net change in cash and cash equivalents		4 822	-6 408
Cash and cash equivalents at end of period		**7 300**	**2 531**

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-making body. 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	
	2016	2015	2016	2015	2016	2015	2016	2015
In EUR '000								
Premiums written – Gross	339 329	316 718	24 708	21 602	19 021	19 428	383 058	357 748
Premiums written – Ceded	-156 872	-148 565	-1 421		-2 683	-2 163	-160 976	-150 728
Change due to provision for premiums – Net	106	- 1 364	-46	-13	222	246	282	-1 131
1. Net earned premiums	**182 563**	**166 789**	**23 241**	**21 589**	**16 560**	**17 511**	**222 364**	**205 889**
Interest revenue	7 911	7 303	6	6	5 224	5 203	13 141	12 512
Other income and expense from investments	-1 542	3 995	-1	3	-319	-109	-1 862	3 889
2. Investment result	**6 369**	**11 298**	**5**	**9**	**4 905**	**5 094**	**11 279**	**16 401**
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities– Gross	-195 855	-222 104	-4 813	-1 194	-15 926	-16 501	-216 594	-239 799
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	74 363	96 664	1 748		1 074	286	77 185	96 950
3. Claims and insurance benefits	**-121 492**	**-125 440**	**- 3 065**	**- 1 194**	**-14 852**	**-16 215**	**-139 409**	**-142 849**
Commission expenses including change in deferred acquisition expenses	-78 657	-56 681	-7 732	-9 424	-3 892	-3 781	-90 281	-69 886
Other acquisition expenses	-974	-699	-71	-48	-268	-192	-1 313	-939
Commission income from retrocessionaires including change in deferred acquisition revenues	22 286	16 176	0	0	1 364	1 270	23 650	17 446
Reimbursement of administrative cost	983	0	0	0	0	0	983	0
4. Acquisition expenses	**-56 362**	**-41 204**	**-7 803**	**-9 472**	**-2 796**	**-2 703**	**-66 961**	**-53 379**
Operating profit measured on the segment basis	**11 078**	**11 443**	**12 378**	**10 932**	**3 817**	**3 687**	**27 273**	**26 062**
5. Other operating expenses	**-2 989**	**-2 626**	**-217**	**-179**	**-697**	**-614**	**-3 903**	**-3 419**
Operating profit	**8 089**	**8 817**	**12 161**	**10 753**	**3 120**	**3 073**	**23 370**	**22 643**
6. Other income							**1**	**12**
7. Other expenses							**-1 092**	**-343**
Profit before tax							**22 279**	**22 312**
Income tax							**-5 251**	**-3 400**
Profit after tax							**17 028**	**18 912**

Investment result was allocated among individual segments based on the balance of reinsurance liabilities as of 31 December 2016.

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 2016:

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 2016 as follows:

Chairman:	Johannes Martin Hartmann
Member:	Dušan Bogdanović
Member:	Ivana Jurčíková (since 1 September 2016)

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 2016 were as follows:

Chairman:	Karl Fink
Vice-Chairman:	Wolfgang Eilers (until 31 December 2016)
Vice-Chairwoman:	Elisabeth Stadler
Member:	Peter Höfinger
Member:	Gary Wheatley Mazzotti
Member:	Vladimír Bakeš
Member:	Peter Thirring

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 European Union (EU) in accordance with the IAS Regulation (EC 1606/2002).

The management has reviewed those standards and interpretations adopted by the EU since the date of issue of the financial statements that were not effective at that date. An assessment of the expected impact of these standards and interpretations on the Company is shown in note C.

A.3. Basis of preparation

Based on the current legislation (563/Sb.1991, § 19a/7), the Company keeps accounts and prepares these separate financial statements in accordance with IFRS (as adopted by the EU – refer to A.2.).

The financial statements are presented in the functional currency of the Company in euros (EUR), rounded to the nearest thousand (TEUR or EUR '000).

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	5
Other tangible assets and equipment	4 – 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 2016.

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.

Standards not yet in force

IFRS 9 Financial Instruments (2014)

(Generally effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.)

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management.

The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding an entity’s risk management and hedging activities are required.

It is expected that the new Standard, when initially applied, will have a significant impact on the financial statements, since the classification and the measurement of the Entity’s financial instruments are expected to change.

At this stage it is still unclear what portion of the Entity’s debt securities will be measured at FVTPL, at FVOCI or amortized cost as this determination will depend on the outcome of the business model test. It is expected that a significant portion of debt securities will be reclassified under IFRS 9 either into or out of FVOCI.

It is also possible that a number of equity instruments currently classified as available for sale will be measured at FVTPL under IFRS 9, but this determination will depend on an election to be made by the entity at the date of initial application – that is 1 January 2018. The Entity has not yet decided how it will classify these instruments.

The entity is not yet able to quantify the expected impact that the initial application of IFRS 9 will have on its IFRS statements.

IFRS 15 Revenue from contracts with customers

(Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.)

Clarifications to IFRS 15 Revenue from Contracts with Customers is not yet endorsed by the EU but IFRS 15 Revenue from Contracts with Customers including Effective Date of IFRS 15 have been endorsed by the EU.

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity’s performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Entity’s financial statements, management does not expect that the new Standard, when initially applied, will have material impact on the Entity’s financial statements. The timing and measurement of the Entity’s revenues are not expected to change under IFRS 15 because of the nature of the Entity’s operations and the types of revenues it earns.

IFRS 16 Leases

(Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.)

This pronouncement is not yet endorsed by the EU.

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value (‘small-ticket’ leases).

Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained.

The Entity does not expect that the new Standard, when initially applied, will have material impact on the financial statements as the Entity is party to a contractual arrangement that would be in the scope of IFRS 16, which are not significant to the whole business model of the Entity.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

(Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively. Early application is permitted.)

This pronouncement is not yet endorsed by the EU.

The amendments clarify share-based payment accounting on the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

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 because the Entity does not enter into share-based payment transactions.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

(Effective for annual periods beginning on or after 1 January 2021; to be applied prospectively.)

This pronouncement is not yet endorsed by the EU.

The amendments address concerns arising from implementing IFRS 9 before implementing the replacement standard that the IASB is developing for IFRS 4. The amendments introduce two optional solutions. One solution is a temporary exemption from IFRS 9, effectively deferring its application for some insurers. The other is an overlay approach to presentation to alleviate the volatility that may arise when applying IFRS 9 before the forthcoming insurance contracts standard.

The Entity, as an insurance provider, intends to apply the exemption from adopting IFRS 9 and therefore does not expect any material impact on the financial statements of the Entity.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

(The effective date has not yet been determined by the IASB, however earlier adoption is permitted.)

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Entity does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Entity has no associates or joint ventures.

Amendments to IAS 7

(Effective for annual periods beginning on or after 1 January 2017, to be applied prospectively. Early application is permitted.)

This pronouncement is not yet endorsed by the EU.

The amendments require new disclosures that help users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as the effect of foreign exchange gains or losses, changes arising for obtaining or losing control of subsidiaries, changes in fair value).

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 12: Recognition of Deferred Tax Assets for Unrealised Losses

(Effective for annual periods beginning on or after 1 January 2017; to be applied prospectively. Early application is permitted.)

This pronouncement is not yet endorsed by the EU.

The amendments clarify how and when to account for deferred tax assets in certain situations and clarify how future taxable income should be determined for the purposes of assessing the recognition of deferred tax assets.

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 because the Entity already measures future taxable profit in a manner consistent with the Amendments.

Amendments to IAS 40 Transfers of Investment Property

(Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively.)

This pronouncement is not yet endorsed by the EU.

