2011

# NATIONALE BORG REINSURANCE ANNUAL REPORT

NATIONALE BORG
REINSURANCE

# ANNUAL REPORT

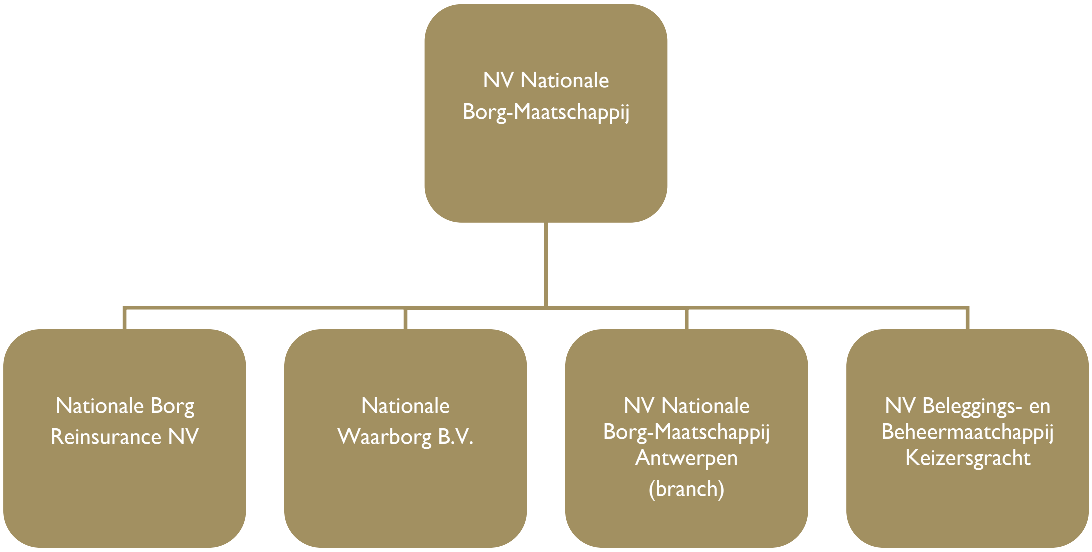
| | |
|---|---|
| Profile | 3 |
| Organization | 4 |
| Supervisory board report | 5 |
| Executive board report | 6 |
| Company financial statements | 10 |
| Statement of financial position | 10 |
| Income statement | 12 |
| Statement of comprehensive income | 13 |
| Statement of changes in equity | 14 |
| Cash flow statement | 15 |
| Notes to the financial statements | 16 |
| Other information | 51 |
| Auditor's report | 51 |
| Profit appropriation | 53 |

# PROFILE

Nationale Borg Reinsurance NV is the reinsurance carrier within the Nationale Borg Group. It operates for more than 60 years in the reinsurance markets of bond insurance and credit insurance. Its head office is located in Willemstad, Curacao and the company is supervised by the Central Bank for Curacao and St. Maarten. With a Standard & Poors A minus rating (stable outlook), Nationale Borg Reinsurance NV provides its clients a solid capitalization and strong capital adequacy. By the industry, it is recognized as a partner with a long term commitment to its niche business, both on a treaty as well as on a facultative basis. Through direct contact and the brokers market, it has built a specialist reputation in the world of reinsurance. The company's active memberships in several associations (ICISA, PASA, SFAA, SAC, etc), create further access and know-how to its markets and its clientele.

Nationale Borg Reinsurance NV is a fully owned subsidiary of NV Nationale Borg-Maatschappij. This Amsterdam based insurance company, has been a specialized insurer of bond & guarantee products in the Netherlands, for over 119 years. Through an intermediate holding company, its shares are owned by Egeria and HAL Investments, both being investors with a long-term commitment to their portfolio of companies.

