Annual Report 2018

VIG Re

Table of Content

VIGorous REinsurance

VIG Re was formed in Prague in 2008, as the first professional reinsurer in the Czech Republic, providing risk and capital management reinsurance solutions to insurance companies both within Vienna Insurance Group but also to third parties.

2008

Over the past 10 years VIG Re has established itself as a leading reinsurer in the CEE region. The opening of the branch offices in Germany and France in 2017 and in 2018 marked milestones in the Company's extended proposition to the Continental European markets. Today 385 clients from 38 countries appreciate our long-term partnership approach. By combining our in-depth local market know-how with superior data analytics and a swift turn around we are able to deliver solutions which meet the growing needs of our clients.

38

385

Since the founding of the Company in 2008, Standard & Poor's has assigned us with a long-term public issuer rating of "A+" and a financial strength rating of "A+", both with a "stable outlook". The rating was recently reconfirmed on September 3, 2018.

A+

The Wire of Our History

1824
Vienna Insurance Group roots in Austria date back to 1824 and to the foundation of Wechselseitige k.k. private Brandschaden-Versicherungsgesellschaft in Vienna.

1989
VIG understands the fall of the iron curtain as an opportunity. In the years after, the Group achieves the number one position as the leading insurance group in Austria and the CEE region.

2008
On 8 August 2008 the Czech National Bank grants reinsurance license to VIG Re. In October the Company receives an A+ FSR rating from Standard & Poor's, which is maintained ever since until today.

2009
VIG Re starts assuming treaty reinsurance for Property & Casualty and Life & Health lines of business, both from VIG companies and third parties. By end of the first full year of its operation, the Company underwrites a book of EUR 257.2 million.

2010
VIG Re acquires 99.2% shares of Wiener Re Beograd, a Serbian reinsurance company. VIG Re starts to offer facultative services in property and engineering lines.

2011
Kazakhstan, Azerbaijan, and Armenia are added to the underwriting territories. Karl Fink succeeds Peter Hagen as 2nd CEO of the Company.

2012
After a review of VIG established reinsurance policy, VIG Re grows its assumed business from VIG companies to EUR 417.9 million, equalling a growth of 65%.

2013
Johannes Martin Hartmann takes the helmet as the Company's 3rd CEO. In summer, severe flooding hits VIG Re key markets Austria and CEE. The underwriting activities with Third Parties in CEE are accelerated.

2014
Despite VIG Re faces an unprecedented number of large fire losses, the Company maintains a combined ratio below 98% and generates a profit before tax of EUR 19.9 million. The Company further strengthens its analytical capabilities through the newly established Actuarial Analytics team, headed by Jan Hrevuš.

2015
Olaf Dietrich onboards as a Head of Non-Life Underwriting. The competitive market environment calls for continued underwriting discipline. As a consequence, the Property & Casualty book shrinks by 6% but the net combined ratio improves to 95.5% and pre-tax profit soars to EUR 22.7 million.

2016
Ivana Jurčíková joins the Board of VIG Re as a Chief Financial Officer. BSS, VIG Re's proprietary integrated underwriting, claims and accounting operating system goes live. The net combined ratio further improves to 93.2%.

2017
Tomasz Rowicki joins VIG Re's Board of Directors, responsible for the development of VIG Group business. The first branch office of the Company opens on 29 September in Frankfurt am Main in Germany, headed by Fabian Christoph, responsible for Third Party business in Germany, Austria and Switzerland. Katarzyna Gałan takes the head of the Life Underwriting Team and Patrick Chevrel joins to lead the expansion to new markets in Western Europe.

2018

VIG Re celebrated it’s 10 years anniversary on 10 August 2018. The second branch office is opened on 26 November in Paris, France, servicing clients in France, Belgium, Netherlands and Luxemburg. On 27 November 2018 VIG Re becomes a member of the Czech Insurance Association. With a premium written of EUR 457 million, a profit before tax of EUR 26 million and an all-time low combined ratio of 92.5% the Company reports the best performance in its history.

March

VIG Re realigns the organizational structure to drive operational efficiencies and its cost leadership. Patrick Chevrel, Head of the Western Europe, takes over market responsibility for Italy, in addition to his responsibilities for France, Belgium and Luxemburg. Olaf Dietrich, Head of Non-Life Underwriting assumes responsibility for the Accident & Health in addition to the Property & Casualty business lines.

April

During the 2 days of the Company Offsite “Expect the Unexpected” employees are challenged to demonstrate their agility. Besides, key actions how to execute the Strategy 2020 are worked out.

May

Most employees of VIG Re volunteer during the Company’s Charity day to support the non- profit organization Čistá Řeka Sázava in cleaning up the river banks of Sázava river in Bohemia.

June

VIG Re sponsors the 15th Reinsurance Symposium in Cologne attended by more than 500 participants. For the first time, VIG Re organizes the VIG General Liability Workshop discussing current industry topics in D&O, MedMal, Product Recall, Extended Product Liability (EPL). VIG Re also hosts the VIG International Reinsurance Meeting.

August

On 8 August 2008 VIG Re celebrates 10-year anniversary of its reinsurance license granted by the Czech National Bank. At the same day the refurbished ground floor and reception is opened to the public.

September

Standard & Poor’s reconfirms the A+ rating with stable outlook.

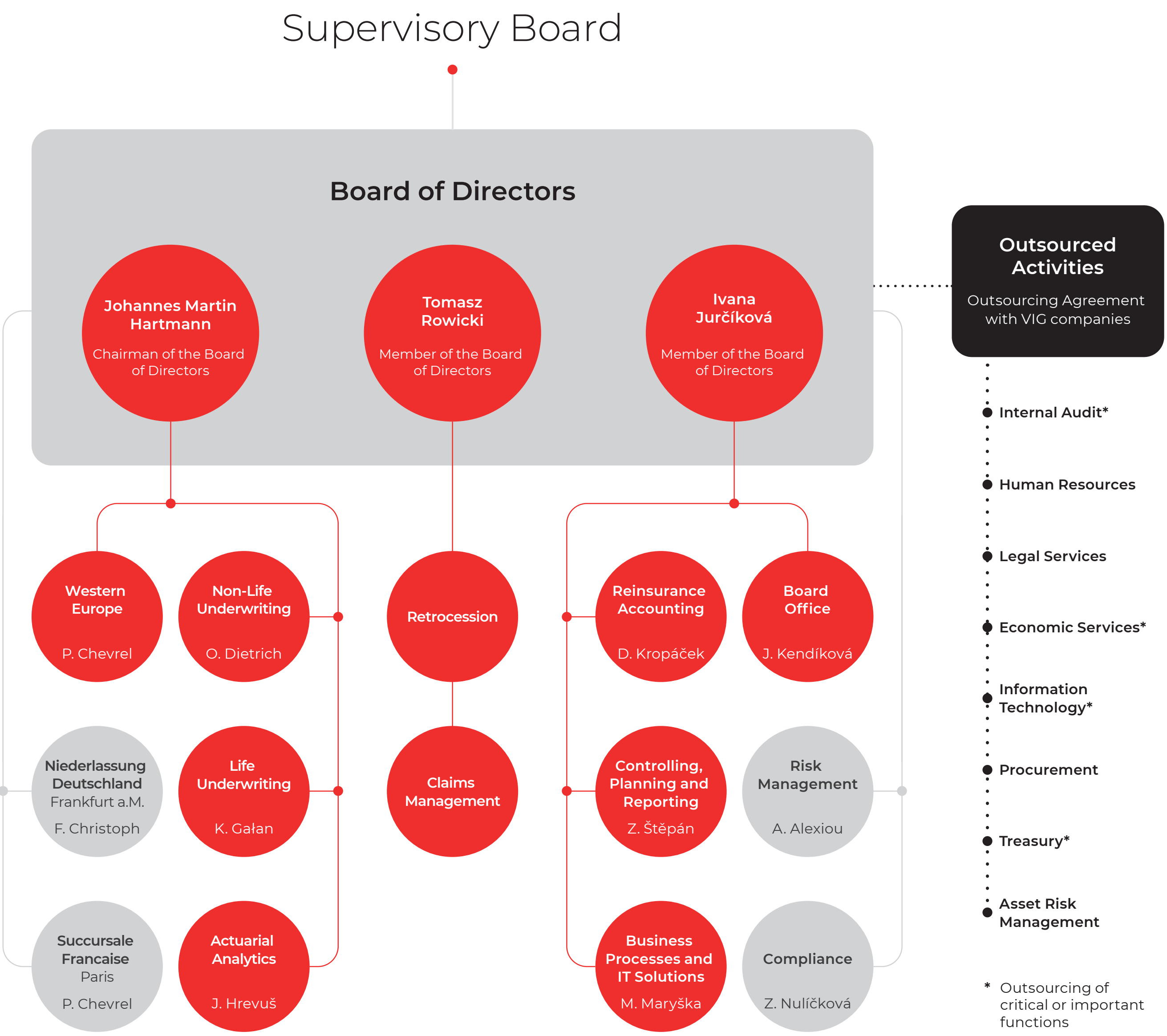
October

Sixteen delegates of VIG Re attend the Baden-Baden Reinsurance Meeting, participating in more than 400 client meetings. VIG Re hosts its traditional Baden-Baden after dinner party on Wednesday with more than 800 guests.

November

VIG Re opens its second branch office in Paris, servicing clients from France, Netherlands, Belgium and Luxemburg.

VIG Re Organizational Structure as of 31 December 2018



VIG Re – A Member of Vienna Insurance Group

Vienna Insurance Group (VIG) provides its customers in Austria and CEE with custom products and services tailored to their needs. Its strategy is geared towards long-term profitability and steady earnings growth, making VIG a reliable partner in rapidly changing times.

Over 25,000 employees work for the Vienna Insurance Group, at around 50 companies in 25 countries. VIG develops insurance solutions in line with personal and local needs, which has made the company one of the leaders in the insurance industry in Austria and Central and Eastern Europe (CEE).

Expertise and Stability

The Vienna Insurance Group is an international insurance group headquartered in the Austrian capital. After the fall of the Iron Curtain in 1989, VIG expanded rapidly from a purely Austrian business into an international group. VIG is synonymous with stability and expertise in providing financial protection against risks. The Group's origins date back to 1824. Almost two centuries of experience, coupled with a focus on our core competence of providing insurance coverage, forms a solid and secure basis for the Group's 20 million-plus customers.

Focus on Central and Eastern Europe

Besides Austria, VIG places a clear emphasis on Central and Eastern Europe as its home market. The Group generates more than half of its premium income in CEE. VIG's operations are also focused on this region. This primarily reflects the forecasts for economic growth in CEE, which is predicted to be twice as high as in Western Europe, as well as the current level of insurance density, which is still well below the EU average.

Local Market Presence

For VIG, protecting customers financially against risk is a responsibility. The Group pursues a multi-brand strategy based on established local markets as well as local management. Ultimately, the Group's success and closeness to its customers is down to the strengths of each individual brand and local know-how.

Strong Finances and Credit Rating

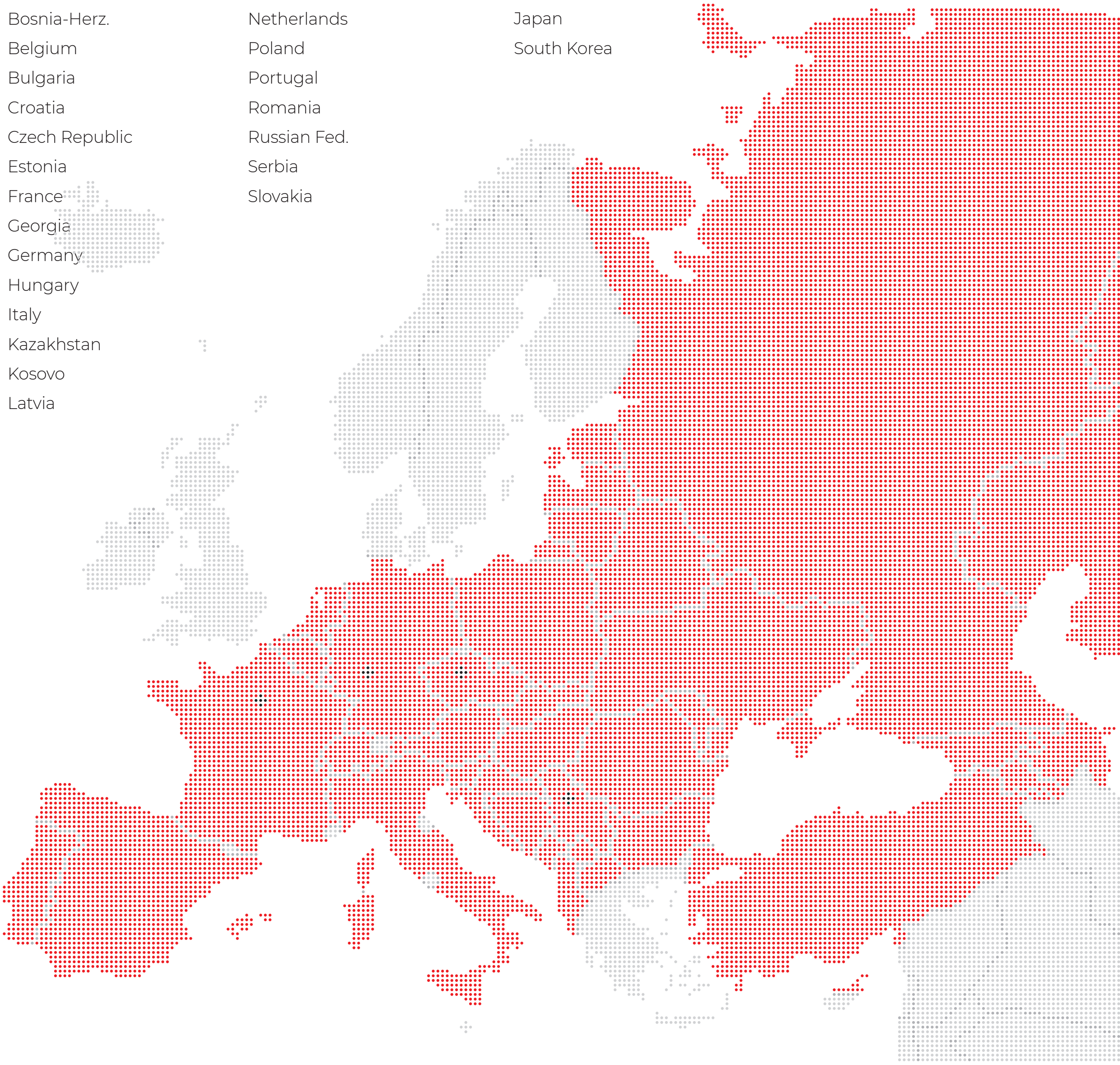
VIG has an A+ rating with stable outlook from well-known rating agency Standard & Poor's, meaning that it remains the top-rated company on the Vienna Stock Exchange's index of leading shares, the ATX. The Vienna Insurance Group is listed in both Vienna and Prague. Wiener Städtische Versicherungsverein – a stable core shareholder with a long-term focus – owns around 70% of VIG's shares. The remaining shares are in free float.

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

Underwriting Territories

- **Prague Headquarters**
- **Frankfurt Am Main Branch Germany**
- **Paris Branch France**
- **Belgrade Subsidiary Wiener Re**

Albania
Armenia
Austria
Azerbaijan
Belarus
Bosnia-Herz.
Belgium
Bulgaria
Croatia
Czech Republic
Estonia
France
Georgia
Germany
Hungary
Italy
Kazakhstan
Kosovo
Latvia
Lithuania
Luxembourg
Macedonia
Moldova
Montenegro
Netherlands
Poland
Portugal
Romania
Russian Fed.
Serbia
Slovakia
Slovenia
Spain
Switzerland
Turkey
Ukraine
Japan
South Korea



Opening of Branch Office in Paris

In the view of the growing third-party business, VIG Re has expanded its geographical coverage in Western Europe by opening a new branch in Paris. The French Branch was officially established on 26 November 2018. Under the lead of Patrick Chevrel, the local market team serves VIG Re's clients in France and Benelux and offers reinsurance solutions for all Property and Casualty business lines.

This implementation is meant to be a token of our commitment and our desire for a sustainable development with our local customers. The Branch Office complements the Prague-based team, which continues to handle claims management, reinsurance accounting, actuarial matters and all other corporate functions.