The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 Investment Property to specify that such a transfer should only be made when there has been a change in use of the property. Based on the amendments a transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

The Entity does not expect that the amendments will have a material impact on the financial statements because the Entity does not have investment property.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

(Effective for annual periods beginning on or after 1 January 2018.)

This pronouncement is not yet endorsed by the EU.

The Interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Entity does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Entity uses the exchange rate on the transaction date for the initial recognition of the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

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 Company calculates not only the IBNR on the estimated mean level, but also calculates an additional margin IBNR. The margin IBNR reflects the historical volatility embedded in the claims triangles and also serves as a security cushion balancing the uncertainty of estimations of the assumptions parameters.

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

Expected claims ratio - The expected claims ratio is an estimated mean value which represents the ratio of expected ultimate claims incurred to premiums earned. The expected claims ratio is estimated for each and every reinsurance acceptance on an individual basis.

Reporting patterns – the reporting patterns used for ILR reserving methodology are calculated on aggregated claims triangles. Each triangle is created for a homogenous group of reinsurance contracts with minimum split per Solvency II line of business.

Due to the structure of the retrocession program the Company is protected against significant impact of changes in these key assumptions.

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 net of reinsurance. The best estimate net of reinsurance is compared to the IFRS reserve net of IFRS DAC and net of reinsurance. The best estimate net of reinsurance is calculated as Statutory Reserve net of statutory DAC and reinsurance less present value of future profits (gross of tax). Present value of future profits is calculated under the Market Consistent Embedded Value calculation.

Any excess of best estimate over the IFRS reserve net of IFRS DAC and reinsurance leads to a LAT requirement.

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 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 based on the Cost Sharing Agreement. The responsibilities for the risk categories are allocated as follows:

Actuarial Analytics: Underwriting risks are managed by internal resources of VIG Re. The Actuarial Analytics and Underwriting departments subject all reinsurance solutions to in-depth actuarial analysis covering all classes of the reinsurance business (life, health, property/casualty).

Risk management: 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: Operations 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 2016 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 frequency of large losses (for example Fire, Terrorism) and unknown accumulations (for example business interruption, CBI) are significant factors which can increase claims significantly. In respect of natural catastrophe 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 damages 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 management.

Life

For contracts where death is the insured risk, the most significant factors that could increase the overall mortality risk are pandemics or 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 company's life portfolio currently no annuities with current payments are included, and therefore the risk of increase in longevity is not evident. Concerning the insured death risks, the risk rates used are prudent and adequate. Due to these margins, profit commission rules are in most of the cases included in reinsurance treaties to share parts of the expected positive underwriting results with the cedent.

Health

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

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements, and proactive claims management. The company's health portfolio consists only of health contracts which are providing cover on a yearly basis.

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 MIO EUR, and the retention per event of loss due to natural catastrophe is less than 20 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, Germany, Italy, Turkey 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 primarily in CEE region, Austria, 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. Management believes that it has sufficient internal data to reliably assess the creditworthiness of the companies. The majority of premium received is from companies within VIG.

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 2016	2015	Other financial assets 2016	2015
In EUR '000				
Individually impaired:				
Gross amount	737	0	0	0
Carrying amount	358	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	90	815	0	0
31 days to 90 days after maturity	3 734	3 845	0	0
91 days to 180 days after maturity	3 156	3 313	0	0
181 days to 1 year after maturity	591	4 196	0	0
1 year to 2 years after maturity	2 356	572	0	0
Neither past due nor impaired – carrying amount	**46 280**	**35 250**	**661 009**	**647 903**
Total carrying amount	**56 565**	**47 991**	**661 009**	**647 903**

Receivable from broker Reunion AG has been impaired in 2016 due to financial difficulties of the company. Board of Directors believes that the due amounts will be paid, however decided to account for 50% impairment as a prudent approach.

The credit quality of neither past due nor impaired financial assets is monitored per individual case. The Company closely monitors each counter party and evaluates its credit quality. The majority of premiums received are from companies within VIG (see the related party disclosures F.26.) and therefore the Company has enough information to evaluate the quality of the counterparty.

Cash and cash equivalents are neither individually nor collectively impaired.

Credit risk exposure			2016			
Standard & Poor's rating	**AAA**	**AA**	**A**	**B / BB / BBB**	**No Rating**	**Carrying value in balance sheet**
in EUR '000						
Financial investments*	35 539	45 001	153 968	21 366	46 079	301 953
Deposits due from cedents	0	95 586	45 480	0	3	141 069
Cash and cash equivalents	0	0	0	0	7 300	7 300
Receivables from reinsurance and ceded share of reinsurance liabilities	1 156	124 025	114 785	2 491	24 500	266 957
Other receivables	0	0	0	0	295	295
Total	**36 695**	**264 612**	**314 233**	**23 857**	**78 177**	**717 574**
In %	*5.11*	*36.88*	*43.79*	*3.32*	*10.90*	*100*

* Except for deposits due from cedents

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

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:			2016			
	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	**26 933**	**160 387**	**139 671**	**66 424**	**49 607**	**443 022**
Financial assets held to maturity	7 915	92 976	27 555	0	0	128 446
Financial assets available for sale	3 988	39 614	77 339	2 536	49 607	173 084
Loans – Term deposits	0	423	0	0	0	423
Deposit due from cedents *	15 030	27 374	34 777	63 888	0	141 069
Receivables from reinsurance	**56 270**	**0**	**0**	**0**	**0**	**56 270**
Ceded share of reinsurance liabilities *	**91 630**	**43 269**	**43 456**	**32 332**	**0**	**210 687**
Cash and cash equivalents	**7 300**	**0**	**0**	**0**	**0**	**7 300**
Other receivables	**295**	**0**	**0**	**0**	**0**	**295**
Total	**182 428**	**203 656**	**183 127**	**98 756**	**49 607**	**717 574**

*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.

			2016		
	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*	**195 743**	**116 171**	**100 865**	**108 359**	**521 138**
Unearned premiums	20 896	0	0	0	20 896
Outstanding claims	164 985	89 872	67 991	45 899	368 747
Life reinsurance provision	9 862	26 299	32 874	62 460	131 495
Payables	65 228	709	1 349	1 143	68 429
Tax liabilities	1 399	0	0	0	1 399
Other liabilities	1 244	0	0	0	1 244
Total	**263 614**	**116 880**	**102 214**	**109 502**	**592 210**

*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:			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 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:			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
Payables	**69 272**	**513**	**957**	**851**	**71 593**
Other liabilities	**1 065**	**0**	**0**	**0**	**1 065**
Total	**258 997**	**112 384**	**96 079**	**106 423**	**573 883**

*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 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:

		2016	
Currency	**Total Assets**	**Total Liabilities**	**Net Amount**
In EUR '000			
EUR	648 441	496 398	152 043
PLN	21 900	27 080	-5 180
USD	20 867	19 524	1 343
CZK	16 146	21 151	-5 005
TRY	12 801	15 612	-2 811
Other	10 850	12 445	-1 595
Total	**731 005**	**592 210**	**138 795**

A 10% negative movement in exchange rates against EUR can cause a total profit of 1 325 TEUR.

Such a EUR/CZK change can cause a profit of 500 TEUR, and in EUR/PLN a profit of 518 TEUR.

		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**

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.

2016	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%	914	3 074	13 316	26 299	79 874	0	123 477
Financial assets available for sale – investment funds and shares in other related parties		0	0	0	0	0	49 607	49 607
Financial assets held to maturity – debt securities	4,41%	0	7 915	41 803	51 174	27 554	0	128 446
Loans – Term deposits	6,3%	0	0	0	423	0	0	423
Deposit due from cedents	3,52%	0	15 030	27 374	0	98 665	0	141 069
Cash and cash equivalents		7 300	0	0	0	0	0	7 300
Total financial assets		**8 214**	**26 019**	**82 493**	**77 896**	**206 093**	**49 607**	**450 322**

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**

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.