# ORGANIZATION




Supervisory Board Nationale Borg Reinsurance NV:
A.P. Van der Woude
J.M.R.S. van Eps
F.J.M. Hoeben
A.P.J.C. Kroon

Executive Board Nationale Borg Reinsurance NV:
G.J. Hollander
R.B.H.T. Lange

# SUPERVISORY BOARD REPORT

The Supervisory Board has held four meetings in 2011, covering all important issues based on an annual schedule as well as on their actual relevance to the company. The financial statements of Nationale Borg for the year 2011 have been presented to our board by the Executive Board. These accounts have been audited by KPMG Accountants NV We advise the shareholders to approve the accounts and to discharge the Executive Board in accordance with the bylaws of the company. With respect to the distribution of the result and retained earnings, the Supervisory Board agrees with the proposal of the Executive Board to the shareholders to retain all earnings and add them to the company's equity. The Supervisory Board is also very satisfied with the decision of the shareholders to also increase the capital/equity of Nationale Borg Reinsurance NV , separate from the above mentioned earning, with € 2,000,000 (two million euro).

Willemstad, 12 March 2012

A.P. Van der Woude
J.M.R.S. van Eps
F.J.M. Hoeben
A.P.J.C. Kroon

# EXECUTIVE BOARD REPORT

## A YEAR OF UNCERTAIN ECONOMIC PROSPECTS

Looking back at 2011, the fourth year of the financial crisis, we conclude that the mood has shifted significantly during the year. There were signs that world economies and enterprises were entering a phase of recovery, but as the year progressed, it became clear that the euro crisis would have a major impact on world economies and that the double dip scenario was no longer unrealistic. Even at this time, it is not completely clear where world economies are headed and uncertainty abounds at all levels of the world's economies.

In the Nationale Borg Reinsurance portfolio there is a balance between bond insurance and credit insurance risks. While the credit insurers were hit hardest at the onset of the crisis, they have recovered remarkably well since then. So far, bond insurance providers have been spared from heavy losses, but some say this is only because losses are yet to occur. There is some truth to this line of thinking, since most bonded companies had filled order books when the crisis started and they have managed to survive on revenues from existing projects, while cutting their expenses. As the crisis lingers on, order books shrink to the extent where the expense base can no longer be supported. This risk becomes more real as the crisis continues. More than ever, bond insurance companies will need to prove that they are able to manage exposures within the narrow boundaries provided by the product characteristics, and most of all, that their past risk underwriting judgement was based on sound principals.

## TRANSFER OF REINSURANCE BUSINESS

On January 1, the reinsurance portfolio of NV Nationale Borg-Maatschappij (Netherlands) was officially transferred to Nationale Borg Reinsurance NV (Curaçao). During the year 2011, we have obtained the agreement of the vast majority of insurance clients of such a transfer, which shows the trust in our organization and our philosophy, that we do support our clients in good and in bad times. We thank our clients for their support and continuation with Nationale Borg Reinsurance and its team. Business of clients who did not agree to the transfer, was not renewed and has remained as run-off with NV Nationale Borg-Maatschappij.

Regarding the bond insurance business from former Antilliaanse Borg Maatschappij NV, the executive board of Nationale Borg Reinsurance has obtained approval from the Central Bank for Curaçao and St. Maarten to let the small number of bonds stay on its books until expiration.

## PREMIUM DEVELOPMENT AND INSURANCE RESULTS

Stable rates applied by our cedants towards their insured, contributed in maintaining the existing premium income. The addition of several new clients to our reinsurance portfolio, provided additional income growth, even beyond budgeted levels. The overall loss ratio was at an all-time low level. The negative loss development on the 2008 underwriting year, did not have a major impact on the overall result. The 2009 and 2010 underwriting years, which accounted for a sizeable part of the volume of premium in 2011, produced excellent results. The 2011 underwriting year showed a promising start, but it can hardly be as good as the two preceding years. Considering the continued economic malaise in financial markets and in the economy in general, we are proud of the overall result achieved. Our staff has demonstrated their continued commitment in maintaining our customer service level while improving efficiency and keeping our focus on an adequate ratio between risk and return. We like to thank all our employees and the reinsurance & accounting team in Amsterdam, for their strong commitment and hard work, this year.