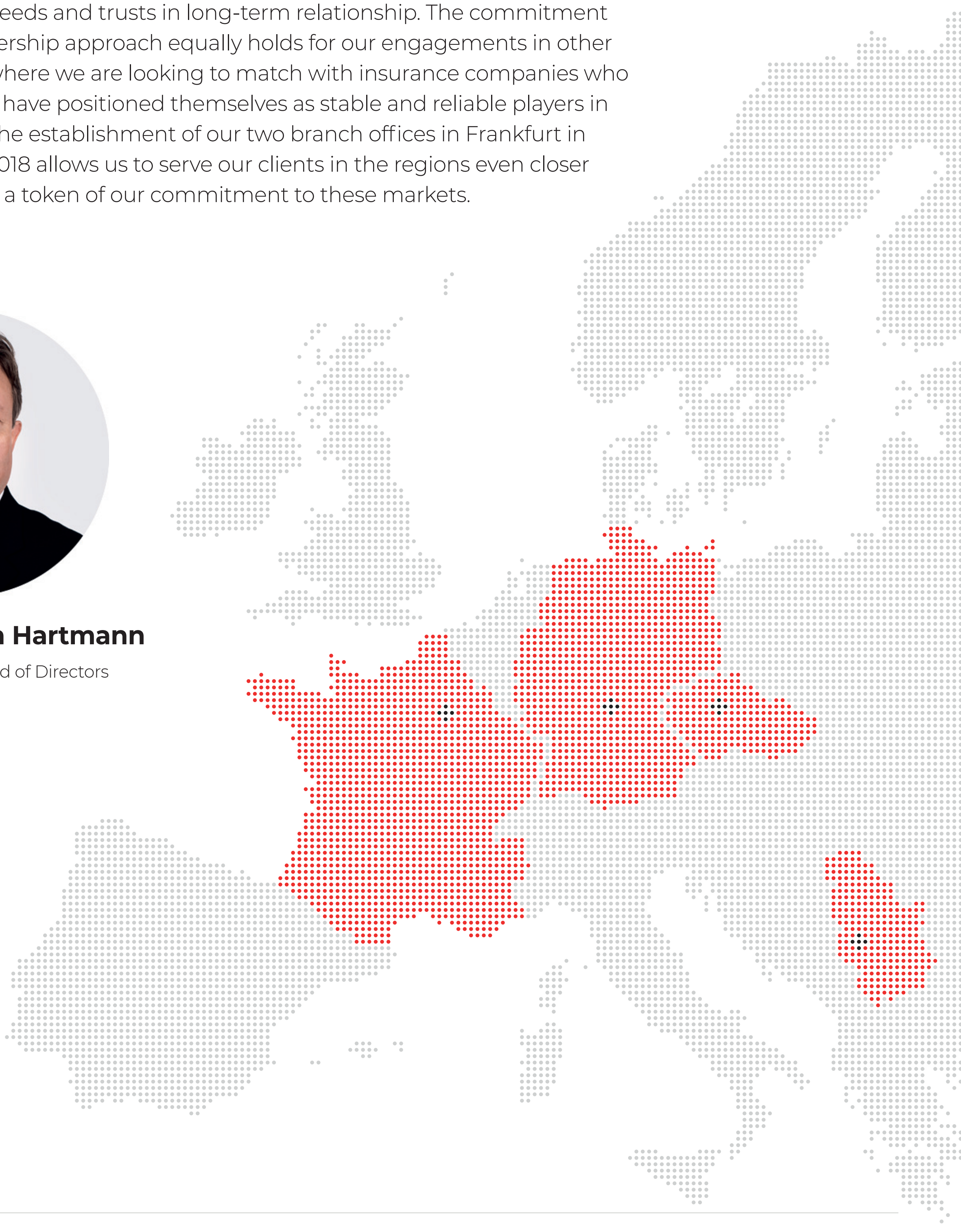
Market Views

VIG Re at a Glance

We are proud of what we achieved over the past ten years. Today, VIG Re is not only responsible for managing the Group reinsurance programs of Vienna Insurance Group but has established itself as a leading reinsurance Company in Central & Eastern Europe beyond the boundaries of VIG. With an unrivalled nimble and lean operating model, we match the demand of our clients looking for a partner who listens to their needs and trusts in long-term relationship. The commitment to a long-term partnership approach equally holds for our engagements in other European markets, where we are looking to match with insurance companies who share our values and have positioned themselves as stable and reliable players in their local markets. The establishment of our two branch offices in Frankfurt in 2017 and in Paris in 2018 allows us to serve our clients in the regions even closer and is understood as a token of our commitment to these markets.

Johannes Martin Hartmann

Chairman of the Board of Directors



Our Core Markets
Central and Eastern Europe

Our CEE team is looking back on a strong year 2018. Despite the regional reinsurance market encounters an ongoing consolidation, mergers and acquisition of local insurers in combination with a continuous centralisation of the reinsurance purchase of international groups, we have been able to grow our external top line by another 12% in 2018. Although the region encountered two large fire losses, one in Serbia reaching EUR 80 million and one in Latvia close to EUR 40 million, the region benefited from a rather benign loss activity, especially the absence of any major natural catastrophe. In addition, most CEE countries profited from a healthy growth and improved performance of the motor segment.

VIG Re introduced interdisciplinary market teams with dedicated staff in order to ensure a flowless service across departments. This proved to be the right move to provide comfort to our clients and partners. The combination of a strong client basis presence, superior market know-how and a prudent underwriting approach enabled us to deliver an excellent combined ratio of 84.9%.

Olaf Dietrich

Head of Non-Life Underwriting

Our Commitment to Long Term Partnership
Germany, Austria, Switzerland

2018 was another challenging year for the German reinsurance market. Especially the continuous leveled number of large fire losses in combination with winter storms put the industry to a challenge. Despite the fact, we were able to increase our gross written premium by 34% comparing to year 2017. Combined ratio for the year came in at 96%. This calls for continuous underwriting discipline, but at the same time to value business relationships which are based on a common understanding of long-term partnership and trust.

We continue to build a well diversified book in Germany, Austria and Switzerland and the development of our existing business relationships shows us that our business partners believe and trust in our promised sustainability and economic stability.

Fabian Christoph

Head of VIG Re Niederlassung Deutschland

A Successful Kick off

Western Europe

Patrick Chevrel

Head of Western Europe

We enjoyed a very promising start in line with our strategy to further diversify the Company's portfolio from a book concentrated in Central Europe footprints. Our French branch office located in Paris is now fully up and running. We are pleased to see that our long-term positioning meets our customers' expectations and will fuel further developments in the years to come.

As planned, we had a controlled expansion at January 1st renewal of our reinsurance book in France and Benelux. By now we support here 27 clients across a broad range of lines of business. In Italy, where we already enjoyed a solid presence over the past six years, we managed to make further inroads with key clients. In addition, we entered on a selective basis the Spanish and Portuguese markets.

In absence of any meaningful loss, we financially closed a very satisfactory year 2018, surpassing our expectations.

Our Roots and our DNA

VIG

Tomasz Rowicki

Member of the Board of Directors

Our services to insurance companies that are members of VIG Group are and will remain core to our business proposition. VIG group companies account for 71% of our Non-Life business and 53% of our Life business in 2018, which represents a growth of 1.0% and 19% in 2018, respectively. One new insurance company from the Baltics, Seesam Insurance AS, joined VIG group reinsurance programs.

We strive to further enhance our value proposition to our sister companies. Our support of group initiatives like the Accelerate Health Initiative and fostering the underwriting capabilities in Corporate Liability have been highlights in this respect in the year 2018.

On the Growth Path

Life Reinsurance

The implementation of the Life strategy shows excellent result in 2018. We were able to grow our life business by 15 % at attractive returns through optimization of the in-force portfolio as well as by winning new clients. In addition, we extended our product offer to bancassurance products and support our clients in underwriting and product development of life products.

Katarzyna Gałan

Head of Life Underwriting

Upscaling our Analytical and Underwriting Capabilities

Actuarial Analytics

We proceeded with the development of our Solvency II Partial Internal Model in 2018, entering now the final stage of the pre-application phase. The granularity of the model allows us to already perform an in-depth analysis of our business segments and to assess the sufficiency and overall suitability of our retrocession program. We also engaged in the upcoming new international accounting standard IFRS 17 and assess the reinsurance related issues.

With our experienced team of professionals we are looking forward to offer tailored reinsurance solutions to our clients.

Jan Hrevuš

Head of Actuarial Analytics

What We Achieved in 2018

Financial Results

In 2018 VIG Re delivered in line with the business plan a profit before tax of EUR 26 million.

Underwriting result for 2018 was very strong with EUR 19.1 million, EUR 3.5 million above the reference period in 2017. Main contributor to underwriting result was the CEE region as a result of lower than expected large loss burden from the underwriting year 2018.

Administrative and other operating expenses accounted for EUR 10.4 million, slightly below the plan. Major expenses were related to personal cost, IT services and service level agreements with Group companies.

	2018	2017
Income statement in EUR '000		
Premiums written	**456 924**	**423 650**
Property & Casualty	414 568	386 098
Life	19 110	16 560
Health	23 246	20 992
Combined ratio*	**92.5%**	**94,8%**
Result from investments	**11 304**	**13 777**
Profit before tax	**26 177**	**23 629**
Profit for the period	**20 812**	**20 397**

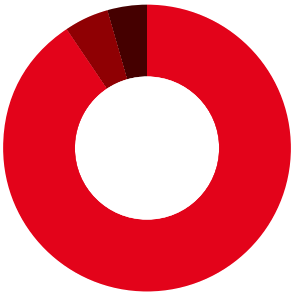
Balance sheet in EUR '000	2018	2017
Investments	**498 174**	**479 812**
Total assets	**845 681**	**822 536**
Shareholders' equity	**168 886**	**169 614**
Claims provisions	**529 302**	**521 567**

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

Premium Income

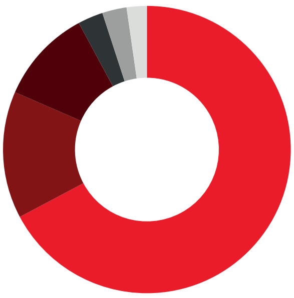
In line with the Company strategy, gross written premium increased to EUR 457 million in 2018. The P&C business segment contributed with EUR 415 million, Health with EUR 23 million and Life with EUR 19 million.

Market conditions in 2018 remained in general challenging for the industry, with premium levels remaining on low level across most lines of business and markets on risk adjusted basis. VIG Re continues to adhere to a 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.



GWP per Segment (in EUR '000)

P&C	414 568
Health	23 246
Life	19 110
Total	**456 924**



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

Property	278 741
Motor Third Party Liability	59 281
Motor Own Damage	44 009
General Third Party Liability	11 760
Marine	11 392
Personal Accident	9 385
Total	**414 568**

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

Austria	150 523
Czech Republic	43 098
Germany	38 099
Italy	36 079
Poland	24 471
Turkey	19 222
Slovakia	16 455
Romania	12 837
Lithuania	11 728
Serbia	7 974
Hungary	6 353
Other*	47 729
Total	**414 568**

*Other represents the following countries: Albania, Armenia, Azerbaijan, Belgium, Bosnia, Bulgaria, Croatia, Estonia, France, Georgia, Japan, Kazakhstan, Kosovo, Latvia, Macedonia, Moldova, Montenegro, Russia, Slovenia, South Korea, Spain, Switzerland, Ukraine

Claims Management

VIG Re enjoyed a rather benign natural catastrophe loss experience in 2018. Both frequency and severity of large losses affecting VIG Re was lower than in 2017. The European windstorm Frederieke in January and two Japanese typhoons, Jebi and Trami, had a limited impact, accounting for a net incurred loss of EUR 5 million in total. The Company did not encounter any material losses from other global catastrophe events, like hurricane Michal, Californian wildfires or negative run-off of the major natural catastrophe claims in 2017.

The number of large man-made losses (gross incurred for VIG Re share above EUR 1 million) increased from 14 in 2017 to 16 in 2018; accounting for a total gross incurred of EUR 37 million. Due to lower severity the total incurred is however EUR 2 million below 2017. Most notably fire losses were from Serbia with an estimated market loss EUR 80 million and from Latvia with an estimated market loss close to EUR 40 million.

Financial Investment Results

The year 2018 was characterized by the continued low interest rates, similar to previous years. The ordinary interest income and dividends from investment funds and equity investments was EUR 7.5 million. In addition, an extraordinary income was realised in the amount of EUR 1.0 million and EUR 4.7 million was earned from the net funds deposited with cedents in respect of Life Reinsurance contracts. The Investment result was also influenced by interest from a new subordinated debt in the amount of EUR 0.7 million and by revaluation of foreign currency assets of EUR 0.8 million. After deduction of investment related expenses total investment income was EUR 11.3 million.

Conservative Investment Strategy

The goal of the investment strategy is to optimize the portfolio's risk-return profile while taking into account various risk parameters. Asset Risk Management is based on the Company's own internal analysis under the supervision of VIG Asset Risk Management.

Maintaining a substantial share of fixed income investments in the portfolio leads to stable expected returns and generally lower volatility.

VIG Re invests only in assets, for which it can recognize, measure, monitor, manage and control the related risks accordingly with own means. All known and most relevant financial risks are evaluated regularly and are restricted by specific limits. With the reference to local preconditions, investments must be diversified with respect to issuers or issuer groups, regions or regarding individual investments to avoid concentration risks.

Protection Programme

VIG Re maintains its conservative approach in buying reinsurance, exceeding VIG Group's reinsurance provisions. Natural catastrophe coverage is secured on a 250-year event basis. The diversified reinsurance panel is carefully chosen following strict security guidelines and avoiding concentrating risk on single counterparties.

In 2018 the Company adjusted parts of its retrocession program in line with the execution of the strategy to expand its underwriting territories in Continental Europe.

Risk Strategy and Risk Management

The Company's risk strategy offsets out the risks related to the strategic and business goals of VIG Re. Furthermore, it sets the procedure on setting limits and measures to manage those risks by setting risk-oriented indicators for the Risk Management processes as well as for the own risk and solvency assessment.

A second goal of the risk strategy is the continuous improvement of the Risk Management and steering as well as a high integration of risk considerations in the planning, business and decision-making processes throughout the Company. Further enhancement and optimization of the integrated Risk Management approach as well as the methods and processes used for a proper risk and control environment is essential for VIG Re and therefore it is an important goal of the Company.

This emphasizes the ambition of VIG Re to benefit in line with Solvency II requirements as much as possible from the improvement of the management and business processes and decisions. An integral element which combines the quantitative and qualitative Risk Management results and the strategic and business planning is the forward-looking Own Risk and Solvency Assessment (ORSA) as an important element in the integrated planning process and impacting the strategic and business decisions-making in the VIG Re management processes.

Risk Management activities in 2018 included among others:

- further strengthening the Risk Management capacities,
- review and improvement of the current Risk Management processes,
- automation and data quality in the area of Solvency II reporting,
- risk assessment of new French Branch office.

Solvency II

In 2018 the Company has strengthened its Own Funds by EUR 35 million of Subordinated Debt. This together with other actions taken in order to improve the capital situation enabled VIG Re to reach Solvency Capital ratio of 185%.

In addition, the Company worked on the implementation of Partial Internal Model (PIM) which is expected to be submitted for approval by the Czech National Bank in 2019. The PIM is expected to further significantly reduce the capital requirement from Non-Life Underwriting Risk.

Corporate Social Responsibility (CSR)

As a responsibly-minded and forward-looking company, VIG Re is committed to the principle of sustainability. VIG Re adheres to the sustainability strategy as set out by Vienna Insurance Group while focusing on long-term thinking and responsible actions in all strategic areas.

Sustainable Business Practices

Forward-thinking management, profitable growth and financial stability are basic prerequisites for the long-term stability of the Company. We combine our economic objectives with social and environmental aspects by integrating them in our general business strategy and in our investment processes.

In VIG Re we ask for transparent and ethical behaviour consistent with sustainable development and society welfare, we emphasize the importance and expectations of our stakeholders and ensure that all activities are compliant with applicable laws and consistent with the norms of behaviour.

Building on Trust and Dedication

We in VIG Re are striving for maximum customer satisfaction. We want to ensure the access to our services to a wide range of clients and offer the products that provide added value.

Due to our strong market know how, efficient operating model, our dedicated team of professionals and superior technical underwriting capabilities we are able to deliver innovative solutions tailored specifically to our customers. Our cooperation is based on the principle of sustainable relationships. We want to ensure a high level of customer satisfaction, therefore our ambition is to deliver products and services in accordance with clients' needs, taking into the consideration protection of customers' privacy. We act ethically and with integrity.

Empowering Our People

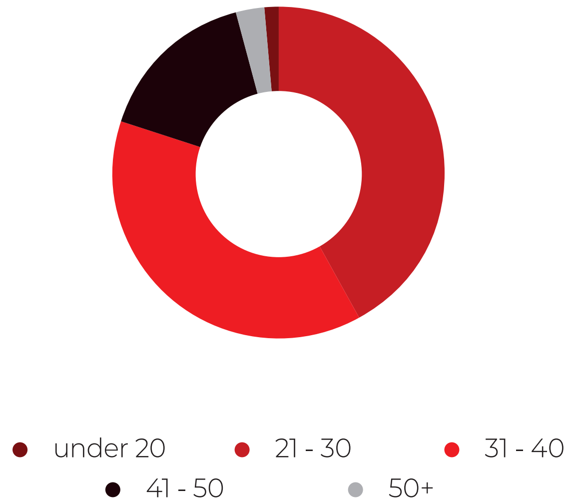
The success of VIG Re depends greatly on its employees, their qualification, commitment and expertise. Thus we aim to build an open, diverse, trusting and professional team where we encourage discussions and exchange of opinions. It is vital to us that our employees stay curious, are eager to learn, and see more than one way to solve a problem in a team and to create new opportunities. In VIG Re we understand the importance of team spirit. To enhance collaboration we organize cross department workshops and team activities on a regular basis.