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 parametric 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	2016	2015
In EUR '000		
Market value of portfolio	331 688	327 402
Historical VaR 60d; 99%	8 703	6 770
Relative VaR (%) 60d; 99%	2,62%	2,07%

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	2016	2015
In EUR '000		
Market value of portfolio	164 382	155 038
Historical VaR 60d; 99%	5 515	4 415
Relative VaR (%) 60d; 99%	3,35%	2,85%

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 19 336 TEUR or 8 969 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. 306/2016 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 industry’s lead regulator is the Czech National Bank, which sets and monitors the capital requirements for the Company.

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 II principles, which replaced the system of regulatory capital calculation - Solvency I in 2016.

F. NOTES ON THE FINANCIAL STATEMENTS

F.1. INTANGIBLE ASSETS

Intangible assets	2016	2015
In EUR '000		
Software and licenses	1 765	1 112
Total intangible assets	**1 765**	**1 112**

2016	Software	License	Other intangible assets	Total
In EUR '000				
Balance as of 1 January	394	1 738	498	2 630
Additions	30	40	947	1 017
Balance as of 31 December	**424**	**1 778**	**1 445**	**3 647**
Balance as of 1 January	344	1 026	148	1 518
Amortization	28	182	154	364
Balance as of 31 December	**372**	**1 208**	**302**	**1 882**
Book value as of 1 January	**50**	**712**	**350**	**1 112**
Book value as of 31 December	**52**	**570**	**1 143**	**1 765**

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**

F.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment – 2016	Vehicles	Other	Total
In EUR '000			
Balance as of 1 January	**74**	**143**	**217**
Additions	0	215	215
Disposals	0	0	0
Balance as of 31 December	**74**	**358**	**432**
Balance as of 1 January	**66**	**79**	**145**
Depreciation	8	27	35
Disposals	0	0	0
Balance as of 31 December	**74**	**106**	**180**
Book value as of 1 January	**8**	**64**	**72**
Book value as of 31 December	**0**	**252**	**252**

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**

F.3. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries	31.12.2016	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	31.12.2015	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			
Wiener Re a.d.o. Serbia	22.7.2010	20 445	14 137
Total		**20 445**	**14 137**

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

F.4. FINANCIAL INVESTMENTS

Financial investments	2016	2015
In EUR '000		
Available for sale financial assets	173 084	161 812
Held to maturity financial assets	128 446	137 228
Loans and receivables	141 492	139 517
Total	**443 022**	**438 557**

F.4.1. Financial assets available for sale

Financial assets available for sale	2016	2015
In EUR '000		
Debt securities		
Government bonds	97 699	103 243
Covered bonds	10 406	8 277
Corporate bonds	6 210	0
Bonds from banks	9 162	3 867
Investment funds	44 604	41 422
Shares in other related parties	5 003	5 003
Total	**173 084**	**161 812**

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

Amortized value - 2016	Amortized value/ Purchase price	FX differences	Unrealized gains or losses	Impairment	Fair value
Debt securities	118 965	-382	4 894		123 477
Investment funds	42 872		1 732		44 604
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	157 382	6 019	9 683		173 084

Amortized value - 2015	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. Increase in the category during the period is attributable to the purchase of new bonds with the fair value of 4 680 TEUR as at 31 December 2016.

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	2016	2015
In EUR '000		
Debt securities		
Government bonds	117 714	126 481
Corporate bonds	10 732	10 747
Total	**128 446**	**137 228**

Financial assets held to maturity - 2016	Carrying amount	Fair value
In EUR '000		
Debt securities		
Government bonds	117 714	133 377
Corporate bonds	10 732	12 564
Total	**128 446**	**145 941**

Financial assets held to maturity - 2015	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**

All financial assets held to maturity are allocated to the Level 1 of the fair value hierarchy.

F.4.3. Loans and deposits

Loans and deposits	2016	2015
In EUR '000		
Loans – Term deposits	423	1 211
Deposits due from cedents	141 069	138 306
Total	**141 492**	**139 517**

Deposits due from cedents in relation to reinsurance liabilities			
In EUR '000			
Assets		**Liabilities**	
Deposits due from cedents	141 069	Unearned premiums	5 085
		Outstanding claims	4 489
		Life reinsurance provision	131 495
Total gross	**141 069**		**141 069**

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 during the period 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	**2016**	**2015**
In EUR '000		
Receivables arising out of assumed reinsurance – cedents	33 861	35 678
Receivables arising out of reinsurance operations – retrocession	22 788	11 889
Trade and other receivables	9	7
Prepayments	286	417
Total gross	**56 944**	**47 991**
Impairment	379	0
Total net	**56 565**	**47 991**

F.6. CEDED SHARE OF REINSURANCE LIABILITIES

Ceded share of reinsurance liabilities	**2016**	**2015**
In EUR '000		
Unearned premiums	6 175	2 324
Outstanding claims	204 055	204 029
Life reinsurance provision – retrocession	457	462
Total	**210 687**	**206 815**

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	2016		2015	
Balance sheet position	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	0	4	0	5
Intangible assets	0	59	0	73
Provisions	116	0	69	0
Total	**116**	**63**	**69**	**78**
Net Balance	**53**			**9**

Movement in deferred tax	2016	2015
Net deferred tax assets/(liability) – opening balance	-9	-41
Deferred tax (expense)/income for the period	62	32
Net deferred tax asset/(liability) – closing balance	**53**	**-9**

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 (2015: 19%).

F.8. OTHER ASSETS

Other Assets	2016	2015
In EUR '000		
Prepaid expenses	249	434
Total	**249**	**434**

F.9. DEFERRED ACQUISITION COSTS

Development of DAC	2016	2015
In EUR '000		
Book value – opening balance	4 168	3 261
Costs deferred during the current year	3 407	3 616
DAC released during the current year	3 221	2 762
FX translation	36	53
Book value – closing balance	**4 390**	**4 168**

F.10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2016	2015
in '000 EUR		
Cash and cash equivalents	4	5
Cash at bank	7 296	2 526
Total	**7 300**	**2 531**

F.11. SHAREHOLDERS' EQUITY

Share capital	2016	2015
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 – 2016	Gross	Reinsurance	Net
In EUR '000			
Book value – opening balance	**18 020**	**2 324**	**15 696**
Premium written during the current year	383 058	160 976	222 082
Less premium earned during the current year	-378 446	-156 082	-222 364
Effect of clean cut	-1 819	-904	-915
FX translation	83	-139	222
Book value – closing balance	**20 896**	**6 175**	**14 721**

The Company booked portfolio entries of provisions as explained in B.24.