# EXECUTIVE BOARD REPORT

## INVESTMENT RESULTS

At the end of 2008, Nationale Borg Reinsurance NV eliminated almost its entire investment portfolio and moved almost completely into liquid assets, with the exception of a limited amount of government bonds and a small share portfolio. During the past year, we have increased our exposure to government bonds (almost exclusively Dutch and German) and kept most funds in liquid accounts at various banks. In 2009 and 2010, we have invested in a share portfolio that grew from € 8,5 million to € 21 million at the previous year-end. During 2011, its value reduced by some € 4 million, which was partly offset by the proceeds from an option collar. We have reinvested these proceeds in a new option collar that will protect the value of the portfolio during most of 2012.

## UNDERWRITING & RISK MANAGEMENT

Nationale Borg Reinsurance's philosophy is based on the full and accurate underwriting of both the organization as well as the portfolio of our insurance clients. Each underwriter is assigned to a particular geographic area, however all knowledge and experiences are shared and accessible via the Digital Archive Reinsurance. Personal visits to all clients for at least once a year and attending annual industry association meetings, is the key element in the underwriting process. Due to its close proximity, all business from the Americas is underwritten by the employees of the Nationale Borg Reinsurance NV office in Curacao. The company is rendering underwriting services from the reinsurance team of NV Nationale Borg-Maatschappij NV to cover the European, Asian and African continent, due to their location in Amsterdam. Reinsurance conditions set by us as a treaty leader, or presented to us as a following market, should meet the guidelines set by the Nationale Borg Reinsurance NV Each underwriting decision is taken by the Executive Board of on the basis of a recommendation from the underwriting team.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE FOR INSURANCE COMPANIES

The focus on corporate governance in Financial institutions has been increased since the start of the Financial crisis. On 1 January 2010, the "Code Banken" was implemented in the Netherlands. This code contains the principles for governance and supervision, about risk management, audit and remuneration policy. This implementation was reason for the 'Verbond van Verzekeraars', the Dutch Association of Insurance Companies, to introduce its own Governance Principles on 15 December 2010. Because of their similarity to the principles of the Code Banken, these are called "Code Verzekeraars". The code applies to all insurance companies with a license to operate in the Netherlands as from 1 January 2011. Because Nationale Borg Reinsurance NV is a subsidiary of a Dutch insurance group, its financial statements are prepared on the basis of title 9, book 2 of the Dutch Civil Code, as was the case last year. Therefore, the "Code Verzekeraars" will also be applicable to Nationale Borg Reinsurance.

Entities subjected to application of the Code, must state in their annual report whether the Code is adhered to and where that is not the case, an explanation must be provided as to why there has been a deviation from it. Although the assumption is that in principle each insurer applies the code, its application depends on the activities and other specific characteristics of the insurer and the group to which it belongs. It is important that the insurer's conduct follows the intentions of the code, where substance is more important than form. This 2011 report is the first in which Nationale Borg Reinsurance informs about the way it applies the Code. By its nature, this report is limited and can only provide a snapshot. Below we provide an actual description about the way we apply the Code within Nationale Borg Reinsurance according to its chapters.

# EXECUTIVE BOARD REPORT

## SUPERVISORY BOARD

*Composition and expertise*

- Nationale Borg Reinsurance has a supervisory board consisting of four members with a broad and divers background. The members do not only bring financial and industry expertise to the board, but a broad social and commercial knowledge as well.
- The remuneration of the members of the supervisory board is set by the general meeting of shareholders. This remuneration does not depend on the result of Nationale Borg Reinsurance.
- In accordance with the Code, supervisory board members are encouraged to keep their expertise up to standards and to broaden it where needed. To add to their general financial knowhow and their general knowledge and experience, supervisory board members are frequently presented with detailed information that allows them to learn more in-depth about the risk aspects that are specific to Nationale Borg Reinsurance. Wherever necessary, supervisory board members can take educational courses or hire external expertise.
- Every year the supervisory board evaluates its own performance as well as the performance of its committee.