We believe in the importance of diversity when it comes to age, gender or working styles. We are an international company with different age groups and we support women to develop into managerial roles. We want our people to be passionate about their work and create a work environment which encourages team work, diversity and allows a high degree of flexibility.

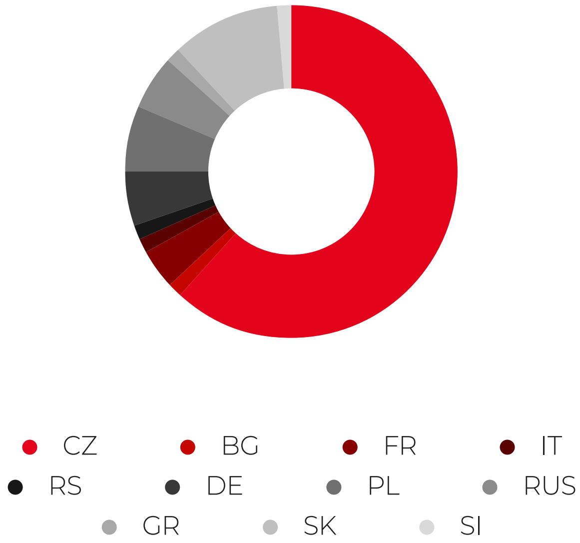
We make sure that our employees receive regular feedback from their managers on their performance and professional development. We encourage our employees to grow their professional expertise and promote their strengths and talents. Technical and finance trainings for reinsurance, attending local and international conferences and seminars, as well as language courses and other business skills trainings are part of each employee's member's yearly development plan.

We introduced an "Expert" career model for functions of strategic importance to the Company that promotes the professional skill set and provides employees who do not strive for a management position with the opportunity for an alternative career path.

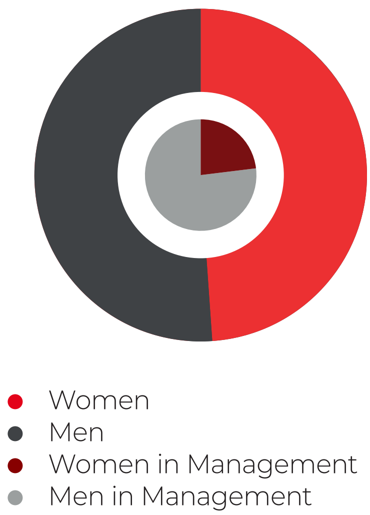
Age of Employees End of 2018*



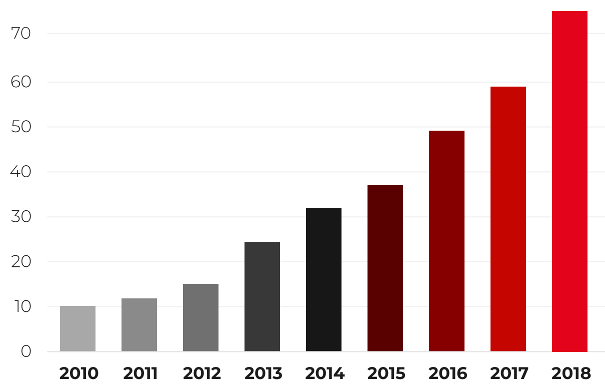
Nationalities



Gender



Number of Employees



* Based on the Headcount as of 31. 12. 2018

Society

Respectful interaction with our stakeholders and paying attention to their interest matters for us. This includes our employees, business partners, as well as the organizations we work with, and the communities in which we operate. We understand that if we want to work successfully, we must gain the trust of our shareholders. Therefore we maintain regular, open and transparent dialogue with them. In addition, VIG Re promotes the development of a fair and just society.

Our social commitment can be seen in our support of local communities and social initiatives. We empower our employees to volunteer with non-profit organization as we believe it is an essential part of our company culture. Every year VIG Re organizes a Social Active Day, where our employees have the chance to spend one working day focusing on social commitment. We support specialised programs and organisations that focus on environment, on helping disabled, elderly and children. We believe that participating in regular Social Active Days help to improve the quality of life in local communities. In 2018 we dedicated our Social Active Day to clean the Sázava river in Czech Republic.

The World We Live In

Climate risks – increasing intensity and frequency of natural disasters – have a significant impact on the reinsurance market. VIG Re understands that in today's world it is important to participate in the global problem solving. As part of our business, we provide protection to mitigate the financial impact.

We consider and aim to further reduce the environmental impact from our day-to day business activities. We continue to monitor the consumption of energy and water, monitor waste generation and focus on the paperless approach.

In VIG Re, we are promoting the importance of sustainability and responsibility, which we reflect in our travelling policies. We promote to use the most efficient means of transportation during the business trips such as trains over planes where reasonable. In addition we encourage our employees to shift their daily commuting to work from cars to public transportation by subsidizing the costs for public transportation and creating facilities in our premises for storing the bicycles when using them to travel to work.

We support the Czech non-profit organisation Čistá Řeka Sázava where for 14 years volunteers clean the Sázava river and the surrounding area from waste. The project was one of the first in the country that draw attention to the issue of increasing amount of waste in the rivers. The project educates the society how to be conscious about the protecting the nature and cooperates also with organizations that look after the flood prevention measures in the region.

In May 2018 volunteers from VIG Re dedicated one day to the Sázava river cleaning and collected two large containers of waste from an illegal dumping side.

Statutory Bodies

Board of Directors

Johannes Martin Hartmann
Chairman of the Board of Directors

Main Responsibilities*:
Active Reinsurance
Actuarial Analytics
Human Resources
Public Relations & Communication.

Ivana Jurčíková
Member of the Board of Directors

Main Responsibilities*:
Finance, Investments
Controlling, Planning & Reporting
Reinsurance Accounting
Business Processes and IT Solutions
Board Office
Coordination of Risk Management and Compliance
Outsourcing

Tomasz Rowicki
Member of the Board of Directors

Main Responsibilities*:
Business assumed from VIG Group companies
Retrocession
Claims Management
Foreign Operations

*as of 30.4.2018

Dušan Bogdanović
Member of the Board of Directors

(Resigned from the office of Board of Directors effective as of 31 March 2018)

Main Responsibilities*:
Retrocession, Actuarial Analytics, VIG Re Subsidiaries

*until 31 March 2018

Supervisory Board

Peter Thirring
Chairman of the Supervisory Board
(Member since 1 January 2018 until 27 April 2018, Chairman since 27 April 2018)

Elisabeth Stadler
1st Vice-Chairwoman of the Supervisory Board

Alain Flandrin
2nd Vice-Chairman of the Supervisory Board
(Member since 1 January 2018 until 27 April 2018, 2nd Vice-Chairman since 27 April 2018)

Karl Fink
Member of the Supervisory Board
(Chairman since 1 January 2018 until 27 April 2018, Member since 27 April 2018, end of his mandate as of 31 December 2018)

Peter Höfinger
Member of the Supervisory Board

Vladimír Bakeš
Member of the Supervisory Board

Gerhard Lahner
Member of the Supervisory Board

Changes after 31.12.2018:

Member of the Supervisory Board since 1 January 2019: Robert Lasshofer

Audit Committee

František Dostálek
Chairman of the Audit Committee

Elisabeth Stadler
Vice-Chairwoman of the Audit Committee
(Resigned from the office of Audit Committee as of 31 December 2018)

Karl Fink
Member of the Audit Committee
(Resigned from the office of Audit Committee as of 31 December 2018)

Alain Flandrin
Member of the Audit Committee

Changes after 31.12.2018:

Member of the Audit Committee since 1 January 2019: Peter Thirring

Analytics and IT Solutions

Major focus of the IT solutions activities in 2018 was on the further development of data warehouse and the data structure in order to enable automated financial reporting, the automation of the Solvency II calculation and the further enhancement of the data quality.

The Company rebuilt the IT infrastructure and adjusted the monitoring, service and back up solution to the state of the art solutions.

A continuous focus was also given to the Business Support System (BSS) which was extended by two new modules – Life and Facultative. This should enable consistency in data capturing and reporting and enable automation and monitoring of the related administration processes.

Wiener Re

Market Leader

Wiener Re was founded in 2008 to offer reinsurance solutions for clients in Serbia, Bosnia and Herzegovina, Montenegro and Macedonia. VIG Re acquired majority shares of the company in 2010.

In 2018 Wiener Re consolidated its position as a leader of Serbian reinsurance market. More than 20 cedents from the region, such as Wiener Städtische Insurance Belgrade, Wiener Insurance BiH, Uniqa Insurance RS, Triglav Insurance RS, Dunav Re, Sava RS and Lovćen Montenegro accounted Wiener Re's market share exceeds 40%.

Financial Performance 2018

2018 was a solid year for Wiener Re. Gross written premium increased by 13% to EUR 52 million. The Company achieved a combined ratio of 97.3%.

The ordinary result in local currency remained stable. Wiener Re's profit before tax increased to EUR 0.4 million.

Market Overview

Economic environment

Ten years after the 2008 financial crisis and the consequences that led to notable regulatory changes and fiscal measures to contain the negative effects for the global economy, the International Monetary Fund (IMF) forecasts for 2018 and 2019 a robust global economic growth of 3.7%. However increasing uncertainty in connection with the Brexit, trade conflicts such as between the US and China and the issue of immigration and increasing protectionism in local economies entail significant risks for future economic growth. As a consequence, most economic institutes and national banks have revised their forecasts downwards.

In 2018 economic growth already slowed down in the Eurozone, recording a real GDP growth of 2.0%, after 2.4% in 2017. Also, economic growth in Eastern Europe slowed in 2018 compared to the previous year. Nevertheless, based on calculations by the Vienna Institute for International Economic Studies (WIIW), real GDP growth averaged 4.2% (after 4.9% in 2017) in the Central and Eastern European countries of the EU, which includes VIG's markets in the Czech Republic, Slovakia, Poland, Romania, Hungary, Bulgaria and the Baltic states. The strong growth rates of 4.1% and 4.8% recorded in Hungary and Poland in 2017 increased even further to 4.9% and 5.1%, respectively, in 2018. This, together with falling unemployment and low debt ratios, indicates that the CEE region continues on its path of convergence with Western Europe.

VIG Re

VIG Re, benefiting from its in-depth market know/how and its lean and nimble operating model is in an excellent position to take the advantage of still available opportunities in the European reinsurance markets. VIG Re will adhere to its policy of strict Risk Management, underwriting discipline and conservative investment and protection policy. Together with the superior financial security, its lean and nimble operating model, its ability to offer broad risk solutions across all main lines of business the Company is well positioned to seize opportunities in its Central and Eastern core markets and beyond.

In 2019 the Company will further foster collaboration and synergies within VIG Group by enhancing the services to local insurance companies and further optimizing the reinsurance programs and retention of VIG Group. In respect of Third-party clients, the Company expects to continue its dynamic growth by leveraging its leading market position in the CEE reinsurance market and continue to build its franchise in other Continental European and selected East Asian reinsurance markets in a careful and controlled way. Here, 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 profits before tax continuously, while maintaining a combined ratio below 100% and its internal cost ratio below 3% in any year.

Financial Statements

Auditor's Report

KPMG

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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.

Report on the Audit of the Financial Statements

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 2018, 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 the 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 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ending 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of provision for outstanding claims

Key audit matter	How the audit matter was addressed
The Company recognises a provision for claims incurred but not reported by the end of the period (IBNR provision) and a provision for claims incurred and reported but not settled by the end of the period (RBNS provision). Both provisions as a whole form the Provision for outstanding claims item. As at 31 December 2018 the Company recognises a provision for outstanding claims of EUR 438,362 ths. We determined the above area to be a key audit matter as the Company makes subjective and complex assumptions and judgements when determining the provision for outstanding claims. The IBNR provision is subject to actuarial calculations. Its determination is influenced by a range of factors based on the judgment of the Company regarding the used methodology, the distribution of data among homogeneous groups, the risk margin over the best estimate, treatment with non-standard values in historical data and the expected ultimate loss ratio. The RBNS provision is set based on the information about the status of claims from the confirmations or other information provided by insurers (cedents). Subsequently, employees of the Company manually retype the values from confirmations to the operating system of the Company. The risk of inaccuracy then arises for the value of the RBNS provision, stemming from potential manual errors when retyping the figures from confirmations into the system. Additional information is disclosed in Note B.11 and F.14 of the Company´s financial statements.	Among other things, we performed the procedures outlined below to address this key audit matter: In cooperation with our actuarial specialist, we critically evaluated the methodology, models and assumptions used by the Company for the measurement of provisions against our knowledge of the best practice in the market and assessed any changes since the previous year. We tested the correctness of the IBNR provision calculation, critically evaluated the assumptions applied by the Company´s management and discussed significant relevant year-to-year variations from our expected values. We also performed own independent analytical tests over the IBNR provision. For a sample of confirmations and other information, we reconciled the level of the RBNS provision reported by the cedents to the amount booked in the operating system of the Company. As part of our testing of the provision for outstanding claims we analysed in detail the result of the claim run-off test. In relation to that we assessed the sufficiency of the whole provision for outstanding claims and evaluated the adequacy of the methodology used for its determination. In addition, we assessed the adequacy of the Company's disclosures in the notes to the financial statements of the Company.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 27 April 2018 and our uninterrupted engagement has lasted for 11 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 29 March 2019 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

Except for the statutory audit, we did not provide the Company and its controlled undertakings with any other services that have not been disclosed in notes to the financial statements or annual report.

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 2018, based on which this independent auditor's report has been prepared.

Prague
29 March 2019

KPMG Česká republika Audit

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

Jindřich Vašina
Partner
Registration number 2059

Separate Financial Statements

TABLE OF CONTENT:

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2018

Assets in EUR '000	Notes	2018	2017
Intangible assets	**F.1**	**2 133**	**2 111**
Property, plant and equipment	**F.2**	**923**	**442**
Investment in subsidiaries	**F.3**	**6 758**	**6 758**
Financial investments	**F.4**	**491 416**	**473 054**
Financial assets held to maturity		88 249	120 320
Financial assets available for sale		295 464	249 605
Loans – Term deposits		7 050	177
Deposits due from cedents		100 653	102 952
Trade and other receivables	**F.5**	**83 801**	**78 782**
Ceded share of reinsurance liabilities	**F.6**	**234 886**	**244 085**
Deferred tax assets	**F.7**	**806**	**172**
Current tax assets	**F.26**	**0**	**1 691**
Other assets	**F.8**	**357**	**259**
Deferred acquisition costs	**F.9**	**9 725**	**5 370**
Cash and cash equivalents	**F.10**	**14 876**	**9 812**
Total Assets		**845 681**	**822 536**

Equity and liabilities			
Shareholders' equity	**F.11**		
Share capital		126 850	126 850
Other components of equity		1 168	5 370
Retained earnings		40 868	37 394
Total equity		**168 886**	**169 614**
Subordinated liabilities	**F.12**	**35 708**	**0**
Reinsurance liabilities		**548 505**	**539 018**
Unearned premiums	**F.13**	19 203	17 451
Outstanding claims	**F.14**	438 362	429 453
Life reinsurance provision	**F.15**	90 940	92 114
Payables	**F.16**	**90 144**	**112 379**
Current tax liabilities	**F.26**	**268**	**0**
Other liabilities	**F.17**	**2 170**	**1 525**
Total liabilities		**676 795**	**652 922**
Total equity and liabilities		**845 681**	**822 536**