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**

F.13. OUTSTANDING CLAIMS

Provisions (RBNS, IBNR) – 2016	Gross	Reinsurance	Net
In EUR '000			
Book value – opening balance	**352 435**	**204 029**	**148 406**
Claims incurred and reported	215 859	77 191	138 668
Less claims paid	-205 699	-79 205	-126 494
Effect of clean cut	6 115	2 596	3 519
FX translation	37	-556	593
Book value – closing balance	**368 747**	**204 055**	**164 692**

Claims development table – Property/casualty on a gross basis	UY 2016	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	190 331	205 507	225 203	248 954	99 028	69 418	206 227	155 120	
One year later		236 188	251 289	257 699	115 795	82 973	214 401	175 798	
Two years later			237 267	254 582	115 588	79 040	217 175	177 081	
Three years later				249 393	112 777	75 586	209 765	167 027	
Four years later					109 294	74 521	206 395	161 648	
Five years later						74 039	206 019	159 069	
Six years later							204 691	156 883	
Seven years later								156 221	
Estimate of cumulative claims	190 331	236 188	237 267	249 393	109 294	74 039	204 691	156 221	1 457 424
Cumulative payment	76 732	147 507	184 667	220 461	86 660	56 010	175 354	141 577	1 088 968
Value recognized in balance sheet	**113 599**	**88 681**	**52 600**	**28 932**	**22 634**	**18 029**	**29 337**	**14 644**	**368 456**

The Company booked portfolio entries of provisions as explained in B.24. 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 (0.21 MIO EUR), life (2.84 MIO EUR) and FX differences (-2.76) are not included in the above table due to their relative insignificance.

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**

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.

F.14. LIFE REINSURANCE PROVISION

Life reinsurance provision	2016	2015
In EUR ‘000		
Gross	131 495	130 770
Retrocession	457	462
Net	**131 038**	**130 308**

Development in 2016	Gross	Reinsurance	Net
In EUR ‘000			
Book value – opening balance	130 770	462	130 308
Additions	725	0	725
Disposals	0	-5	-5
Book value – closing balance	**131 495**	**457**	**131 038**

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**

F.15. PAYABLES

Payables	2016	2015
In EUR '000		
Payables arising out of reinsurance operations – cedents	52 574	51 840
Payables arising out of reinsurance operations – retrocession	13 902	17 706
Trade payables	417	846
Wages and salaries	151	240
Social security and health insurance and tax payables	96	134
Other payables	1 289	827
Total	**68 429**	**71 593**

F.16. OTHER LIABILITIES

Other liabilities	2016	2015
In EUR '000		
Accruals	1 244	1 065
Total	**1 244**	**1 065**

F.17. PREMIUM

Premium written – Reinsurance premium	Property/Casualty 2016	Health 2016	Life 2016	Total 2016
In EUR '000				
Gross				
Austria	134 726	18 165	10 367	163 258
Czech Republic	46 005	0	56	46 061
Slovakia	23 239	0	1 060	24 299
Poland	20 439	0	477	20 916
Germany	18 280	1 524	1 800	21 604
Turkey	15 939	4 810	0	20 749
Romania	12 040	0	65	12 105
Hungary	7 485	0	341	7 826
Serbia	6 264	0	110	6 374
Croatia	6 064	0	4 195	10 259
Kazakhstan	4 206	69	0	4 275
Other*	44 642	140	550	45 332
Premium written	**339 329**	**24 708**	**19 021**	**383 058**
Retroceded premium	**-156 872**	**-1 421**	**-2 683**	**-160 976**
Premium written – Retained	**182 457**	**23 287**	**16 338**	**222 082**

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

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.

In 2016 the Company wrote premium of 305 452 TEUR from VIG Group companies and 77 606 TEUR from external parties (in 2015 285 705 TEUR from VIG Group companies and 72 043 TEUR from external parties).

Premium written – Reinsurance premium	Gross 2016	Ceded 2016	Net 2016
In EUR '000			
Property/Casualty			
MTPL	39 189	-20 779	18 410
Other motor vehicle reinsurance	33 727	-248	33 479
Casualty	7 201	-4 998	2 203
Liability	11 899	-1 116	10 783
Property	237 392	-123 204	114 188
Marine	9 921	-6 527	3 394
Premium written	**339 329**	**-156 872**	**182 457**

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**

F.18. INVESTMENT RESULT

Investment Income	2016	2015
In EUR '000		
Interest income		
Loans and term deposits	71	75
Deposits due from cedents	4 852	4 676
Financial investments held to maturity	5 581	5 792
Financial investments available for sale	2 637	1 969
Total current income	**13 141**	**12 512**
Gains from the disposal of financial investments		
Financial investments held to maturity	0	18
Financial investments available for sale	570	4 466
Loans and term deposits	13	0
Total gains from disposals of investments	**583**	**4 484**
Kick-back and other fees	**12**	**215**
Total	**13 736**	**17 211**

Investment Expense	2016	2015
In EUR '000		
Losses from disposal of investments	1 078	25
Management fees	752	378
FX losses	210	149
Interests from retrocession operations	417	258
Total	**2 457**	**810**

F.19. OTHER INCOME

Other income	2016	2015
In EUR '000		
Foreign currency gains	0	12
Income from sale of inventory	1	0
Total	**1**	**12**

F.20. CLAIMS AND INSURANCE BENEFITS

Expenses for claims and insurance benefits – 2016	Gross	Retrocession	Net
In EUR '000			
Property/casualty/health			
Expenses for insurance claims			
Claims and benefits	190 703	78 425	112 278
Changes in provision for outstanding claims	9 956	-2 314	12 270
Subtotal	**200 659**	**76 111**	**124 548**
Changes in other insurance liabilities	9	0	9
Total non-life expenses for claims and insurance benefits	**200 668**	**76 111**	**124 557**
Life			
Expenses for insurance claims			
Claims and benefits	14 996	780	14 216
Changes in provision for outstanding claims	204	299	-95
Subtotal	**15 200**	**1 079**	**14 121**
Changes in mathematical reserve	726	-5	731
Changes in other insurance liabilities	0	0	0
Total life expenses for claims and insurance benefits	**15 926**	**1 074**	**14 852**
Total	**216 594**	**77 185**	**139 409**

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**
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**

F.21. ACQUISITION EXPENSES

	2016			2015		
Commission expenses	Property/Casualty	Health	Life	Property/Casualty	Health	Life
in EUR '000						
Reinsurance commission – Fix	31 867	1 023	1 404	24 792	508	1 395
Reinsurance commission – Sliding scale	25 251	993	0	20 859	1 414	0
Reinsurance commission – Profit commission	21 988	5 694	2 836	11 616	7 441	2 715
Deferred acquisition expenses	-449	23	-349	-587	61	-328
Total	**78 657**	**7 733**	**3 891**	**56 680**	**9 424**	**3 782**

F.22. COMMISSION INCOME FROM RETROCESSIONAIRES

Commission income from retrocessionaires	2016	2015
In EUR '000		
Reinsurance commissions	23 585	16 862
Profit commissions	654	584
Reimbursement of administrative costs*	983	0
Deferred acquisitions revenues	-589	0
Total	**24 633**	**17 446**

* Reimbursement of administrative costs is paid by retrocessionaires in order to compensate VIG Re for the administration of the portfolio quota share reinsurance agreements.

F.23. OTHER OPERATING EXPENSES

Other operating expenses	2016	2015
in EUR '000		
Personnel expenses	2 094	1 961
Mandatory social security contributions and expenses	446	439
Depreciation of property, plant and equipment	34	32
Amortization of intangible assets	364	308
Rental expenses	169	164
Services	63	70
Allocation of receivable adjustments	379	0
Other administrative and IT expenses	354	445
Total	**3 903**	**3 419**

Management and employee statistics	2016	2015
Number of members		
Management – BoD	3	3
Other employees	49	37
Total	52	40

Personal expenses	2016	2015
in EUR '000		
Wages and salaries	2 065	1 945
Mandatory social security contribution expenses	446	439
Other social security expenses	29	16
Total	**2 540**	**2 400**

Board of Directors and Supervisory Board compensation	2016	2015
in EUR '000		
Board of Directors compensation	535	1 029
Supervisory Board compensation	51	32
Total	**586**	**1 061**

F.24. OTHER EXPENSES

Other expenses	2016	2015
in EUR '000		
Foreign currency losses	1 081	334
Gifts	9	9
Losses from disposal of inventory	2	0
Total	**1 092**	**343**

F.25. TAX EXPENSE

Tax expense	2016	2015
In EUR '000		
Current taxes		
- Actual taxes current period	5 230	4 315
- Actual taxes related to other periods	21	-904
Total current taxes	**5 251**	**3 411**
Deferred taxes (F.7)	**-62**	**-32**
Other income tax	**62**	**21**
Total taxes	**5 251***	**3 400***

* 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 2016 and 31 December 2015.