INCOME STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2018

Income statement	Notes	2018	2017
in EUR ‘000			
Premiums	**F.18**		
Premiums written – Gross		456 924	423 650
Premiums written – Ceded		-235 639	-171 166
Premiums written – Retention		**221 285**	**252 484**
Change due to provision for unearned premiums – Gross		637	2 075
Change due to provision for unearned premiums – Ceded		4 050	1 402
Net earned premiums		**225 972**	**255 961**
Investment and interest income		15 837	15 350
Investment and interest expenses		-4 533	-1 573
Total investment result	**F.19**	**11 304**	**13 777**
Other income	**F.20**	**83**	**12**
Claims and insurance benefits	**F.21**		
Expenses for claims and insurance benefits – Gross		-238 589	-233 116
Expenses for claims and insurance benefits – Ceded		99 473	69 726
Claims and insurance benefits – retention		**-139 116**	**-163 390**
Change in claims and other reinsurance liabilities – Gross		2 823	-64 393
Change in claims and other reinsurance liabilities – Ceded		-6 578	36 958
Total expenses for claims and insurance benefits		**-142 871**	**-190 825**
Acquisition expenses			
Commission expenses	**F.22**	-108 402	-74 489
Other acquisition expenses		-5 793	-4 051
Change in deferred acquisition expenses	**F.22, F.23**	4 353	1 015
Commission income from retrocessionaires	**F.23**	46 150	27 792
Total acquisition expenses		**-63 692**	**-49 733**
Other operating expenses	**F.24**	**-4 337**	**-4 358**
Other expenses	**F.25**	**-282**	**-1 205**
Profit before tax		**26 177**	**23 629**
Tax expense	**F.26**	**- 5 365**	**- 3 232**
Profit for the period		**20 812**	**20 397**
Attributable to owners of the Company		**20 812**	**20 397**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 31 DECEMBER 2018

Statement of comprehensive income in EUR '000	2018			2017		
	Gross	Tax *	Net	Gross	Tax *	Net
Profit for the period	**26 177**	**- 5 365**	**20 812**	**23 629**	**- 3 232**	**20 397**
Other comprehensive income						
Gains (losses) recognized in equity – Available for sale financial assets	-5 188	986	-4 202	-57	11	-46
Other comprehensive income for the year	**-5 188**	**986**	**-4 202**	**-57**	**11**	**-46**
Comprehensive income for the period	**20 989**	**-4 379**	**16 610**	**23 572**	**-3 221**	**20 351**

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

SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2018

in EUR '000	Share capital	Share premium	Available for sale reserve	Retained earnings	Shareholders' equity
As of 1 January 2018	126 850	49	5 321	37 394	169 614
Total comprehensive income for the period			-4 202	20 812	16 610
Capital increase					
Dividends				-17 338*	-17 338
As of 31 December 2018	**126 850**	**49**	**1 119**	**40 868**	**168 886**

	Share capital	Share premium	Available for sale reserve	Retained earnings	Shareholders' equity
in EUR '000					
As of 1 January 2017	101 958	0	5 367	31 470	138 795
Total comprehensive income for the period			-46	20 397	20 351
Capital increase	24 892	49			24 941
Dividends				-14 473*	-14 473
As of 31 December 2017	**126 850**	**49**	**5 321**	**37 394**	**169 614**

* dividend per share was EUR 550 (in 2017: EUR 459)

CASH FLOW STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2018

Cash flow statement in EUR ‘000	2018	2017
Profit before tax	**26 177**	**23 629**
Adjustments to profit before tax		
- net interest and other investment income	- 6 746	- 8 373
- exchange differences	2 430	1 121
- depreciation	984	772
- change in deferred acquisition costs	-4 355	-980
- dividends	-938	-901
Cash flows from operating activities		
Change in reinsurance liabilities	9 487	56 570
Change in ceded share of reinsurance liabilities	9 199	-33 398
Change in receivables	-5 019	-22 217
Change in deposits due from cedents	-4 524	-1 731
Change in payables	-22 235	43 950
Change in other assets and liabilities	547	271
Income tax paid	-2 996	-6 367
Net cash flow from operating activities	**2 011**	**52 346**
Cash flows from investing activities		
Interest received	9 119	8 829
Dividends received	881	835
Payment for acquisition of intangible assets and property, plant and equipment	-1 523	-1 319
Cash proceeds from the sale of intangible assets and property, plant and equipment	36	19
Payment for acquisition of investment in subsidiaries	0	-36
Payment for acquisition of available for sale financial assets	-115 715	-98 053
Payment for acquisition of Loans – Term deposits	-2 113	0
Cash proceeds from the sale of available for sale financial assets	63 684	21 797
Cash proceeds from the maturity/sale of held to maturity financial assets	31 150	7 748
Net cash flow from investing activities	**-14 481**	**-60 180**
Cash flows from financing activities		
Change in share capital	0	24 941
Cash proceeds from other financing activities (subordinated liabilities)	35 000	0
Dividend payment	-17 338	-14 473
Net cash flow from financing activities	**17 662**	**10 468**
Net change in cash and cash equivalents	**5 192**	**2 634**
Reconciliation of cash and cash equivalents		
Cash and cash equivalents at beginning of period	**9 812**	**7 300**
Foreign currency translation differences on cash balances	-128	-122
Net change in cash and cash equivalents	5 192	2 634
Cash and cash equivalents at end of period	**14 876**	**9 812**

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.18.

SEGMENT REPORTING
INCOME STATEMENT BY LINES OF BUSINESS

Income statement in EUR '000	Property/Casualty		Health		Life		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Premiums written – Gross	414 568	386 098	23 246	20 992	19 110	16 560	456 924	423 650
Premiums written – Ceded	-230 417	-167 733	-470	-149	-4 752	-3 284	-235 639	-171 166
Change due to provision for premiums – Net	4 358	3 363	34	-128	295	242	4 687	3 477
1. Net earned premiums	**188 509**	**221 728**	**22 810**	**20 715**	**14 653**	**13 518**	**225 972**	**255 961**
Interest revenue	8 415	8 201	52	5	4 709	5 051	13 176	13 257
Other income and expense from investments	-1 519	663	-9	0	-344	-143	-1 872	520
2. Investment result	**6 896**	**8 864**	**43**	**5**	**4 365**	**4 908**	**11 304**	**13 777**
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities– Gross	-211 033	-284 170	-12 371	-2 429	-12 361	-10 910	-235 766	-297 509
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	91 869	106 282	432	72	594	330	92 895	106 684
3. Claims and insurance benefits	**-119 165**	**-177 888**	**-11 939**	**- 2 357**	**-11 767**	**-10 580**	**-142 871**	**-190 825**
Commission expenses including change in deferred acquisition expenses	-89 527	-65 412	-7 649	-2 998	-6 179	-4 834	-103 355	-73 244
Other acquisition expenses	-4 894	-3 336	-274	-181	-625	-534	-5 793	-4 051
Commission income from retrocessionaires including change in deferred acquisition revenues	42 173	25 686	50	0	3 233	1 876	45 456	27 562
4. Acquisition expenses	**-52 248**	**-43 062**	**-7 873**	**-3 179**	**-3 571**	**-3 492**	**-63 692**	**-49 733**
Operating profit measured on the segment basis	**23 992**	**9 642**	**3 041**	**15 184**	**3 680**	**4 354**	**30 713**	**29 180**
5. Other operating expenses	**-3 897**	**-3 511**	**-218**	**-191**	**-222**	**-656**	**-4 337**	**-4 358**
Operating profit	**20 095**	**6 131**	**2 823**	**14 993**	**3 458**	**3 698**	**26 376**	**24 822**
6. Other income							**83**	**12**
7. Other expenses							**-282**	**-1 205**
Profit before tax							**26 177**	**23 629**
Income tax							**-5 365**	**-3 232**
Profit after tax							**20 812**	**20 397**

Investment result was allocated among individual segments based on the balance of reinsurance liabilities as of 31 December 2018 and 2017.

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. In 2017, Company established a branch in Frankfurt a. M., Germany. In line with its strategy to strengthen investment in Western European markets, Company opened a new branch office in Paris, France starting operation on 26 November 2018. Economic data of the branch are, in accordance with the legislation of the Czech Republic, an integral part of the financial statements of the Company.

Structure of shareholders

At the General meeting on 4 September 2017, the shareholders resolved to increase the share capital by 650 MIO CZK (25 MIO EUR), issuing 6 500 shares with nominal value of CZK 100 000 CZK (EUR 3 829) each. Share premium amounts to TEUR 49. Consequently, the registered capital consists of 31 500 shares in book form with a nominal value of 3 150 MIO CZK (127 MIO EUR). The booked value per share is 100 000 CZK (4 027 EUR). 100% of the registered capital was paid up as of 6 September 2017.

Shareholders as of 31 December 2018:

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 2018 as follows:

Chairman:	Johannes Martin Hartmann
Member:	Dušan Bogdanović (until 31 March 2018)
Member:	Ivana Jurčíková
Member:	Tomasz Rowicki

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 2018 were as follows:

Chairman:	Peter Thirring
Vice-Chairwoman:	Elisabeth Stadler
Vice-Chairman:	Alain Flandrin
Member:	Karl Fink (until 31 December 2018)
Member:	Peter Höfinger
Member:	Vladimír Bakeš
Member:	Gerhard Lahner

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

These financial investments are non-derivative financial assets that are designated as available for sale and are not classified as loans and deposits due from cedents and held to maturity financial investments. 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 when final account is received at the end of the period.

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 2018.

IFRS 15 Revenue from Contracts with Customers

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

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.

The Clarifications to IFRS 15 clarify some of the Standard´s requirements and provide additional transitional relief for companies that are implementing the new Standard.

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

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

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 elected to apply the temporary exemption from IFRS 9. Company, as an insurance provider, qualified for the temporary exemption on results of predominance test assessed as at 31 December 2015. The carrying amount of its liabilities arising from contracts within the scope of IFRS 4 was greater than 90 per cent compared to the total carrying amount of all its liabilities and the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities was greater than 90 per cent. There was no change in activities that are predominantly connected with insurance at a subsequent annual reporting date before 31 December 2018.

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. The Entity, as an insurance provider, intends to apply the exemption from adopting IFRS 9 and adopt it together with IFRS 17 for annual period beginning on 1 January 2021.)

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. 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 16 Leases

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

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.

IFRS 17 Insurance Contracts

(Effective for annual periods beginning on or after 1 January 2022; to be applied prospectively. Early application is permitted. The entity does not intend to apply the standard earlier than on 1 January 2022.)

This pronouncement is not yet endorsed by the EU.

IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches.

IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values, instead of historical cost.

It is expected that the new Standard, when initially applied, will have a significant impact on the financial statements. There could be greater volatility in financial results and equity due to the use of current market discount rates. Company may also need to revisit the design of their products and other strategic decisions, such as investment allocation.

Implementing will require substantial effort, and new or upgraded systems, processes and controls.

The entity is currently not yet able to quantify the expected impact that the initial application of IFRS 17 will have on its IFRS statements.

Other standards, interpretations and amendments to published standards as adopted by EU that are not yet effective for annual periods beginning on 1 January 2018 will have no material impact on the financial statements of the entity.

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 actuarial techniques such as chain ladder methods, whereby historical data is extrapolated in order to estimate the ultimate costs of claims.

For IBNR calculation the Company uses methods which reflect the most recent known information such as loss ratio methodology and Incremental Loss Ratio methodology (ILR), which 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 a priori estimated mean loss ratio and the estimated development factors are the two assumptions which have the greatest effect on setting of the IBNR level. To limit the volatility of the forecasted ultimate claims in time the Company systematically mitigates the uncertainty embedded in those assumptions.

The a priori estimated mean loss ratio is an estimated mean value which represents the ratio of expected ultimate claims incurred to premiums earned and is estimated for each new reinsurance contract acceptance on an individual basis. The Company has made significant investments into the pricing tools in the last years and for each reinsurance acceptance a stochastic actuarial model is created. The individual stochastic models are intended to serve as a basis for the future Solvency II partial internal model and also for that purpose the Company´s modelling approaches have been discussed regularly during technical meetings with the regulator. Due to the nature of reinsurance business a significant uncertainty is associated with the a priori estimated mean loss ratio on an individual contract level, however, this uncertainty is considerably mitigated on the whole portfolio level due to the more than one thousand accepted reinsurance contracts by the Company on an yearly basis.

The estimated development factors used for ILR reserving methodology are predominantly calculated on aggregated claims triangles based on accounting data. Each triangle is created for a homogenous group of reinsurance contracts with minimum split per Solvency II line of business. To limit the uncertainty on a whole portfolio level, the Company performs an in-depth segmentation analysis annually where the homogeneity of calculation groups is further reviewed in view of the nature of the reinsurance contracts (Clean Cut, Losses Occuring basis and Risk Attaching basis), country of cedent and any similarities in reserving and cash flow characteristics. As the first accounting data come from the underwriting year 2009, the Company also uses the renewal information from the individual cedents for estimations of the development factors wherever appropriate, this concerns especially to the long tail business.

The volatility of the Company´s estimated ultimate claims is also further protected against significant impact of changes in these key assumptions by the complex retrocession program.

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 of Unearned Premium Reserve – Non-Life

The liability adequacy test for unearned premium reserve is limited to the unexpired portion of existing contracts and is performed on the gross basis for all lines of business. This type of test is performed as a control of sufficient amount of unearned premium reserve less the corresponding expected costs. If the result is negative, it is necessary to create an additional provision for the unexpired risks. The test is performed on the level of granularity per SII line of business and underwriting year, the individual results in such granularity are mutually offset and the overall result serves as the criterion if an additional reserve needs to be built.

Liability Adequacy Test – Life

The liability adequacy test is performed gross of reinsurance. The best estimate gross of reinsurance is compared to the IFRS reserve net of IFRS DAC and gross of reinsurance. The best estimate gross of reinsurance is calculated as Statutory Reserve net of statutory DAC and gross of 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 gross of reinsurance leads to LAT reserve creation.

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. Departments Involved in Risk Monitoring and Control at VIG and VIG Re

Risk monitoring and control is in the competence of the Board of Directors. Asset 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 has the the support of the asset risk management department of VIG Group companies in the Czech Republic.. 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: Controlling, reporting and Planning 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 2018 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 therefore 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 specific 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 Western 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, however lately also grows business in France, Belgium, Italy and Luxembourg. 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, equity 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.

Credit risk exposure in EUR '000	**Trade and other receivables**		**Other financial assets**	
	2018	**2017**	**2018**	**2017**
Individually impaired:				
Gross amount	847	821	0	0
Carrying amount	0	0	0	0
Collectively impaired:				
Gross amount	0	0	0	0
Carrying amount	0	0	0	0
Past due but not impaired:				
Gross amount				
Up to 30 days after maturity	59	566	0	0
31 days to 90 days after maturity	1 619	1 107	0	0
91 days to 180 days after maturity	858	2 759	0	0
181 days to 1 year after maturity	898	1 332	0	0
1 year to 2 years after maturity	1 055	1 317	0	0
Neither past due nor impaired – carrying amount	**79 312**	**71 701**	**741 178**	**726 951**
Total carrying amount	**83 801**	**78 782**	**741 178**	**726 951**

Individually impaired receivables are primarily represented by balance owed by broker Reunion AG that were fully impaired in 2017 due to financial difficulties of the company. VIG Re filed court proceedings in 2017 to recover the receivables.

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

Cash and cash equivalents are neither individually nor collectively impaired.

Credit risk exposure	**2018**					
Standard & Poor's rating in EUR '000	**AAA**	**AA**	**A**	**B / BB / BBB**	**No Rating**	**Carrying value in balance sheet**
Financial investments*	30 918	138 728	123 268	20 737	77 112	390 763
Deposits due from cedents	0	89 168	7 801	0	3 684	100 653
Cash and cash equivalents	0	0	0	0	14 876	14 876
Receivables from reinsurance and ceded share of reinsurance liabilities	0	142 482	132 345	5 650	37 969	318 446
Other receivables	0	0	0	0	241	241
Total	**30 918**	**370 378**	**263 414**	**26 387**	**133 882**	**824 979**
In %	*3.75*	*44.90*	*31.93*	*3.20*	*16.22*	*100.00*

* Except for deposits due from cedents

Credit risk exposure	2017					
Standard & Poor's rating in EUR '000	**AAA**	**AA**	**A**	**B / BB / BBB**	**No Rating**	**Carrying value in balance sheet**
Financial investments*	34 424	74 779	164 244	24 690	71 965	370 102
Deposits due from cedents	0	92 975	8 335	0	1 642	102 952
Cash and cash equivalents	0	0	0	0	9 812	9 812
Receivables from reinsurance and ceded share of reinsurance liabilities	0	138 757	144 929	6 933	32 038	322 657
Other receivables	0	0	0	0	210	210
Total	**34 424**	**306 511**	**317 508**	**31 623**	**115 667**	**805 733**
In %	*4.27*	*38.04*	*39.41*	*3.92*	*14.36*	*100.00*

* 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: in EUR '000	2018					
	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**
Financial investments	**35 050**	**124 556**	**212 974**	**48 774**	**70 062**	**491 416**
Financial assets held to maturity	9 255	51 400	27 594	0	0	88 249
Financial assets available for sale	7 354	54 188	161 431	2 429	70 062	295 464
Loans – Term deposits	4 761	26	0	2 263	0	7 050
Deposit due from cedents *	13 680	18 942	23 949	44 082	0	100 653
Receivables from reinsurance	**83 560**	**0**	**0**	**0**	**0**	**83 560**
Ceded share of reinsurance liabilities*	**93 078**	**51 283**	**52 048**	**38 477**	**0**	**234 886**
Cash and cash equivalents	**14 876**	**0**	**0**	**0**	**0**	**14 876**
Current tax assets	**0**	**0**	**0**	**0**	**0**	**0**
Other receivables	**241**	**0**	**0**	**0**	**0**	**241**
Total	**226 805**	**175 839**	**265 022**	**87 251**	**70 062**	**824 979**

*expected timing of cash flows

The following table provides details of the expected maturity profile of the Company's obligations with respect to its financial liabilities and estimated cash flows of recognized insurance contract liabilities. The table includes both interest and principal cash flows.

Expected contractual maturities of liabilities: in EUR '000	2018				
	Up to one year	From one to five years	From five to ten years	More than ten years	Carrying value in balance sheet
Subordinated liabilities	708	0	35 000	0	35 708
Reinsurance liabilities*	**206 826**	**122 710**	**113 799**	**105 170**	**548 505**
Unearned premiums	19 203	0	0	0	19 203
Outstanding claims	180 782	104 526	91 069	61 985	438 362
Life reinsurance provision	6 841	18 184	22 730	43 185	90 940
Payables	87 121	669	1 254	1 100	90 144
Current tax liabilities	268	0	0	0	268
Other liabilities	2 170	0	0	0	2 170
Total	**297 093**	**123 379**	**150 053**	**106 270**	**676 795**

*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: in EUR '000	2017					
	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
Financial investments	**51 784**	**122 513**	**172 760**	**48 207**	**77 790**	**473 054**
Financial assets held to maturity	32 166	60 581	27 573	0	0	120 320
Financial assets available for sale	8 120	41 783	119 455	2 457	77 790	249 605
Loans – Term deposits	0	177	0	0	0	177
Deposit due from cedents*	11 498	19 972	25 732	45 750	0	102 952
Receivables from reinsurance	**78 571**	**0**	**0**	**0**	**0**	**78 571**
Ceded share of reinsurance liabilities*	**114 799**	**46 595**	**47 448**	**35 243**	**0**	**244 085**
Cash and cash equivalents	**9 812**	**0**	**0**	**0**	**0**	**9 812**
Current tax assets	**1 691**	**0**	**0**	**0**	**0**	**1 691**
Other receivables	**210**	**0**	**0**	**0**	**0**	**210**
Total	**256 867**	**169 108**	**220 208**	**83 450**	**77 790**	**807 423**

*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: in EUR '000	2017				
	Up to one year	From one to five years	From five to ten years	More than ten years	Carrying value in balance sheet
Reinsurance liabilities*	**209 595**	**114 329**	**110 916**	**104 178**	**539 018**
Unearned premiums	17 451	0	0	0	17 451
Outstanding claims	185 215	95 911	87 893	60 434	429 453
Life reinsurance provision	6 929	18 418	23 023	43 744	92 114
Payables	107 505	1 080	2 077	1 717	112 379
Other liabilities	1 525	0	0	0	1 525
Total	**318 625**	**115 409**	**112 993**	**105 895**	**652 922**

*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:

Currency in EUR '000	2018		
	Total Assets	**Total Liabilities**	**Net Amount**
EUR	772 961	591 246	181 715
PLN	21 860	22 069	-209
CZK	18 425	20 203	-1 778
TRY	12 455	14 065	-1 610
HUF	8 548	8 611	-63
USD	7 627	7 529	98
JPY	443	6 971	-6 528
Other	3 362	6 101	-2 739
Total	**845 681**	**676 795**	**168 886**

A 10% negative movement in exchange rates against EUR can cause a total profit of 1 282 81 TEUR.

Such a EUR/JPY change can cause a profit of 653 TEUR, and in EUR/CZK a profit of 178 TEUR.

Currency in EUR '000	2017		
	Total Assets	**Total Liabilities**	**Net Amount**
EUR	735 807	572 068	163 739
PLN	23 481	20 967	2 514
CZK	21 491	18 180	3 311
USD	15 791	14 021	1 770
TRY	13 621	14 624	-1 003
Other	12 345	13 062	-717
Total	**822 536**	**652 922**	**169 614**

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.

2018 in EUR '000	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
Financial instruments								
Financial assets available for sale – debt securities	0.98%	0	7 354	6 853	47 335	163 860	0	225 402
Financial assets available for sale – investment funds and shares in other related parties		0	0	0	0	0	70 062	70 062
Financial assets held to maturity – debt securities	4.43%	2 068	7 186	34 203	17 197	27 595	0	88 249
Loans – Term deposits	13.93%	4 761	0	0	26	2 263	0	7 050
Deposit due from cedents	4.07%	0	13 680	18 942	0	68 031	0	100 653
Cash and cash equivalents	0.00%	14 876	0	0	0	0	0	14 876
Total financial assets		**21 705**	**28 220**	**59 998**	**64 558**	**261 749**	**70 062**	**506 292**

2017 in EUR '000	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
Financial instruments								
Financial assets available for sale – debt securities	1.24%	5 634	2 486	7 327	34 455	121 913	0	171 815
Financial assets available for sale – investment funds		0	0	0	0	0	77 790	77 790
Financial assets held to maturity – debt securities	4.4%	0	32 166	9 296	51 285	27 573	0	120 320
Loans – Term deposits	6.3%	0	0	0	177	0	0	177
Deposit due from cedents	3.88%	0	11 498	19 972	0	71 482	0	102 952
Cash and cash equivalents	0.00%	9 812	0	0	0	0	0	9 812
Total financial assets		**15 446**	**46 150**	**36 595**	**85 917**	**220 968**	**77 790**	**482 866**

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 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 in EUR '000	**2018**	**2017**
Market value of portfolio	392 564	418 861
Parametrical VaR 60d; 99%	9 332	6 607
Relative VaR (%) 60d; 99%	2.38%	1.58%

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 in EUR '000	**2018**	**2017**
Market value of portfolio	290 376	244 562
Parametrical VaR 60d; 99%	4 973	4 931
Relative VaR (%) 60d; 99%	1.71%	2.02%

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 9 332 TEUR or 4 973 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 in EUR '000	**2018**	**2017**
Software and licenses	2 133	2 111
Total intangible assets	**2 133**	**2 111**

2018 in EUR '000	**Software**	**License**	**Other intangible assets**	**Total**
Balance as of 1 January	480	1 778	2 427	4 685
Additions	284	7	575	866
Balance as of 31 December	**764**	**1 785**	**3 002**	**5 551**
Balance as of 1 January	387	1 414	773	2 574
Amortization	67	174	603	844
Balance as of 31 December	**454**	**1 588**	**1 376**	**3 418**
Book value as of 1 January	**93**	**364**	**1 654**	**2 111**
Book value as of 31 December	**310**	**197**	**1 626**	**2 133**

2017 in EUR '000	**Software**	**License**	**Other intangible assets**	**Total**
Balance as of 1 January	424	1 778	1 445	3 647
Additions	56	0	982	1 038
Balance as of 31 December	**480**	**1 778**	**2 427**	**4 685**
Balance as of 1 January	372	1 208	302	1 882
Amortization	15	206	471	692
Balance as of 31 December	**387**	**1 414**	**773**	**2 574**
Book value as of 1 January	**52**	**570**	**1 143**	**1 765**
Book value as of 31 December	**93**	**364**	**1 654**	**2 111**

F.2. Property, Plant and Equipment

Property, plant and equipment – 2018 in EUR '000	**Vehicles**	**Other**	**Total**
Balance as of 1 January	**109**	**575**	**684**
Additions	45	575	620
Disposals	36	0	36
Balance as of 31 December	**118**	**1 150**	**1 268**
Balance as of 1 January	**82**	**160**	**242**
Depreciation	15	124	139
Disposals	36	0	36
Balance as of 31 December	**61**	**284**	**345**
Book value as of 1 January	**27**	**415**	**442**
Book value as of 31 December	**57**	**866**	**923**

Property, plant and equipment – 2017 in EUR ‘000	Vehicles	Other	Total
Balance as of 1 January	**74**	**358**	**432**
Additions	35	236	271
Disposals	0	19	19
Balance as of 31 December	**109**	**575**	**684**
Balance as of 1 January	**74**	**106**	**180**
Depreciation	8	62	70
Disposals	0	8	8
Balance as of 31 December	**82**	**160**	**242**
Book value as of 1 January	**0**	**252**	**252**
Book value as of 31 December	**27**	**415**	**442**

F.3. Investments in Subsidiaries

Investment in subsidiaries in EUR ‘000	31.12.2018	Country	Cost of investment	Impairment losses	Net cost of investment	Proportion of ownership interest	Proportion of voting power
Wiener Re a.d.o. Serbia	6 758	Serbia	6 758		6 758	100%	100%
Total	**6 758**		**6 758**		**6 758**		

Investment in subsidiaries in EUR ‘000	31.12.2017	Country	Cost of investment	Impairment losses	Net cost of investment	Proportion of ownership interest	Proportion of voting power
Wiener Re a.d.o. Serbia	6 758	Serbia	6 758		6 758	100%	100%
Total	**6 758**		**6 758**		**6 758**		

Investment in subsidiaries in EUR ‘000	Date of acquisition	Proportion of ownership	Assets acquired	Liabilities acquired
Wiener Re a.d.o. Serbia	22.7.2010	99%	20 445	14 137
Wiener Re a.d.o. Serbia	17.3.2017	1%	454	383
Total			**20 899**	**14 520**

Wiener Re a.d.o. Serbia was acquired in 2010 from WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group.

F.4. Financial Investments

Financial investments in EUR ‘000	2018	2017
Available for sale financial assets	295 464	249 605
Held to maturity financial assets	88 249	120 320
Loans and receivables	107 703	103 129
Total	**491 416**	**473 054**

F.4.1. Financial Assets Available for Sale

Financial assets available for sale in EUR '000	**2018**	**2017**
Debt securities		
Government bonds	188 119	136 637
Covered bonds	10 012	10 271
Corporate bonds	16 043	9 349
Bonds from banks	11 228	15 558
Investment funds	65 059	72 787
Shares in other related parties	5 003	5 003
Total	**295 464**	**249 605**

Amortized value – 2018	**Amortized value/ Purchase price**	**FX differences**	**Unrealized gains or losses**	**Impairment**	**Fair value**
Debt securities	222 374	-241	3 269		225 402
Investment funds	66 947		-1 888		65 059
Shares in affiliated non-consolidated companies	5 003				5 003
Total	**294 324**	**-241**	**1 381**		**295 464**

Amortized value – 2017	**Amortized value/ Purchase price**	**FX differences**	**Unrealized gains or losses**	**Impairment**	**Fair value**
Debt securities	168 189	406	3 220		171 815
Investment funds	69 439		3 348		72 787
Shares in affiliated non-consolidated companies	5 003				5 003
Total	**242 631**	**406**	**6 568**		**249 605**

Fair value hierarchy – 2018 in EUR '000	**Level 1**	**Level 2**	**Level 3**	**Total**
Balance as of 1 January	**234 105**	**0**	**15 500**	**249 605**
Reclassification to level	0	10 497	0	**10 497**
Reclassification from level	0	0	10 497	**10 497**
Additions	113 915	10	0	**113 925**
Disposals	62 638	0	0	**62 638**
Changes in value recognised in profit and loss	-88	-153	0	**-241**
Changes in value recognised directly in equity	-5 166	-21	0	**-5 187**
Balance as of 31 December	**280 128**	**10 333**	**5 003**	**295 464**

Fair value hierarchy – 2017 in EUR '000	**Level 1**	**Level 2**	**Level 3**	**Total**
Balance as of 1 January	**157 382**	**6 019**	**9 683**	**173 084**
Reclassification to level	1 005	0	5 285	**6 290**
Reclassification from level	0	5 285	1 005	**6 290**
Additions	95 494	0	1 392	**96 886**
Disposals	19 987	727	0	**20 714**
Changes in value recognised in profit and loss	-4	0	411	**407**
Changes in value recognised directly in equity	215	-7	-266	**-58**
Balance as of 31 December	**234 105**	**0**	**15 500**	**249 605**

Level 1 represents quoted prices in active markets for identical assets or liabilities (close/traded exchange prices, net asset values for opened-ended funds that are redeemable at any time, that report a daily NAV and that can be redeemed at this NAV)

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 2 Pricing method	**Used for**	**Fair value**	**Input parameters observable**
Present value method	Bonds	Theoretical price	Issuer, sector and rating-dependent yield curves
Hull-White present value method	Bonds	Theoretical price	Maturity dependent implied volatilities rating-dependent yield curves
Hull-White present value method	Bonds	Theoretical price	Issuer, sector and rating-dependent yield curves

Level 3 represents an investment where the inputs for the asset valuation are not observable market data (issuer, sector and rating-dependent yield curves of non-government bonds).

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 AFS bonds (0 TEUR in 2018, 10 497 TEUR in 2017) and an investment share in an unlisted real estate company (5 003 TEUR in 2018; 5 003 TEUR in 2017) measured in purchase price (as its fair value cannot be reliably measured).

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.

Reclassification – 2018 in EUR '000	**Level 3 to Level 2**
Debt securities	
Amortized value	10 335
FX differences	408
Unrealized gains or losses	-246
Total	**10 497**
Number	**3**

The assessment of the impact of non-observable inputs (sector and rating specific spreads) has changed in the year 2018 which lead to change in classification (level 3 to level 2).

Reclassification – 2017 in EUR '000	**Level 2 to Level 3**	**Level 3 to Level 1**
Debt securities		
Amortized value	5 273	1 000
FX differences	-7	-3
Unrealized gains or losses	19	8
Total	**5 285**	**1 005**
Number	**2**	**1**

The assessment of the impact of non-observable inputs (sector and rating specific spreads) has changed in the year 2017 which lead to change in classification (level 2 to level 3).

Reclassification from level 3 to level 1 was performed due to change in trading frequency in the year 2017.

F.4.2. Financial Assets Held to Maturity

Financial assets held to maturity in EUR '000	**2018**	**2017**
Debt securities		
Government bonds	77 549	109 604
Corporate bonds	10 700	10 716
Total	**88 249**	**120 320**

Financial assets held to maturity – 2018 in EUR '000	**Carrying amount**	**Fair value**
Debt securities		
Government bonds	77 549	88 770
Corporate bonds	10 700	11 765
Total	**88 249**	**100 535**

Financial assets held to maturity – 2017 in EUR '000	**Carrying amount**	**Fair value**
Debt securities		
Government bonds	109 604	121 470
Corporate bonds	10 716	12 116
Total	**120 320**	**133 586**

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 in EUR '000	**2018**	**2017**
Loans – Term deposits	7 050	177
Deposits due from cedents	100 653	102 952
Total	**107 703**	**103 129**

In 2018 Company granted a loan within Group in amount of 2.250 TEUR. Fair value of the loan is allocated to the Level 2 of the fair value hierarchy (2 209 TEUR). Term deposits in TRY and other loans are allocated to the Level 3 and measured in carrying amount (4 787 TEUR).

Deposits due from cedents in relation to reinsurance liabilities in EUR '000			**2018**
Assets		**Liabilities**	
Deposits due from cedents	100 653	Unearned premiums	3 922
		Outstanding claims	5 812
		Life reinsurance provision	90 919
Total gross	**100 653**		**100 653**

Deposits due from cedents in relation to reinsurance liabilities in EUR '000			2017
Assets		**Liabilities**	
Deposits due from cedents	102 952	Unearned premiums	4 381
		Outstanding claims	6 478
		Life reinsurance provision	2 093
Total gross	**102 952**		**102 952**

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 in EUR '000	2018	2017
Receivables arising out of assumed reinsurance – cedents	56 798	52 159
Receivables arising out of reinsurance operations – retrocession	27 609	27 233
Trade and other receivables	18	27
Prepayments	223	184
Total gross	**84 648**	**79 603**
Impairment	847	821
Total net	**83 801**	**78 782**

F.6. Ceded Share of Reinsurance Liabilities

Ceded share of reinsurance liabilities in EUR '000	2018	2017
Unearned premiums	9 700	8 092
Outstanding claims	224 629	235 437
Life reinsurance provision – retrocession	557	556
Total	**234 886**	**244 085**

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	2018		2017	
Balance sheet position	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	1	0	0	1
Intangible assets	0	37	0	43
Revaluation differences	519	0	0	0
Provisions	323	0	216	0
Total	**843**	**37**	**216**	**44**
Net Balance	**806**		**172**	

Movement in deferred tax	2018	2017
Net deferred tax assets/(liability) – opening balance	172	53
Deferred tax (expense)/income for the period – through Profit or Loss	115	119
Deferred tax through Other Comprehensive Income	519	0
Net deferred tax asset/(liability) – closing balance	**806**	**172**

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 (2017: 19%).