Tax rate reconciliation	2016	2015
In EUR '000		
Expected tax rate in %	19	19
Profit before tax	22 279	22 312
Expected tax expense	**4 233**	**4 239**
Adjusted for tax effects due to:		
- Tax exempt income	-707	-371
- Non-deductible expenses – other	1 460	380
- Income exempted from tax	0	0
- Expense exempted from tax	124	64
- Taxes from previous years	21	-904
- Changes in tax rates	0	0
Other adjustments	0	0
- FX differences**	120	-8
Income tax expense	**5 251**	**3 400**
Effective tax rate in %	23.57	15.24

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

F.26. RELATED PARTIES

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

F.26.1. Shareholders

Shareholders as of 31 December 2016:

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	2016	2015
In EUR '000		
Balance sheet		
Receivables	2 423	1 301
Outstanding claims	41 790	41 428
Liabilities	2 383	3 020
Income statement		
Premiums written	15 477	13 231
Change due to provision for premiums	-39	-52
Expenses for claims and insurance benefits	-10 093	-6 415
Change in claims and other reinsurance liabilities	180	-7 725
Commission expenses	-1 988	-1 508
Other operating expenses	-363	-351

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	2016	2015
In EUR '000		
Balance sheet		
Deposits due from cedents	369	342
Receivables	4 735	6 102
Unearned premiums	2 626	2 335
Premium reserve	369	342
Outstanding claims	52 136	51 184
Liabilities	20 414	16 371
Income statement		
Premiums written	74 830	77 291
Change due to provision for premiums	23	-220
Investment and interest income/expense	-25	-24
Expenses for claims and insurance benefits	-26 187	-29 075
Change in claims and other reinsurance liabilities	-556	-3 677
Commission expenses	-15 897	-10 283
Intergroup outsourcing	-541	-549

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

F.26.2. Subsidiaries

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

Transactions with subsidiaries	2016	2015
In EUR '000		
Balance sheet		
Receivables	817	888
Unearned premiums	546	605
Outstanding claims	2 319	1 626
Liabilities	324	355
Income statement		
Premiums written	6 205	6 020
Change due to provision for premiums	59	-323
Investment and interest income	465	211
Expenses for claims and insurance benefits	-3 532	-5 213
Change in claims and other reinsurance liabilities	-753	1 036
Commission expenses	-1 900	-1 636

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

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

Key management personnel are those persons 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.26.4. 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	2016	2015
In EUR '000		
Balance sheet		
Deposits due from cedents	48 673	43 353
Receivables	35 109	34 325
Unearned premiums	13 090	11 602
Premium reserve	39 190	37 661
Outstanding claims	132 813	131 985
Liabilities	54 898	55 697
Income statement		
Premiums written	200 601	186 794
Change due to provision for premiums	-4 127	-1 229
Miscellaneous earnings/expenditures of investment	-1 061	-1 368
Expenses for claims and insurance benefits	-115 593	-102 490
Change in claims and other reinsurance liabilities	9 031	- 11 055
Commission expenses	-57 127	-49 235

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

F.27. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	31.12.2016		31.12.2015	
Financial assets	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
In EUR '000				
Financial investments	**319 448**	**301 953**	**323 861**	**300 251**
Financial assets held to maturity	145 941	128 446	160 838	137 228
Financial assets available for sale	173 084	173 084	161 812	161 812
Loans – Term deposits	423	423	1 211	1 211
Receivables	**56 565**	**56 565**	**47 991**	**47 991**
Cash and cash equivalents	**7 300**	**7 300**	**2 531**	**2 531**
Total financial assets	**383 313**	**365 818**	**374 383**	**350 773**

Financial liabilities	Fair value	Carrying amount	Fair value	Carrying amount
Payables	68 429	68 429	71 593	71 593
Other liabilities	1 244	1 244	1 065	1 065
Total financial liabilities	**69 673**	**69 673**	**72 658**	**72 658**

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 141 069 TEUR (in 2015 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 are up to 1 year. Therefore, the fair value of these assets and liabilities represents their carrying amount.

F.28. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

F.28.1. Assumptions used in reinsurance liabilities

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

F.28.2. Impairment of loans and receivables

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

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

F.28.3. Income taxes

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

F.28.4. Fair value of financial instruments

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

F.28.5. Contract classification

When entering into an arrangement, certain judgement is used to determine the appropriate classification of the contracts entered in terms of 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.29. CONSOLIDATED STATEMENTS

Based on Act on Accounting No. 563/1991 Coll, as amended, par. 22aa, the Company does not have to prepare its consolidated financial statements, as the Company is fully consolidated by VIG holding. However, as in previous years, the Company would like to present its stakeholders basic consolidated figures. The stated figures represent the Company's calculation and serve only for illustrative purposes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2016

ASSETS	2016	2015
In EUR '000		
Intangible assets	**1 932**	**1 159**
Property, plant and equipment	**352**	**120**
Financial investments	**451 262**	**446 984**
Financial assets held to maturity	128 446	137 503
Financial assets available for sale	180 438	169 213
Loans – Term deposits	901	1 648
Deposits due from cedents	141 477	138 620
Trade and other receivables	**67 900**	**57 854**
Ceded share of reinsurance liabilities	**227 261**	**223 904**
Deferred tax assets	**53**	**0**
Current tax assets	**0**	**341**
Other assets	**1 647**	**1 650**
Deferred acquisition costs	**4 408**	**3 995**
Cash and cash equivalents	**7 717**	**2 794**
Total ASSETS	**762 532**	**738 801**

EQUITY AND LIABILITIES		
Shareholders' equity		
Shareholders' equity attributable to the Group	**139 084**	**135 039**
Share capital	101 958	101 958
Other components of equity	4 662	1 626
Retained earnings	32 464	31 455
Shareholders' equity attributable to minority interests	**48**	**48**
Total EQUITY	**139 132**	**135 087**
Reinsurance liabilities	**538 855**	**519 320**
Unearned premiums	28 429	25 440
Outstanding claims	378 911	363 109
Life reinsurance provision	131 495	130 770
Other	20	1
Provisions	**5**	**1**
Payables	**80 224**	**82 131**
Deferred tax liabilities	**2**	**22**
Current tax liabilities	**1 399**	**0**
Other liabilities	**2 915**	**2 240**
Total LIABILITIES	**623 400**	**603 714**
Total EQUITY AND LIABILITIES	**762 532**	**738 801**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2016