F.8. Other Assets

Other Assets in EUR ‘000	2018	2017
Prepaid expenses	357	259
Total	**357**	**259**

F.9. Deferred Acquisition Costs

Development of DAC in EUR ‘000	2018	2017
Book value – opening balance	5 370	4 390
Costs deferred during the current year	6 134	3 340
DAC released during the current year	1 781	2 325
FX translation	2	-35
Book value – closing balance	**9 725**	**5 370**

F.10. Cash and Cash Equivalents

Cash and cash equivalents in EUR ‘000	2018	2017
Cash and cash equivalents	4	6
Cash at bank	14 872	9 806
Total	**14 876**	**9 812**

F.11. Shareholders’ Equity

Share capital in EUR ‘000	2018	2017
Authorized number of shares		
25 000 of 4 078.32 EUR shares	101 958	101 958
6 500 of 3 829.66 EUR shares	24 892	24 892
Issued number of shares		
25 000 of 4 078.32 EUR shares	101 958	101 958
6 500 of 3 829.66 EUR shares	24 892	24 892
Total	**126 850**	**126 850**

Share capital was increased in September 2017, as described in section A.1.

F.12. Subordinate liabilities

Subordinate liabilities in EUR '000	2018	2017
Nominal value	35 000	0
Accrued interests	708	0
Total	**35 708**	**0**

Company borrowed subordinated loan with ten year maturity and interest rate 4% from Vienna Insurance Group AG Wiener Versicherung Gruppe in June 2018.

F.13. Unearned Premiums

Unearned premium provision – 2018 in EUR '000	Gross	Reinsurance	Net
Book value – opening balance	17 451	8 092	9 359
Premium written during the current year	456 924	235 639	221 285
Less premium earned during the current year	-457 561	-231 589	-225 972
Effect of clean cut	2 457	-2 046	4 503
FX translation	-68	-396	328
Book value – closing balance	**19 203**	**9 700**	**9 503**

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

Unearned premium provision – 2017 in EUR '000	Gross	Reinsurance	Net
Book value – opening balance	**20 896**	**6 175**	**14 721**
Premium written during the current year	423 650	171 166	252 484
Less premium earned during the current year	-425 725	-169 764	-255 961
Effect of clean cut	-1 416	435	-1 851
FX translation	46	80	-34
Book value – closing balance	**17 451**	**8 092**	**9 359**

F.14. Outstanding Claims

Provisions (RBNS, IBNR) – 2018 in EUR '000	Gross	Reinsurance	Net
Book value – opening balance	**429 453**	**235 437**	**194 016**
Claims incurred and reported	236 597	92 648	143 949
Less claims paid	-238 589	-99 473	-139 116
Effect of clean cut	14 007	-1 103	15 110
FX translation	-3 106	-2 880	-227
Book value – closing balance	**438 362**	**224 629**	**213 732**

Claims development table – Property/casualty on a gross basis in EUR '000	UY 2018	UY 2017	UY 2016	UY 2015	UY 2014	UY 2013	UY 2012	UY 2011	UY 2010	UY 2009	Total
Estimate of total cumulative claims at the end of the year	198 010	293 745	190 331	205 507	225 203	248 954	99 028	69 418	206 227	155 120	
One year later		305 337	178 940	236 188	251 289	257 699	115 795	82 973	214 401	175 798	
Two years later			180 291	239 441	237 267	254 582	115 588	79 040	217 175	177 081	
Three years later				237 164	258 181	249 393	112 777	75 586	209 765	167 027	
Four years later					259 619	247 119	109 294	74 521	206 395	161 648	
Five years later						245 487	107 477	74 039	206 019	159 069	
Six years later							108 904	70 630	204 691	156 883	
Seven years later								70 968	203 769	156 221	
Eight years later									204 909	154 235	
Nine years later										153 391	
Estimate of cumulative claims	198 010	305 337	180 291	237 164	259 619	245 487	108 904	70 968	204 909	153 391	1 964 080
Cumulative payment	78 505	201 797	137 163	189 952	212 983	226 951	90 877	60 584	182 287	142 459	1 523 558
Value recognized in balance sheet	**119 505**	**103 540**	**43 128**	**47 212**	**46 636**	**18 536**	**18 027**	**10 384**	**22 622**	**10 932**	**440 522**

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 (2 551 TEUR), life (2 955 TEUR) and FX differences (-7 666 TEUR) are not included in the above table due to their relative insignificance.

Provisions (RBNS, IBNR) – 2017 in EUR '000	Gross	Reinsurance	Net
Book value – opening balance	**368 747**	**204 055**	**164 692**
Claims incurred and reported	298 147	106 586	191 561
Less claims paid	-233 116	-69 726	-163 390
Effect of clean cut	-2 519	-3 218	699
FX translation	- 1 806	-2 260	454
Book value – closing balance	**429 453**	**235 437**	**194 016**

Claims development table – Property/casualty on a gross basis in EUR '000	UY 2017	UY 2016	UY 2015	UY 2014	UY 2013	UY 2012	UY 2011	UY 2010	UY 2009	Total
Estimate of total cumulative claims at the end of the year	293 745	190 331	205 507	225 203	248 954	99 028	69 418	206 227	155 120	
One year later		178 940	236 188	251 289	257 699	115 795	82 973	214 401	175 798	
Two years later			239 441	237 267	254 582	115 588	79 040	217 175	177 081	
Three years later				258 181	249 393	112 777	75 586	209 765	167 027	
Four years later					247 119	109 294	74 521	206 395	161 648	
Five years later						107 477	74 039	206 019	159 069	
Six years later							70 630	204 691	156 883	
Seven years later								203 769	156 221	
Eight years later									154 235	
Estimate of cumulative claims	293 745	178 940	239 441	258 181	247 119	107 477	70 630	203 769	154 235	1 753 537
Cumulative payment	131 562	121 943	176 276	201 720	223 905	89 823	58 522	177 158	141 852	1 322 761
Value recognized in balance sheet	**162 183**	**56 997**	**63 165**	**56 461**	**23 214**	**17 654**	**12 108**	**26 611**	**12 383**	**430 776**

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 (324 TEUR), life (2 907 TEUR) and FX differences (-4 569 TEUR) are not included in the above table due to their relative insignificance.

F.15. Life Reinsurance Provision

Development in 2018 in EUR '000	Gross	Reinsurance	Net
Book value – opening balance	92 114	556	91 558
Additions	2 273	1	2 272
Disposals	-3 447	0	-3 447
Book value – closing balance	**90 940**	**557**	**90 383**

Development in 2017 in EUR '000	Gross	Reinsurance	Net
Book value – opening balance	131 495	457	131 038
Additions	1 673	99	1 574
Disposals	-41 054	0	-41 054
Book value – closing balance	**92 114**	**556**	**91 558**

F.16. Payables

Payables in EUR '000	**2018**	**2017**
Payables arising out of reinsurance operations – cedents	68 624	90 671
Payables arising out of reinsurance operations – retrocession	20 112	20 619
Trade payables	540	334
Wages and salaries	255	210
Social security and health insurance and tax payables	178	127
Other payables	434	418
Total	**90 144**	**112 379**

F.17. Other Liabilities

Other liabilities in EUR '000	**2018**	**2017**
Accruals	2 170	1 525
Total	**2 170**	**1 525**

F.18. Premium

Premium written – Reinsurance premium in EUR '000	**Property/ Casualty 2018**	**Health 2018**	**Life 2018**	**Total 2018**
Gross				
Austria	150 524	15 221	9 144	174 889
Czech Republic	43 099	0	58	43 157
Germany	38 100	2 844	3 294	44 238
Italy	36 079	8	0	36 087
Poland	24 471	0	948	25 419
Turkey	19 222	4 103	0	23 325
Slovakia	16 455	0	3 768	20 223
Romania	12 837	0	16	12 853
Lithuania	11 728	0	51	11 779
Serbia	7 974	426	38	8 438
Hungary	6 353	213	400	6 966
Other*	47 726	431	1 393	49 550
Premium written	**414 568**	**23 246**	**19 110**	**456 924**
Retroceded premium	**-230 417**	**-470**	**-4 752**	**-235 639**
Premium written – Retained	**184 151**	**22 776**	**14 358**	**221 285**

*) Other represents the following countries: Albania, Armenia, Belgium, Bosnia, Bulgaria, Croatia, Estonia, France, Georgia, Greece, Japan, Kazakhstan, Kosovo, Latvia, Macedonia, Moldova, Montenegro, Russia, Slovenia, South Korea, Spain, Switzerland, Ukraine.

Premium written – Reinsurance premium in EUR '000	Property/Casualty 2017	Health 2017	Life 2017	Total 2017
Gross				
Austria	145 907	15 470	9 870	171 247
Czech Republic	46 017	0	61	46 078
Germany	30 616	1 850	2 345	34 811
Turkey	21 010	2 981	0	23 991
Poland	23 208	0	562	23 770
Italy	23 576	4	0	23 580
Slovakia	17 459	0	1 507	18 966
Romania	12 407	0	237	12 644
Lithuania	8 542	0	0	8 542
Serbia	7 736	186	37	7 959
Hungary	7 144	16	391	7 551
Other*	42 476	485	1 550	44 511
Premium written	**386 098**	**20 992**	**16 560**	**423 650**
Retroceded premium	**-167 733**	**-149**	**-3 284**	**-171 166**
Premium written – Retained	**218 365**	**20 843**	**13 276**	**252 484**

*) Other represents the following countries: Albania, Armenia, Belgium, Bosnia, Bulgaria, Croatia, Estonia, France, Georgia, Japan, Kazakhstan, Kosovo, Latvia, Macedonia, Moldova, Montenegro, Russia, Slovenia, Spain, Switzerland, Ukraine.

In 2018 the Company wrote premium of 322 106 TEUR from VIG Group companies and 134 818 TEUR from external parties (in 2017 315 962 TEUR from VIG Group companies and 107 687 TEUR from external parties).

Premium written – Reinsurance premium in EUR '000	Gross 2018	Ceded 2018	Net 2018
Property/Casualty			
Motor Third Party Liability	59 281	-22 997	36 284
Motor Own Damage	44 009	-455	43 554
Personal Accident	9 385	-5 841	3 544
General Third Party Liability	11 760	-2 016	9 744
Property	278 741	-192 481	86 260
Marine	11 392	-6 627	4 765
Premium written	**414 568**	**-230 417**	**184 151**

Premium written – Reinsurance premium in EUR '000	Gross 2017	Ceded 2017	Net 2017
Property/Casualty			
Motor Third Party Liability	52 848	-20 866	31 982
Motor Own Damage	34 753	-327	34 426
Personal Accident	7 681	-4 855	2 826
General Third Party Liability	12 442	-1 595	10 847
Property	268 717	-134 021	134 696
Marine	9 657	-6 069	3 588
Premium written	**386 098**	**-167 733**	**218 365**

F.19. Investment Result

Investment Income in EUR '000	2018	2017
Interest income		
Loans and term deposits	16	14
Deposits due from cedents	5 686	5 089
Financial investments held to maturity	4 437	5 248
Financial investments available for sale	3 037	2 906
Total current income	**13 176**	**13 257**
Gains from the disposal of financial investments		
Financial investments held to maturity	0	50
Financial investments available for sale	2 626	1 615
Total gains from disposals of investments	**2 626**	**1 665**
FX gains	**0**	**412**
Kick-back and other fees	**35**	**16**
Total	**15 837**	**15 350**

Investment expense in EUR '000	2018	2017
Losses from disposal of investments	1 579	500
Management fees	393	370
FX losses	813	0
Interest expenses from subordinate liabilities	708	0
Interests from retrocession operations	1 040	703
Total	**4 533**	**1 573**

F.20. Other Income

Other income in EUR '000	2018	2017
Foreign currency gains	73	12
Income from sale of inventory	10	0
Total	**83**	**12**

F.21. Claims and Insurance Benefits

Expenses for claims and insurance benefits – 2018 in EUR ‘000	Gross	Retrocession	Net
Property/casualty/health			
Expenses for insurance claims			
Claims and benefits	225 101	98 790	126 311
Changes in provision for outstanding claims	-2 038	-6 735	4 697
Subtotal	**223 063**	**92 055**	**131 008**
Changes in mathematical reserve	0	0	0
Changes in other insurance liabilities	342	246	96
Total non-life expenses for claims and insurance benefits	**223 405**	**92 301**	**131 104**
Life			
Expenses for insurance claims			
Claims and benefits	13 488	683	12 805
Changes in provision for outstanding claims	47	-89	136
Subtotal	**13 535**	**594**	**12 941**
Changes in mathematical reserve	-1 174	0	-1 174
Changes in other insurance liabilities	0	0	0
Total life expenses for claims and insurance benefits	**12 361**	**594**	**11 767**
Total	**235 766**	**92 895**	**142 871**

Expenses for claims and insurance benefits – 2017 in EUR ‘000	Gross	Retrocession	Net
Property/casualty/health			
Expenses for insurance claims			
Claims and benefits	221 556	69 543	152 013
Changes in provision for outstanding claims	64 968	36 811	28 157
Subtotal	**286 524**	**106 354**	**180 170**
Changes in mathematical reserve	21	0	21
Changes in other insurance liabilities	54	0	54
Total non-life expenses for claims and insurance benefits	**286 599**	**106 354**	**180 245**
Life			
Expenses for insurance claims			
Claims and benefits	11 560	183	11 377
Changes in provision for outstanding claims	63	48	15
Subtotal	**11 623**	**231**	**11 392**
Changes in mathematical reserve	-713	99	-812
Changes in other insurance liabilities	0	0	0
Total life expenses for claims and insurance benefits	**10 910**	**330**	**10 580**
Total	**297 509**	**106 684**	**190 825**

F.22. Acquisition Expenses

Commission expenses in EUR '000	2018				2017			
	Property/ Casualty	Health	Life	Total	Property/ Casualty	Health	Life	Total
Reinsurance commission – Fix	45 850	1 835	7 192	54 877	38 579	1 541	4 201	44 321
Reinsurance commission – Sliding scale	28 907	935	0	29 842	20 328	1 397	0	21 725
Reinsurance commission – Profit commission	15 064	5 389	3 230	23 683	5 267	730	2 446	8 443
Deferred acquisition expenses	-293	-511	-4 243	- 5 047	1 237	-669	-1 813	-1 245
Total	**89 528**	**7 648**	**6 179**	**103 355**	**65 411**	**2 999**	**4 834**	**73 244**

F.23. Commission Income from Retrocessionaires

Commission income from retrocessionaires in EUR '000	2018	2017
Reinsurance commissions	44 294	27 439
Profit commissions	1 857	353
Deferred acquisitions revenues	-694	-230
Total	**45 457**	**27 562**

F.24. Other Operating Expenses

Other operating expenses in EUR '000	2018	2017
Personnel expenses	1 185	629
Mandatory social security contributions and expenses	341	282
Depreciation of property, plant and equipment	120	70
Amortization of intangible assets	894	702
Rental expenses	468	284
Services	88	53
Allocation/Release of receivable adjustments	26	442
Other administrative and IT expenses	1 215	1 896
Total	**4 337**	**4 358**

Information about fees paid to auditors for statutory audit services are disclosed in consolidated financial statements of parent company VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe.

Management and employee statistics Number of members	2018	2017
Management – BoD	3	4
Other employees	73	59
Total	76	63

Personal expenses in EUR '000	2018	2017
Wages and salaries	1 074	588
Mandatory social security contribution expenses	341	282
Other social security expenses	111	41
Total	**1 526**	**911**

Board of Directors and Supervisory Board compensation in EUR '000	2018	2017
Board of Directors compensation	838	843
Supervisory Board compensation	95	63
Total	**933**	**906**

F.25. Other Expenses

Other expenses in EUR '000	2018	2017
Foreign currency losses	265	1 159
Gifts	16	9
Court fees	0	36
Payment differences	1	1
Total	**282**	**1 205**

F.26. Tax Expense

Tax expense in EUR ‘000	2018	2017
Current taxes		
- Actual taxes current period	5 011	3 194
- Actual taxes related to other periods	3	102
Total current taxes	**5 480**	**3 296**
Deferred taxes (F.7)	**351**	**-119**
Other income tax	**0**	**55**
Total taxes	**5 365***	**3 232***

* 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 2018 and 31 December 2017.