Income Statement	Notes	2016	2015
In EUR '000			
Premiums			
Premiums written – Gross		417 432	390 300
Premiums written – Ceded		-191 415	-179 467
Premiums written – Retention		**226 017**	**210 563**
Change due to provision for premiums – Gross		-4 463	-518
Change due to provision for premiums – Ceded		4 742	-679
Net earned premiums		**226 296**	**209 636**
Investment and interest income		14 152	17 453
Investment and interest expenses		-2 957	-913
Total investment result		**11 195**	**16 540**
Other income		**4**	**34**
Claims and insurance benefits			
Expenses for claims and insurance benefits – Gross		-217 783	-206 609
Expenses for claims and insurance benefits – Ceded		89 410	75 386
Claims and insurance benefits – retention		**-128 373**	**-131 223**
Change in claims and other reinsurance liabilities – Gross		-10 511	-45 380
Change in claims and other reinsurance liabilities – Ceded		-2 535	32 031
Total expenses for claims and insurance benefits		**-141 419**	**-144 572**
Acquisition expenses			
Commission expenses		-99 809	-78 641
Other acquisition expenses		-1 452	-1 075
Change in deferred acquisition expenses		329	1 049
Commission income from retrocessionaires		31 961	24 023
Reimbursement of administrative cost		983	0
Total acquisition expenses		**-67 988**	**-54 644**
Other operating expenses		**-4 496**	**-3 924**
Other expenses		**-1 188**	**-388**
Profit before taxes		**22 404**	**22 682**
Tax expense		**-5 317**	**-3 434**
Profit for the period		**17 087**	**19 248**
Attributable to owners of the Group		**17 083**	**19 244**
Attributable to owners of non-controlling interest		**4**	**4**

CONSOLIDATED INCOME STATEMENT BY LINES OF BUSINESS

INCOME STATEMENT	Property/Casualty		Health		Life		**Total**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
In EUR '000								
Premiums written – Gross	373 703	349 270	24 708	21 602	19 021	19 428	417 432	390 300
Premiums written – Ceded	-187 311	-177 304	-1 421	0	-2 683	-2 163	-191 415	-179 467
Change due to provision for premiums – Net	103	-1 430	-46	-13	222	246	279	-1 197
1. Net earned premiums	**186 495**	**170 536**	**23 241**	**21 589**	**16 560**	**17 511**	**226 296**	**209 636**
Interest revenue	7 837	7 137	6	6	5 224	5 203	13 067	12 346
Other income and expense from investments	-1 552	4 300	-1	3	-319	-109	-1 872	4 194
2. Investment result	**6 285**	**11 437**	**5**	**9**	**4 905**	**5 094**	**11 195**	**16 540**
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities– Gross	-207 555	-234 294	-4 813	-1 194	-15 926	-16 501	-228 294	-251 989
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	84 053	107 131	1 748	0	1 074	286	86 875	107 417
3. Claims and insurance benefits	**-123 502**	**-127 163**	**-3 065**	**-1 194**	**-14 852**	**-16 215**	**-141 419**	**-144 572**
Commission expenses including change in deferred acquisition expenses	-87 267	-64 387	-7 732	-9 424	-3 892	-3 781	-98 891	-77 592
Other acquisition expenses	-1 113	-835	-71	-48	-268	-192	-1 452	-1 075
Commission income from retrocessionaires	30 008	22 754	0	0	1 364	1 269	31 372	24 023
Reimbursement of administrative cost	983	0	0	0	0	0	983	0
4. Acquisition expenses	**-57 389**	**-42 468**	**-7 803**	**-9 472**	**-2 796**	**-2 704**	**-67 988**	**-54 644**
Operating profit measured on the segment basis	**11 889**	**12 342**	**12 378**	**10 932**	**3 817**	**3 686**	**28 084**	**26 960**
5. Other operating expenses	**-3 581**	**-3 131**	**-218**	**-179**	**-697**	**-614**	**-4 496**	**-3 924**
Operating profit	**8 308**	**9 211**	**12 160**	**10 753**	**3 120**	**3 072**	**23 588**	**23 036**
6. Other income							**4**	**34**
7. Other expenses							**-1 188**	**-388**
Profit before tax							**22 404**	**22 682**
Income tax							**-5 317**	**-3 434**
Profit after tax							**17 087**	**19 248**
Profit after tax attributable to owners of the Group							**17 083**	**19 244**
Profit after tax attributable to owners of non-controlling							**4**	**4**

F.30. SUBSEQUENT EVENTS

Tomasz Rowicki has been appointed as a Member of the Board of Directors as of 1 March 2017.

Hynek Vodička has resigned from the Audit Committee as of 30 April 2017.

Gary Wheatley Mazzotti has resigned from the Supervisory Board as of 31 May 2017.

The Company's management is not aware of any other event that has 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 13 April 2017.

Johannes Martin Hartmann

Ivana Jurčíková

Report on Related Parties

Report of the Board of directors on relationships among related entities pursuant to Section 82 of Act No. 90/2012 Coll., the Corporations Act.

I. Structure of relationships

VIG RE zajišťovna, a.s., a company with its registered office at Templová 747/5, 110 01 Prague 1, Id. No.: 28445589, registered in the Commercial Register kept by the Municipal Court in Prague, Section B, File 14560 (hereinafter “**VIG Re**”), is the **controlled person**.

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, a company with its registered office at Schottenring 30, Vienna 1010, Austria, registered in the Commercial Register kept by the Commercial Court in Vienna, Section FN,
File 75687 F (hereinafter “**VIG AG**”), is the **controlling person**.

II. Role of the company in the group

VIG AG is the leading person of the Vienna Insurance Group (hereinafter „**VIG Group**“), having the legal form of a joint-stock company.
VIG Re is a part of the VIG Group and engages especially in reinsurance activities under the Insurance Act.

III. Method and means of control

VIG AG holds shares of VIG Re in the aggregate nominal value of 70 % of the registered capital, whereby it fully controls VIG Re, especially by making decisions at the General Meeting.
VIG AG’s shares in other subsidiaries, expressed in per cent of the registered capital, are specified in Annex 2 to this Report (hereinafter “**VIG Group Companies**”).

IV. Overview of mutual agreements between VIG Re and VIG Group Companies

The list of agreements between VIG Re and VIG Group Companies is given in Annex 1 to this Report.

V. Overview of steps taken during the last accounting period at the instigation or in the interest of VIG AG or other VIG Group Companies

In 2016, no legal acts or other measures were taken in the interest or at the initiative of related parties with the exception of repayment of dividends for the previous accounting period.

VI. Assessment of the harm incurred and its compensation

VIG Re incurred no harm based on agreements entered into by and between VIG Re, on the one hand, and VIG AG and other VIG Group Companies, on the other hand.

VII. Confidentiality

Information and facts that form business secrets of the VIG Group Companies as well as information that has been designated as confidential by any VIG Group Company are deemed confidential within the VIG Group. Furthermore, confidential information also includes any information obtained in the course of trade that could be, in itself or in connection with other information or facts, to the detriment of any of the VIG Group Companies.

With a view to avoiding any harm to VIG Re, this Report does not comprise financial details of any performance or counter-performance under the concluded contracts and agreements.

VIII. Evaluation of the relations and risks within the VIG Group

The VIG Group is one of the leading insurance and reinsurance operators on the European market. VIG Re thus has access to know-how, inter alia, in the fields of Solvency II, audit, compliance and information technology. It is possible to conclude that VIG Re prevailingly benefits from the relationships within the VIG Group.

IX. Conclusion

This Report was drawn up by the Board of Directors of the controlled person, VIG RE zajišťovna, a.s., for the period from 1 January 2016 to 31 December 2016 and will be presented for review to the Supervisory Board. Given that VIG Re is required by law to prepare an annual report, this Report will be attached to it as its integral part. The annual report will be submitted for audit to audit firm KPMG Česká republika Audit, s.r.o.

In Prague, on 31 March 2017

Johannes Martin Hartmann,
Chairman of the Board of Directors

Ing. Ivana Jurčíková,
Member of the Board of Directors

Annex 1 to the Report on Related Parties

Overview of mutual agreements between VIG Re and VIG Group Companies.

Contracts and Agreements in effect for VIG AG and VIG Re in 2016
Re-insurance contracts between VIG Re and VIG AG
Contracts and Agreements in effect for VIG Re and other Controlled Parties, where the Controlling party is VIG AG in 2016
Agreement on sharing of costs between VIG Re and Wiener Städtische Versicherung AG.
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.
Insurance contracts between VIG Re and Kooperativa pojišťovna, a.s., Vienna Insurance Group.
Re-insurance contracts between VIG Re and AAS “BTA Baltic Insurance Company”, Riga
Re-insurance contracts between VIG Re and Apdrosinasanas akciju sabiedriba "BALTIKUMS", Riga
Re-insurance contracts between VIG Re and ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A., Bucharest
Re-insurance contracts between VIG Re and BULSTRAD LIFE VIENNA INSURANCE GROUP Joint Stock Company, Sofia
Re-insurance contracts between VIG Re and BULSTRAD VIENNA INSURANCE GROUP PUBLIC LIMITED COMPANY, Sofia
Re-insurance contracts between VIG Re and Compania de Asigurari “Donaris Vienna Insurance Group” S.A., Chisinau.
Re-insurance contracts between VIG Re and Compensa Life Vienna Insurance Group SE, Tallinn
Re-insurance contracts between VIG Re and Compensa Towarzystwo Ubezpieczeń Na Życie S.A. Vienna Insurance Group, Warsaw
Re-insurance contracts between VIG Re and Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw
Re-insurance contracts between VIG Re and Compensa Vienna Insurance Group, uzdaroji akcine draudimo bendrove, Vilnius

Re-insurance contracts between VIG Re and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague
Re-insurance contracts between VIG Re and DONAU Versicherung AG Vienna Insurance Group, Vienna
Re-insurance contracts between VIG Re and ERSTE Osiguranje Vienna Insurance Group d.d., Zagreb
Re-insurance contracts between VIG Re and ERSTE Vienna Insurance Group Biztosító Zrt., Budapest
Re-insurance contracts between VIG Re and IC Globus, Kiew
Re-insurance contracts between VIG Re and Insurance MAKEDONIJA s.c. Skopje- Vienna Insurance Group, Skopje
Re-insurance contracts between VIG Re and International Insurance Company IRAO Ltd., Tiflis
Re-insurance contracts between VIG Re and InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden
Re-insurance contracts between VIG Re and InterRisk Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw
Re-insurance contracts between VIG Re and InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden
Re-insurance contracts between VIG Re and INTERSIG Sh.A., Tirana
Re-insurance contracts between VIG Re and Joint Stock insurance company WINNER - Vienna Insurance Group, Skopje
Re-insurance contracts between VIG Re and JSC "Insurance Company GPI Holding", Tiflis
Re-insurance contracts between VIG Re and Komunálna Poistovna a.s. Vienna Insurance Group, Bratislava
Re-insurance contracts between VIG Re and KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava
Re-insurance contracts between VIG Re and Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague
Re-insurance contracts between VIG Re and Nova Ins EAD, Sofia
Re-insurance contracts between VIG Re and OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest
Re-insurance contracts between VIG Re and PJSC IC "KNIAZHA LIFE VIENNA INSURANCE GROUP", Kiew
Re-insurance contracts between VIG Re and PJSC "Ukrainian Insurance Company Kniazha Vienna Insurance Group", Kiew
Re-insurance contracts between VIG Re and PJSC Insurance Company "Ukrainian Insurance Group", Kiew
Re-insurance contracts between VIG Re and Poisťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava
Re-insurance contracts between VIG Re and Ray Sigorta A.Ş., Istanbul
Re-insurance contracts between VIG Re and S.C. BCR Asigurări de Viaţă Vienna Insurance Group S.A., Bucharest
Re-insurance contracts between VIG Re and Sigma Interalbanian Vienna Insurance Group Sh.a., Tirana
Re-insurance contracts between VIG Re and SIGMA J.S.C. Branch Kosovo; Pristine
Re-insurance contracts between VIG Re and Sparkassen Versicherung AG Vienna Insurance Group, Vienna

Re-insurance contracts between VIG Re and UNION Vienna Insurance Group Biztosító Zrt., Budapest
Re-insurance contracts between VIG Re and Vienna Life Vienna Insurance Group Biztosíto Zrt, Budapest
Re-insurance contracts between VIG Re and Wiener Osiguranje Vienna Insurance Group Kninska B.B., Banja Luka
Re-insurance contracts between VIG Re and Wiener osiguranje Vienna Insurance Group d.d., Zagreb
Re-insurance contracts between VIG Re and WIENER RE akcionarsko društvo ze reosiguranje, Belgrade
Re-insurance contracts between VIG Re and WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group, Vienna

Annex 2 to the Report on Related Parties

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

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
"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen-GmbH, Vienna	Austria	100.00
"WIENER RE" akcionarsko društvo za reosiguranje, Belgrade	Serbia	100.00
Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.84
Anděl Investment Prague 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	99.65
ATBIH N.V., Amsterdam	Netherlands	100.00
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
BTA Baltic Insurance Company AAS, Riga	Latvia	90.00
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	100.00
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, Chisinau	Moldova	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	Litva	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 gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H., Vienna	Austria	99.77
Erste osiguranje Vienna Insurance Group d.d., Zagreb	Croatia	95.00
ERSTE Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	95.00
Gemeinnützige Industrie-Wohnungsaktiengesellschaft, Leonding	Austria	55.00
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH, Kapfenberg	Austria	99.92
Gesundheitspark Wien -Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00
IM31 Floridsdorf am Spitz GmbH, Salzburg	Austria	100.00
Insurance Company Nova Ins EAD, Sofia	Bulgaria	100.00
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP", Sofia	Bulgaria	99.38
International Insurance Company "IRAO" LTD, Tbilisi	Georgia	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	94.26

Joint Stock Company Insurance Company GPI Holding, Tbilisi	Georgia	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
Limited Liability Company "UIG Consulting", Kiev	Ukraine	100.00
LVP Holding GmbH, Vienna	Austria	100.00
MAP Bürodienstleistung Gesellschaft m.b.H., Vienna	Austria	100.00
MH 54 Immobilienanlage GmbH, Vienna	Austria	100.00
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs-und SiedlungsgesmbH, Linz	Austria	99.82
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H., Vienna	Austria	61.00
OMNIASIG VIENNA INSURANCE GROUP S.A., Bucharest	Romania	99.50
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
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft, Vienna	Austria	54.17
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
UNION Vienna Insurance Group Biztositó Zrt., Budapest	Hungary	100.00
Untere Donaulände 40 GmbH & Co KG, Vienna	Austria	100.00
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	Austria	51.46
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
Vienna Life Towarzystwo Ubezpieczeň na Žycie S.A. Vienna Insurance Group, Warsaw	Poland	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
VIG Services Ukraine, LLC, Kiev	Ukraine	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	Bosnia 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
WNH Liegenschaftsbesitz GmbH, Vienna	Austria	100.00
WOFIN Wohnungsfinanzierungs GmbH, Vienna	Austria	100.00
WSBV Beteiligungsverwaltung GmbH & Co KG, Vienna	Austria	100.00
WSV Immoholding GmbH, Vienna	Austria	100.00
WWG Beteiligungen GmbH, Vienna	Austria	87.07
Companies consolidated using the equity method	**Country**	**Share in %**
AIS Servis, s.r.o., Brno	Czech Republic	100.00
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 d.o.o. - za upravljanje obveznim i dobrovljnim mirovinskim fondovima, Zagreb	Croatia	25.30
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
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., Carlsbad	Czech Republic	92.71
S - správa nemovitostí, a.s., Prague	Czech Republic	100.00
SURPMO, a.s., Prague	Czech Republic	100.00
VBV - Betriebliche Altersvorsorge AG, Vienna (group financial statements)	Austria	23.56
Unconsolidated Companies	**Country**	**Share in %**
"Assistance Company "Ukrainian Assistance Service" LLC, Kiev	Ukraine	100.00
"Compensa Services" SIA, Riga	Latvia	100.00
"Eisenhof" Gemeinnützige Wohnungsgesellschaft m.b.H., Vienna	Austria	20.13
"Medical Clinic "DIYA" LLC, Kiev	Ukraine	100.00
"Neue Heimat" Stadterneuerungsgesellschaft m.b.H., Linz	Austria	79.51
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group, Podgorica	Montenegro	100.00
Amadi GmbH, Wiesbaden	Germany	100.00
Anif-Residenz GmbH & Co KG, Anif	Austria	99.90
AQUILA Hausmanagement GmbH, Vienna	Austria	99.90
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	49.95
Autosig SRL, Bucharest	Romania	99.50
AXA Nezivotno Osiguranje akcionarsko drustvo za osiguranje, Belgrade	Serbia	100.00