Tax rate reconciliation in EUR ‘000	2018	2017
Expected tax rate in %	19	19
Profit before tax	26 177	23 629
Expected tax expense	**4 974**	**4 490**
Adjusted for tax effects due to:		
- Tax exempt income	-552	-1 750
- Non-deductible expenses – other	448	1 705
- Income exempted from tax	0	0
- Expense exempted from tax	102	126
- Taxes from previous years	3	102
- Changes in tax rates	0	0
Other adjustments	0	0
- FX differences**	390	-1 441
Income tax expense	**5 365**	**3 232**
Effective tax rate in %	20.49	13.68

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

F.27. Related Parties

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

F.27.1. Shareholders

Shareholders as of 31 December 2018:

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 in EUR '000	**2018**	**2017**
Balance sheet		
Receivables	8 651	52
Outstanding claims	56 404	56 487
Liabilities	5 501	3 950
Income statement		
Premiums written	17 284	16 559
Change due to provision for premiums	79	-49
Expenses for claims and insurance benefits	-11 503	-10 232
Change in claims and other reinsurance liabilities	-24	-14 884
Commission expenses	-835	-922
Other operating expenses	-248	-873

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* in EUR '000	**2018**	**2017**
Balance sheet		
Deposits due from cedents	327	332
Receivables	4 612	5 673
Unearned premiums	2 376	2 828
Premium reserve	327	332
Outstanding claims	57 543	63 824
Liabilities	35 673	33 922
Income statement		
Premiums written	83 099	86 710
Change due to provision for premiums	120	-1 661
Investment and interest income/expense	14	-16
Expenses for claims and insurance benefits	-41 289	-42 023
Change in claims and other reinsurance liabilities	10 484	-14 439
Commission expenses	-15 642	-8 359
Intergroup outsourcing	-867	-490
**Donau Versicherung AG, Kooperativa pojišťovna, a.s., Kooperativa poisťovna, a.s.*		

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

F.27.2. Subsidiaries

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

Transactions with subsidiaries in EUR '000	**2018**	**2017**
Balance sheet		
Receivables	951	1 161
Unearned premiums	359	695
Outstanding claims	5 812	1 499
Liabilities	626	411
Income statement		
Premiums written	9 926	9 551
Change due to provision for premiums	336	-149
Investment and interest income	382	364
Expenses for claims and insurance benefits	-5 023	-4 631
Change in claims and other reinsurance liabilities	-4 297	820
Commission expenses	-3 239	-3 110

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

F.27.3. Key Management Personnel of the Entity and its Parent

Key management personnel are those persons 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 and key management personnel except for the compensation mentioned in F.24.

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 in EUR '000	**2018**	**2017**
Balance sheet		
Deposits due from cedents	10 972	12 378
Receivables	20 095	33 613
Unearned premiums	11 188	10 263
Premium reserve	1 249	602
Outstanding claims	143 787	146 188
Liabilities	36 024	69 691
Income statement		
Premiums written	152 914	193 847
Change due to provision for premiums	-478	2 344
Miscellaneous earnings/expenditures of investment	187	73
Expenses for claims and insurance benefits	-78 945	-150 446
Change in claims and other reinsurance liabilities	16 285	-56 709
Commission expenses	-68 091	-38 281

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

F.28. Fair Value of Financial Assets and Liabilities

Financial assets in EUR '000	31.12.2018		31.12.2017	
	Fair value	Carrying amount	Fair value	Carrying amount
Financial investments	**402 996**	**390 763**	**383 368**	**370 102**
Financial assets held to maturity	100 535	88 249	133 586	120 320
Financial assets available for sale	295 464	295 464	249 605	249 605
Loans – Term deposits	6 997	7 050	177	177
Receivables	**83 801**	**83 801**	**78 782**	**78 782**
Cash and cash equivalents	**14 876**	**14 876**	**9 812**	**9 812**
Total financial assets	**501 673**	**489 440**	**471 962**	**458 696**
Financial liabilities	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Subordinated liabilities	35 708	35 708	0	0
Payables	90 144	90 144	112 379	112 379
Other liabilities	2 170	2 170	1 525	1 525
Total financial liabilities	**128 022**	**128 022**	**113 904**	**113 904**

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 100 653 TEUR (in 2017 amounting to 102 952 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.

Financial assets and liabilities except for HTM and part of AFS investments are classified to level 3 in fair value hierarchy. The instruments are measured by valuation technique which includes inputs not based on observable data.

F.29. IFRS 9 Disclosure

Fair value analysis of the financial assets:

Financial assets in EUR '000	31.12.2018		31.12.2017	
	SPPI	Other*	SPPI	Other*
Financial investments	**107 532**	**295 464**	**133 763**	**249 605**
Financial assets held to maturity	100 535		133 586	
Financial assets available for sale		295 464		249 605
Loans – Term deposits	6 997		177	
Other receivables	**241**		**210**	
Cash and cash equivalents	**14 876**		**9 812**	
Total financial assets	**122 649**	**295 464**	**143 785**	**249 605**

*Financial instruments that do not meet SPPI criteria or financial instruments that meet SPPI criteria but are held for trading or managed on a fair value basis.

Credit risk exposure in EUR '000	2018				
	Balance as of 1 January	Changes in additions, disposals and amortized value	Changes in FX difference	Changes in unrealized gains and losses	Balance as of 31 December
SPPI	**143 785**	**-20 156**		**-980**	**122 649**
Financial assets held to maturity	133 586	-32 071		-980	**100 535**
Loans – Term deposits	177	6 820			**6 997**
Other receivables	210	31			**241**
Cash and cash equivalents	9 812	5 064			**14 876**
Other*	**249 605**	**51 286**	**-241**	**-5 186**	**295 464**
Financial assets available for sale	249 605	51 286	-241	-5 186	295 464

*Financial instruments that do not meet SPPI criteria or financial instruments that meet SPPI criteria but are held for trading or managed on a fair value basis.

SPPI financial assets rating categories:

Credit risk exposure - SPPI	2018					
Standard & Poor's rating in EUR '000	**AAA**	**AA**	**A**	**B / BB / BBB**	**No Rating**	**Carrying value in balance sheet**
Financial assets	3 056	31 472	53 721			88 249
Loans – Term deposits					7 050	7 050
Other receivables					241	241
Cash and cash equivalents					14 876	14 876
Total	**3 056**	**31 472**	**53 721**	**0**	**22 167**	**110 416**
In %	*2.76*	*28.50*	*48.65*	*0.00*	*20.09*	*100.00*

Credit risk exposure - SPPI	2017					
Standard & Poor's rating in EUR '000	**AAA**	**AA**	**A**	**B / BB / BBB**	**No Rating**	**Carrying value in balance sheet**
Financial assets	3 061	16 976	100 283			120 320
Loans – Term deposits					177	177
Other receivables					210	210
Cash and cash equivalents					9 812	9 812
Total	**3 061**	**16 976**	**100 283**	**0**	**10 199**	**130 519**
In %	*2.35*	*13.00*	*76.83*	*0.00*	*7.82*	*100.00*

Credit risk exposure - Other	2018					
Standard & Poor's rating in EUR '000	**AAA**	**AA**	**A**	**B / BB / BBB**	**No Rating**	**Carrying value in balance sheet**
Financial assets – debt securities	27 862	107 256	69 546	20 738		225 402
Financial assets – investment funds					70 062	70 062
Total	**27 862**	**107 256**	**69 546**	**20 738**	**70 062**	**295 464**
In %	*9.43*	*36.30*	*23.54*	*7.02*	*23.71*	*100.00*

Credit risk exposure - Other	**2017**					
Standard & Poor's rating in EUR '000	**AAA**	**AA**	**A**	**B / BB / BBB**	**No Rating**	**Carrying value in balance sheet**
Financial assets – debt securities	31 363	57 803	63 960	18 688		171 814
Financial assets – investment funds				6 002	71 788	77 790
Total	**31 363**	**57 803**	**63 960**	**24 690**	**71 788**	**249 604**
In %	*12.57*	*23.16*	*25.62*	*9.89*	*28.76*	*100.00*

Company assessed credit risk on financial assets that meet SPPI criteria as not significant at the end of the reporting period in compliance with IFRS 9 requirements.

F.30. 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.30.1. 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.30.2. 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.30.3. 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.30.4. 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.30.5. 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.31. 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 2018

Assets in EUR '000	**2018**	**2017**
Intangible assets	**2 304**	**2 304**
Property, plant and equipment	**1 036**	**569**
Financial investments	**500 368**	**480 822**
Financial assets held to maturity	88 249	120 320
Financial assets available for sale	303 510	256 761
Loans – Term deposits	7 050	177
Deposits due from cedents	101 559	103 564
Trade and other receivables	**98 082**	**92 904**
Ceded share of reinsurance liabilities	**292 540**	**262 348**
Deferred tax assets	**822**	**195**
Current tax assets	**55**	**1 727**
Other assets	**2 182**	**1 876**
Deferred acquisition costs	**9 616**	**5 135**
Cash and cash equivalents	**16 009**	**12 755**
Total assets	**923 014**	**860 635**
Equity and liabilities		
Shareholders' equity		
Shareholders' equity attributable to the Group	**169 461**	**170 078**
Share capital	126 850	126 850
Other components of equity	927	4 997
Retained earnings	41 684	38 231
Shareholders' equity attributable to minority interests	**0**	**0**
Total equity	**169 461**	**170 078**
Subordinate liabilities	**35 708**	
Reinsurance liabilities	**607 805**	**558 586**
Unearned premiums	29 416	26 595
Outstanding claims	487 408	439 845
Life reinsurance provision	90 957	92 114
Other	24	32
Provisions	**8**	**6**
Payables	**105 679**	**128 865**
Deferred tax liabilities	**0**	**0**
Current tax liabilities	**268**	**0**
Other liabilities	**4 085**	**3 100**
Total liabilities	**753 553**	**690 557**
Total equity and liabilities	**923 014**	**860 635**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2018

Income Statement in EUR ‘000	**2018**	**2017**
Premiums		
Premiums written – Gross	498 632	459 938
Premiums written – Ceded	-272 393	-202 800
Premiums written – Retention	**226 239**	**257 138**
Change due to provision for premiums – Gross	-408	838
Change due to provision for premiums – Ceded	5 099	2 598
Net earned premiums	**230 930**	**260 574**
Investment and interest income	15 809	15 337
Investment and interest expenses	-4 654	-1 933
Total investment result	**11 155**	**13 404**
Other income	**483**	**34**
Claims and insurance benefits		
Expenses for claims and insurance benefits – Gross	-251 003	-246 737
Expenses for claims and insurance benefits – Ceded	109 653	81 243
Claims and insurance benefits – retention	**-141 350**	**-165 494**
Change in claims and other reinsurance liabilities – Gross	-35 784	-64 130
Change in claims and other reinsurance liabilities – Ceded	31 685	36 627
Total expenses for claims and insurance benefits	**-145 450**	**-192 997**
Acquisition expenses		
Commission expenses	- 120 464	- 85 095
Other acquisition expenses	-5 917	-4 219
Change in deferred acquisition expenses	4 227	1 243
Commission income from retrocessionaires	57 031	36 919
Total acquisition expenses	**-65 123**	**-51 152**
Other operating expenses	**-5 187**	**-5 154**
Other expenses	**-646**	**-1 274**
Profit before tax	**26 162**	**23 435**
Tax expense	**-5 372**	**-3 207**
Profit for the period	**20 790**	**20 228**
Attributable to owners of the Group	**20 790**	**20 228**
Attributable to owners of non-controlling interest	**0**	**0**

CONSOLIDATED INCOME STATEMENT BY LINES OF BUSINESS

Income statement in EUR '000	Property/Casualty		Health		Life		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Premiums written – Gross	456 276	422 386	23 246	20 992	19 110	16 560	498 632	459 938
Premiums written – Ceded	-267 171	-199 367	-470	-149	-4 752	-3 284	-272 393	-202 800
Change due to provision for premiums – Net	4 362	3 322	34	-128	295	242	4 691	3 436
1. Net earned premiums	**193 467**	**226 341**	**22 810**	**20 715**	**14 653**	**13 518**	**230 930**	**260 574**
Interest revenue	8 387	8 189	52	5	4 709	5 051	13 148	13 245
Other income and expense from investments	-1 640	302	-9	0	-344	-143	-1 993	159
2. Investment result	**6 747**	**8 491**	**43**	**5**	**4 365**	**4 908**	**11 155**	**13 404**
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities– Gross	-262 054	-297 528	-12 371	-2 429	-12 361	-10 910	-286 788	-310 867
Expenses for claims and insurance benefits and change in claims and other reinsurance liabilities – Ceded	140 312	117 468	432	72	594	330	141 338	117 870
3. Claims and insurance benefits	**-121 744**	**-180 060**	**-11 939**	**-2 357**	**-11 767**	**-10 580**	**-145 450**	**-192 997**
Commission expenses including change in deferred acquisition expenses	-101 716	-75 790	-7 649	-2 998	-6 179	-4 834	-115 544	-83 622
Other acquisition expenses	-5 017	-3 504	-274	-181	-625	-534	-5 917	-4 219
Commission income from retrocessionaires	53 053	34 813	50	0	3 233	1 876	56 336	36 689
4. Acquisition expenses	**-53 679**	**-44 481**	**-7 873**	**-3 179**	**-3 571**	**-3 492**	**-65 123**	**-51 152**
Operating profit measured on the segment basis	**24 791**	**10 291**	**3 041**	**15 184**	**3 680**	**4 354**	**31 512**	**29 829**
5. Other operating expenses	**-4 747**	**-4 307**	**-218**	**-191**	**-222**	**-656**	**-5 187**	**-5 154**
Operating profit	**20 043**	**5 984**	**2 823**	**14 993**	**3 458**	**3 698**	**26 325**	**24 675**
6. Other income							**483**	**34**
7. Other expenses							**-646**	**-1 274**
Profit before tax							**26 162**	**23 435**
Income tax							**-5 372**	**-3 207**
Profit after tax							**20 790**	**20 228**
Profit after tax attributable to owners of the Group							**20 790**	**20 228**
Profit after tax attributable to owners of non-controlling interest							**0**	**0**

F.32. Subsequent Events

Effective 1 January 2019, Mr. Robert Lasshofer was appointed as a new Supervisory Board Member.

Upon prior approval of the Czech National Bank WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group acquired 15% stake in VIG RE zajišťovna, a.s. from Vienna Insurance Group AG Wiener Versicherung Gruppe. The entry into the Central Securities Depository Prague was made on 8 March 2019.

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 29 March 2019.

Johannes Martin Hartmann
Chairman of the Board of Directors

Ivana Jurčíková
Member of the Board of Directors

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 percent 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 Valid in the year 2018

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 2018, no legal acts or other measures were taken in the interest or at the initiative of related parties. VIG Re only paid off the relevant dividend to the controlling person and other shareholders.

VI. Assessment of the Harm Incurred and its Compensation

VIG Re did not suffer any harm in 2018 based on agreements concluded between VIG Re on the one hand and VIG AG and other VIG Group Companies on the other.

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 during 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 operator 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 2018 to 31 December 2018 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 29 March 2019

Johannes Martin Hartmann
Chairman of the Board of Directors

Ivana Jurčíková
Member of the Board of Directors

Annex 1 to the Report on Related Parties 2018

Overview of mutual agreements between VIG Re and VIG Group Companies

Contracts and Agreements in effect for VIG AG and VIG Re in 2018
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 2018
Subordinated Loan Agreement between VIG Re and VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe
Agreement on sharing of costs between VIG Re and Kooperativa pojišťovna, a.s., Vienna Insurance Group
Agreement on sharing of costs between VIG Re and VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe
Agreement on sharing of costs between VIG Re and InterRisk Versicherungs-AG Vienna Insurance Group
Lease contract between VIG Re and Kooperativa pojišťovna, a.s., Vienna Insurance Group
Lease contract between VIG Re and InterRisk Versicherungs-AG Vienna Insurance Group
Insurance contracts between VIG Re and Kooperativa pojišťovna, a.s., Vienna Insurance Group
Re-insurance contracts between VIG Re and BTA Baltic Insurance Company AAS, 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” EAD, Sofia
Re-insurance contracts between VIG Re and INSURANCE JOINT-STOCK COMPANY “BULSTRAD VIENNA INSURANCE GROUP”, Sofia
Re-insurance contracts between VIG Re and Compania de Asigurari “DONARIS VIENNA INSURANCE GROUP” Societate pe Actiuni, Chisinau
Re-insurance contracts between VIG Re and Compensa Life Vienna Insurance Group SE, Tallinn
Re-insurance contracts between VIG Re and Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group, Warsaw
Re-insurance contracts between VIG Re and Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw
Re-insurance contracts between VIG Re and Compensa Vienna Insurance Group, 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 CAL ICAL “Globus”, Kiev
Re-insurance contracts between VIG Re and Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje Vienna Insurance Group, Skopje
Re-insurance contracts between VIG Re and Joint Stock Company International Insurance Company IRAO, Tbilisi
Re-insurance contracts between VIG Re and InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden

Re-insurance contracts between VIG Re and InterRisk Towarzystwo Ubezpieczen 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 VIENNA INSURANCE GROUP 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 Joint Stock Company Insurance Company GPI Holding, Tbilisi
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 Insurance Company 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 Private Joint-Stock Company “INSURANCE COMPANY “KNIAZHA LIFE VIENNA INSURANCE GROUP”, Kiev
Re-insurance contracts between VIG Re and PRIVATE JOINT-STOCK COMPANY “UKRAINIAN INSURANCE COMPANY “KNIAZHA VIENNA INSURANCE GROUP”, Kiev
Re-insurance contracts between VIG Re and Private Joint-Stock Company “Insurance company” Ukrainian insurance group”, Kiev
Re-insurance contracts between VIG Re and Ray Sigorta Anonim Sirketi, Istanbul
Re-insurance contracts between VIG Re and BCR Asigurari de Viata 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 UNION Vienna Insurance Group Biztosító Zrt., Budapest
Re-insurance contracts between VIG Re and Wiener Osiguranje Vienna Insurance Group ad, Banja Luka
Re-insurance contracts between VIG Re and Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje, Zagreb
Re-insurance contracts between VIG Re and WIENER RE akcionarsko društvo za reosiguranje, Beograd, Belgrade
Re-insurance contracts between VIG Re and WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna
Re-insurance contracts between VIG Re and WIENER STÄDTISCHE OSIGURANJE akcionarsko drustvo za osiguranje Beograd, Belgrade
Re-insurance contracts between VIG Re and Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group, Skopje
Re-insurance contracts between VIG Re and Seesam Insurance Company AAS
Re-insurance contracts between VIG Re and Vienna Life Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw

Annex 2 to the Report on Related Parties 2018

Related Parties to VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe

Company	Country	The current capital share in %
Consolidated Companies		
“BULSTRAD LIFE VIENNA INSURANCE GROUP” EAD, Sofia	Bulgaria	100.00
“Compensa Services” SIA, Riga	Latvia	100.00
“Grüner Baum” Errichtungs- und Verwaltungsges.m.b.H., Vienna	Austria	100.00
Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.84
Anděl Investment Praha s.r.o., Prague	Czech Republic	100.00
Anif-Residenz GmbH & Co KG, Vienna	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 GmbH, St.Pölten	Austria	100.00
Atrium Tower Sp.z.oo, Warsaw	Poland	100.00
BCR Asigurari de Viata Vienna Insurance Group S.A., Bucharest	Romania	94.00
Blizzard Real Sp. z o.o., Warsaw	Poland	100.00
BTA Baltic Insurance Company AAS, Riga	Latvia	90.83
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	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 pojišťovna, 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 Life Vienna Insurance Group SE, Tallinn	Estonia	100.00
Compensa Towarzystwo Ubezpieczeń na Życie Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.97
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	99.94
Compensa Vienna Insurance Group, akcine draudimo bendrove, Vilnius	Lithuania	100.00

CP Solutions a.s., Prague	Czech Republic	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	100.00
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
Europeum Business Center, s.r.o., Bratislava	Slovakia	100.00
Floridsdorf am Spitz 4 Immobilienverwertungs GmbH, Vienna	Austria	100.00
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
HUN BM Kft., Budapest	Hungary	100.00
Insurance Company Nova Ins EAD, Sofia	Bulgaria	100.00
Insurance company Vienna osiguranje d.d., Vienna Insurance Group, Sarajevo	Bosnia and Herzegovina	100.00
INSURANCE JOINT-STOCK COMPANY “BULSTRAD VIENNA INSURANCE GROUP”, Sofia	Bulgaria	100.00
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00
InterRisk Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	100.00
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	Germany	100.00
INTERSIG VIENNA INSURANCE GROUP Sh.A., Tirana	Albania	89.98
Joint Stock Company Insurance Company GPI Holding, Tbilisi	Georgia	90.00
Joint Stock Company International Insurance Company IRAO, Tbilisi	Georgia	100.00
Joint Stock Insurance Company WINNER-Vienna Insurance Group, Skopje	Macedonia	100.00
Kaiserstraße 113 GmbH, Vienna	Austria	100.00
KÁLVIN TOWER Ingatlanfejlesztési és Beruházási Korlátolt Felelősségű Társaság, Budapest	Hungary	100.00
Kapitol pojišťovací a finanční poradenství, a.s., Brno	Czech Republic	100.00
KOMUNÁLNA poisťovna, a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00
KOOPERATIVA poist’ovna, a.s. Vienna Insurance Group, Bratislava	Slovakia	98.47
Kooperativa, pojišt’ovna, a.s. Vienna Insurance Group, Prague	Czech Republic	97.28
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
Nußdorfer Straße 90-92 Projektentwicklung GmbH & Co KG, Vienna	Austria	100.00
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
Pojišťovna České spořitelny, a.s., Vienna Insurance Group, Pardubice	Czech Republic	100.00
Porzellangasse 4 Liegenschaftsverwaltung GmbH & Co KG, Vienna	Austria	100.00
Private Joint-Stock Company “INSURANCE COMPANY “KNIAZHA LIFE VIENNA INSURANCE GROUP”, Kiev	Ukraine	97.80
Private Joint-Stock Company “Insurance company” Ukrainian insurance group”, Kiev	Ukraine	100.00
PRIVATE JOINT-STOCK COMPANY “UKRAINIAN INSURANCE COMPANY “KNIAZHA VIENNA INSURANCE GROUP”, Kiev	Ukraine	99.99
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	70.00
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 & Co KG, Vienna	Austria	100.00
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH, Vienna	Austria	100.00
SCHWARZATAL Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Vienna	Austria	100.00
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00
Seesam Insurance AS, Tallinn	Estonia	100.00
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Vienna	Austria	100.00
Senioren Residenz Veldidenapark 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
Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje Vienna Insurance Group, Skopje	Macedonia	94.26
SVZ GmbH, Vienna	Austria	100.00
SVZD GmbH, Vienna	Austria	100.00
SVZI GmbH, Vienna	Austria	100.00
T 125 GmbH, Vienna	Austria	100.00
TBI BULGARIA EAD in Liquidation, Sofia	Bulgaria	100.00
TECHBASE Sciene Park Vienna GmbH, Vienna	Austria	100.00
twinformatics GmbH, Vienna	Austria	100.00

UAB "Compensa Services", Vilnius	Lithuania	100.00
UNION Vienna Insurance Group Biztosító Zrt., Budapest	Hungary	98.64
Untere Donaulände 40 GmbH & Co KG, Vienna	Austria	100.00
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H., Vienna	Austria	51.46
Vienibas Gatve Investments OÜ, Tallinn	Estonia	100.00
Vienibas Gatve Properties SIA, Riga	Latvia	100.00
Vienna Life Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern	Lichtenstein	100.00
VIG FUND, a.s., Prague	Czech Republic	100.00
VIG ND, a.s., Prague	Czech Republic	100.00
VIG Properties Bulgaria AD, Sofia	Bulgaria	99.97
VIG RE zajišťovna, a.s., Prague	Czech Republic	100.00
VIG REAL ESTATE DOO, Belgrade	Serbia	100.00
VIG Real Estate GmbH, Vienna	Austria	100.00
VIG Services Ukraine, LLC, Kiev	Ukraine	100.00
VIG-AT Beteiligungen GmbH, Vienna	Austria	100.00
VIG-CZ Real Estate GmbH, Vienna	Austria	100.00
VITEC Vienna Information Technology Consulting GmbH, Vienna	Austria	51.00
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	97.82
WIENER RE akcionarsko društvo za reosiguranje, Beograd, Belgrade	Serbia	100.00
WIENER STÄDTISCHE OSIGURANJE akcionarsko drustvo za osiguranje Beograd, Belgrade	Serbia	100.00
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	Austria	97.75
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 Beta Immoholding GmbH, Vienna	Austria	100.00
WSV Immoholding GmbH, Vienna	Austria	100.00
WSV Vermögensverwaltung GmbH, Vienna	Austria	100.00
WWG Beteiligungen GmbH, Vienna	Austria	87.07

Companies Consolidated Using the Equity Method		
AB Modřice, a.s., Prague	Czech Republic	100.00
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 drustvo s ogranicenom odgovornoscu za upravljanje obveznim i dobrovljnim mirovinskim fondovima, Zagreb	Croatia	25.30
FinServis Plus, s.r.o., Prague	Czech Republic	100.00
GLOBAL ASSISTANCE, a.s., Prague	Czech Republic	100.00
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00
Global Expert, s.r.o., Pardubice	Czech Republic	100.00
HOTELY SRNÍ, a.s., Prague	Czech Republic	100.00
KIP, a.s., Prague	Czech Republic	100.00
Main Point Karlín II., a.s., Prague	Czech Republic	100.00
Pražská softwarová s.r.o, Prague	Czech Republic	100.00
S - budovy, a.s., Prague	Czech Republic	100.00
SURPMO, a.s., Prague	Czech Republic	100.00
Sanatorium Astoria, a.s., Carlsbad	Czech Republic	100.00
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	23.71
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	36.58
Unconsolidated Companies		
“Assistance Company “Ukrainian Assistance Service” LLC, Kiev	Ukraine	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
ALBA Services GmbH, Vienna	Austria	48.87
AQUILA Hausmanagement GmbH, Vienna	Austria	97.75
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	48.87
Amadi GmbH, Wiesbaden	Germany	100.00
Anif-Residenz GmbH, Vienna	Austria	97.75
Autosig SRL, Bucharest	Romania	99.50
B&A Insurance Consulting s.r.o., Moravian Ostrava	Czech Republic	48.45
Benefia Ubezpieczenia Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99.94
Brunn N68 Sanierungs GmbH, Vienna	Austria	48.87
Bulstrad Trudova Meditzina EOOD, Sofia	Bulgaria	100.00
CAPITOL BROKER DE PENSII PRIVATE S.R.L., Bucharest	Romania	98.16
CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L., Bucharest	Romania	98.16

CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L., Bucharest	Romania	98.16
CARPLUS Versicherungsvermittlungsagentur GmbH, Vienna	Austria	97.75
Camelot Informatik und Consulting Gesellschaft m.b.H., Vienna	Austria	92.86
Compensa Dystrybucja Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99.98
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	97.75
DV Asset Management EAD, Sofia	Bulgaria	100.00
DV CONSULTING EOOD, Sofia	Bulgaria	100.00
DV Invest EAD, Sofia	Bulgaria	100.00
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Vienna	Austria	100.00
EBS Wohnungsgesellschaft mbH Linz, Linz	Austria	24.44
EBV-Leasing Gesellschaft m.b.H., Vienna	Austria	72.32
EGW Datenverarbeitungs-Gesellschaft m.b.H., Vienna	Austria	71.92
EGW Liegenschaftsverwertungs GmbH, Vienna	Austria	71.92
EGW Wohnbau gemeinnützige Ges.m.b.H., Wiener Neustadt	Austria	71.92
EXPERTA Schadenregulierungs-Gesellschaft mbH, Vienna	Austria	99.44
Erste Bank und Sparkassen Leasing GmbH, Vienna	Austria	47.90
Erste Biztosítási Alkusz Kft, Budapest	Hungary	98.64
European Insurance & Reinsurance Brokers Ltd., London	United Kingdom	85.00
Foreign limited liability company "InterInvestUchastie", Minsk	Belarus	100.00
Finanzpartner GmbH, Vienna	Austria	48.87
GELUP GmbH, Vienna	Austria	32.58
GEO HOSPITALS LLC, Tbilisi	Georgia	93.50
GGVier Projekt-GmbH, Vienna	Austria	53.76
Global Assistance Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99.99
GLOBAL ASSISTANCE SERVICES SRL, Bucharest	Romania	99.70
GLOBAL ASSISTANCE SERVICES s.r.o., Prague	Czech Republic	100.00
GLOBAL ASSISTANCE SLOVAKIA s.r.o., Bratislava	Slovakia	99.11
Glamas Beteiligungsverwaltungs GmbH & Co "Beta" KG, Vienna	Austria	22.80
Global Services Bulgaria JSC, Sofia	Bulgaria	100.00
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	98.29
Hausservice Objektbewirtschaftungs GmbH, Vienna	Austria	20.72
IMOVE Immobilienverwertung- und -verwaltungs GmbH, Vienna	Austria	20.72
Immodat GmbH, Vienna	Austria	20.72
InterRisk Informatik GmbH, Wiesbaden	Germany	100.00
ITIS Spolka z ograniczona odpowiedzialnosczia, Warsaw	Poland	49.01
JAHORINA AUTO d.o.o., Banja Luka	Bosnia and Herzegovina	100.00
Joint Stock Company "Curatio", Tbilisi	Georgia	90.00
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group Skopje, Skopje	Macedonia	100.00
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company, Minsk	Belarus	98.26

KWC Campus Errichtungsgesellschaft m.b.H., Klagenfurt	Austria	48.87
Lead Equities II Auslandsbeteiligungs AG, Vienna	Austria	21.59
Lead Equities II. Private Equity Mittelstandsfinanzierungs AG, Vienna	Austria	21.59
LiSciV Muthgasse GmbH & Co KG, Vienna	Austria	22.80
MC EINS Investment GmbH, Vienna	Austria	48.87
Money & More Pénzügyi Tanácsadó Zártkörüen Müködö Részvénytársaság, Budapest	Hungary	98.99
Nuveen Management Austria GmbH, Vienna	Austria	34.21
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	73.96
"POLISA-ŻYCIE" Ubezpieczenia Spolka z ograniczona odpowieszialnoscia, Warsaw	Poland	99.97
Privat Joint-Stock Company "OWN SERVICE", Kiev	Ukraine	100.00
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	Austria	51.00
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	40.00
Risk Consult Bulgaria EOOD, Sofia	Bulgaria	51.00
Risk Consult Polska Sp.z.o.o., Warsaw	Poland	68.14
Risk Expert Risk ve Hasar Danismanlik Hizmetleri Limited Sirketi, Istanbul	Turkey	64.19
Risk Experts Risiko Engineering GmbH, Vienna	Austria	12.24
Risk Experts s.r.o., Bratislava	Slovakia	51.00
Risk Logics Risikoberatung GmbH, Vienna	Austria	51.00
Rößlergasse Bauteil Drei GmbH, Vienna	Austria	100.00
Rößlergasse Bauteil Zwei GmbH, Vienna	Austria	97.75
S. C. SOCIETATEA TRAINING IN ASIGURARI S.R.L., Bucharest	Romania	98.45
S.C. CLUB A.RO S.R.L., Bucharest	Romania	99.68
S.C. Risk Consult & Engineering Romania S.R.L., Bucharest	Romania	51.00
S.O.S.- EXPERT d.o.o. za poslovanje nekretninama, Zagreb	Croatia	100.00
SB Liegenschaftsverwertungs GmbH, Vienna	Austria	40.26
SVZ Immoholding GmbH, Vienna	Austria	97.75
SVZ Immoholding GmbH & Co KG, Vienna	Austria	97.75
Senioren Residenzen gemeinnützige Betriebsgesellschaft mbH, Vienna	Austria	97.75
Slovexperta, s.r.o., Zilina	Slovakia	98.51
Soleta Beteiligungsverwaltungs GmbH, Vienna	Austria	22.80
Sparkassen-Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	97.75
Spoldzielnia Uslugowa VIG EKSPERT W WARSZAWIE, Warsaw	Poland	99.97
TAUROS Capital Investment GmbH & Co KG, Vienna	Austria	23.27
TAUROS Capital Management GmbH, Vienna	Austria	24.93
TBI Info EOOD, Sofia	Bulgaria	99.10
TOGETHER CCA GmbH, Vienna	Austria	24.71
twinfaktor GmbH, Vienna	Austria	74.16
UAB "Compensa Life Distribution", Vilnius	Lithuania	100.00
UNION-Informatikai Szolgáltató Kft., Budapest	Hungary	98.64

Untere Donaulände 40 GmbH, Vienna	Austria	98.65
VIG AM Services GmbH, Vienna	Austria	100.00
VIG Asset Management, a.s., Prague	Czech Republic	100.00
VIG Management Service SRL, Bucharest	Romania	98.45
VIG Services Bulgaria EOOD, Sofia	Bulgaria	100.00
VIG Services Shqiperi Sh.p.K., Tirana	Albania	89.52
Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H., Vienna	Austria	32.58
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia, Warsaw	Poland	99.98
Vienna International Underwriters GmbH, Vienna	Austria	100.00
viesure innovation center GmbH, Vienna	Austria	98.87
VÖB Direkt Versicherungsagentur GmbH, Graz	Austria	48.87
WAG Wohnungsanlagen Gesellschaft m.b.H., Linz	Austria	24.44
WIBG Holding GmbH & Co KG, Vienna	Austria	97.75
WIBG Projektentwicklungs GmbH & Co KG, Vienna	Austria	97.75
WINO GmbH, Vienna	Austria	97.75
WSBV Beteiligungsverwaltung GmbH, Vienna	Austria	97.75
WSV Triesterstraße 91 Besitz GmbH & Co KG, Vienna	Austria	97.75
Wien 3420 Aspern Development AG, Vienna	Austria	23.92
Wiener Städtische Donau Leasing GmbH, Vienna	Austria	97.75
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group, Podgorica	Montenegro	100.00

Declaration by the Board of Directors

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

29 March 2019

Johannes Martin Hartmann
Chairman of the Board of Directors

Tomasz Rowicki
Member of the Board of Directors

Ivana Jurčíková
Member of the Board of Directors