AXA Životno Osiguranje akcionarsko drustvo za osiguranje, Belgrade	Serbia	100.00
B&A Insurance Consulting s.r.o., Moravská Ostrava	Czech Republic	49.00
BENEFIA Dystrybucja Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99.94
Brunn N68 Sanierungs GmbH, Vienna	Austria	49.95
Bulstrad Trudova Meditzina EOOD, Sofia	Bulgaria	99.38
Camelot Informatik und Consulting Gesellschaft m.b.H., Villach	Austria	90.18
CAPITOL BROKER DE PENSII PRIVATE S.R.L., Bucharest	Romania	98.15
CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L., Bucharest	Romania	98.15
CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L., Bucharest	Romania	98.15
CAPITOL Sp. z o.o., Warsaw	Poland	99.98
CARPLUS Versicherungsvermittlungsagentur GmbH, Vienna	Austria	99.90
CCA EDV für Versicherungswirtschaft GmbH, Vienna	Austria	24.28
Compensa Dystrybucja Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99.99
Compensa Life Distribution, UAB, Vilnius	Litva	100.00
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	99.90
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	99.40
EBS Wohnungsgesellschaft mbH Linz, Linz	Austria	24.97
EBV-Leasing Gesellschaft m.b.H., Vienna	Austria	73.92
EGW Datenverarbeitungs-Gesellschaft m.b.H., Vienna	Austria	71.92
EGW Liegenschaftsverwertungs GmbH, Vienna	Austria	71.92
EGW Wohnbau gemeinnützige Ges.m.b.H., Vienna	Austria	71.92
Erste Bank und Sparkassen Leasing GmbH, Vienna	Austria	48.95
Erste S Biztositasi Alkusz Kft, Budapest	Hungary	95.00
European Insurance & Reinsurance Brokers Ltd., London	United Kingdom	84.47
EXPERTA Schadenregulierungs-Gesellschaft mbH, Vienna	Austria	95.78
Finanzpartner GmbH, Vienna	Austria	49.95
Foreign limited liability company "InterInvestUchastie", Minsk	Belarus	100.00
GELUP GmbH, Vienna	Austria	33.30
GEO HOSPITALS LLC, Tbilisi	Georgia	93.50
GGVier Projekt-GmbH, Vienna	Austria	54.95
Glamas Beteiligungsverwaltungs GmbH, Vienna	Austria	23.31
Glamas Beteiligungsverwaltungs GmbH & Co "Beta" KG, Vienna	Austria	23.31
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	99.69
Hausservice Objektbewirtschaftungs GmbH, Vienna	Austria	20.72
Henderson Global Investors Immobilien Austria GmbH, Vienna	Austria	34.97

HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	98.58
Immodat Global Investors Immobilien Austria GmbH, Vienna	Austria	20.72
IMOVE Immobilienverwertung-und-verwaltungs GmbH, Vienna	Austria	20.72
InterRisk Informatik GmbH, Wiesbaden	Germany	100.00
Jahorina auto d.o.o., Brcko	Bosnia and Herzegovina	100.00
Joint Stock Company "Curatio", Tbilisi	Georgia	90.00
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	49.95
LiSciV Muthgasse GmbH & Co KG, Vienna	Austria	23.31
MC EINS Investment GmbH, Vienna	Austria	49.95
Money & More Pénzügyi Tanácsadó Zártkörüen Müködö Részvénytársaság, Budapest	Hungary	100.00
Nusdorfer Strase 30-92 Projektentwicklung GmbH & Co KG, Vienna	Austria	94.93
People's Pharmacy LLC, Tbilisi	Georgia	45.00
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	74.45
Privat Joint-Stock Company OWN SERVICE, Kiev	Ukraine	100.00
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	37.76
Risk Consult Bulgaria EOOD, Sofia	Bulgaria	50.44
Risk Consult Polska Sp.z.o.o., Warsaw	Poland	67.78
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	Austria	50.44
Risk Expert Risk ve Hasar Danismanlik Hizmetleri Limited Sirketi, Istanbul	Turkey	63.80
Risk Experts s.r.o., Bratislava	Slovakia	50.44
Risk Logics Risikoberatung GmbH, Vienna	Austria	50.44
SB Liegenschaftsverwertungs GmbH, Vienna	Austria	40.26
S.C. CLUB A.RO S.R.L., Bucharest	Romania	99.60
S.C. Risk Consult & Engineering Romania S.R.L., Bucharest	Romania	50.44
S.C. SOCIETATEA TRAINING IN ASIGURARI S.R.L., Bucharest	Romania	98.43
S.O.S.- EXPERT d.o.o. za poslovanje nekretninama, Zagreb	Croatia	100.00
Senioren Residenzen gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	99.90
Slovexperta, s.r.o., Žilina	Slovakia	100.00
Soleta Beteiligungsverwaltungs GmbH, Vienna	Austria	23.31
Sparkassen-Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	94.93
Spoldzielnia Uslugowa VIG EKSPERT W WARSZAWIE, Warsaw	Poland	99.96
Spoldzielnia Vienna Insurance Group IT Polska, Warsaw	Poland	99.95
SVZ Immoholding GmbH & Co KG, Vienna	Austria	94.93
SVZ Immoholding GmbH, Vienna	Austria	94.93

TBI Info EOOD, Sofia	Bulgaria	99.88
TOGETHER Internet Services GmbH, Vienna	Austria	24.28
UAB "Compensa Services", Vilnius	Litva	100.00
UNION-Informatikai Szolgáltató Kft., Budapest	Hungary	100.00
Untere Donaulände 40 GmbH, Vienna	Austria	97.70
Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H., Vienna	Austria	33.30
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99.99
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	98.43
VIG Services Bulgaria EOOD, Sofia	Bulgaria	99.38
VIG Services Shqiperi Sh.p.K., Tirana	Albania	89.36
VÖB Direkt Versicherungsagentur GmbH, Štýrský Hradec	Austria	49.95
WAG Immobilien Einsiedlergasse GmbH, Linz	Austria	24.98
WAG Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	24.98
Wien 3420 Aspern Development AG, Vienna	Austria	24.44
Wiener Städtische Donau Leasing GmbH, Vienna	Austria	99.90
WINO GmbH, Vienna	Austria	99.90
WSBV Beteiligungsverwaltung GmbH, Vienna	Austria	99.90
WSV Vermögensverwaltung GmbH, Vienna	Austria	99.90
WSV Beta Immoholding GmbH, Vienna	Austria	99.90

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.

13 April 2017

Johannes Martin Hartmann
Chairman of the Board of Directors

Dušan Bogdanović
Member of the Board of Directors

Ivana Jurčíková
Member of the Board of Directors