*Tasks and procedures*

- The Supervisory Board regulations and those of its committee are in agreement with the Code.
- The Supervisory Board approves once a year the annual business (commercial) plan which has been set up by the executive board of Nationale Borg Reinsurance.

## EXECUTIVE BOARD

*Composition and expertise*

- The executive board of Nationale Borg Reinsurance consist of members with a broad and divers background, experience and knowledge.
- Executive board members are encouraged to keep their expertise up to standards and to broaden it where necessary. Wherever necessary, board members can take educational courses or hire external expertise.

*Tasks and procedures*

- The executive board members need to serve the interests of all stakeholders involved. It needs to ensure the continuity of the company and its business.
- Core task is managing the reinsurance portfolio and its processes involved.

## RISK MANAGEMENT

Nationale Borg Reinsurance's risk management philosophy is based on the full and accurate underwriting of both the organization as well as the portfolio of our insurance clients. Reinsurance conditions set by us as a treaty leader, or presented to us as a following market, should meet the guidelines set by the Nationale Borg Reinsurance NV Each underwriting decision is taken by the Executive Board of on the basis of a recommendation from the underwriting team. For further reference on the fulfilment of the risk management function, we make reference to this specific topic in the board report and risk management paragraph.

## INTERNAL AUDIT

In the third quarter of 2011 the mother-company of Nationale Borg Reinsurance, being NV Nationale Borg-Maatschappij, has set up an independent internal audit function that report to the Head of Finance and Control. Being part of the Group, Nationale Borg Reinsurance also is reviewed by the interal audit committee. Taking into

account the size of NB Group, its mandate, structure and governance are in line with the principles of the Code and its scope covers all activities.
The internal audit function reports on a regular basis about its findings and audits to the Executive board of NV Nationale Borg-Maatschappij and its Audit Committee.
To the extent that it is necessary, the internal audit function has a regular contact with the external auditors and it will take the initiative for contact between the external accountants and the supervisor of NV Nationale Borg-Maatschappij, De Nederlandsche Bank.

### REMUNERATION POLICY

Nationale Borg Reinsurance's remuneration policy for its executive board already met the principles of the Code before the Code was implemented. Its implementation therefore required no changes to the remuneration policy to make it compliant with the Code.
Governance with respect to remuneration of the board of supervisors has been included in the supervisory board regulations in line with the principles of the Code.

## OUTLOOK 2012

As the main source of uncertainty has shifted from financial institutions to national governments over the course of 2011, the uncertainty in the world is greater than ever as we enter the fifth year of unprecedented instability. As mentioned before, as a company we depend to a large extent on the economic circumstances in the outside world, as these represent the risks to which our clients are exposed. We will continue to monitor our insurance clients closely through adequate and timely risk reviews and using enhanced systems to take appropriate and pro-actively decisions. We highly value our clients' business and feel that relationships built on mutual trust and support are even more meaningful today than they were in the past. Nationale Borg Reinsurance will again be open to sound new business opportunities and intend to seize them as best we can with our knowledgeable team of people that will be enlarged with an additional underwriter. Goal for 2012 is to remain with the strategy that has been set since the last years, withstand the adverse circumstances that will appear and making sure we keep producing bottom line positive results.

Willemstad, 12 March 2012
G.J. Hollander
R.B.H.T. Lange

# STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

| Before appropriation of result €'000 | | 2011 | | 2010 | | 1 January 2010 | |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Property. plant and equipment | *4* | | **28** | | 4 | | 5 |
| Financial assets | *5* | | **46,721** | | 36,148 | | 28,492 |
| Reinsurance contract | *6* | | **6,328** | | 0 | | 0 |
| Receivables: | *7* | | | | | | |
| • Accounts receivable on insurance and reinsurance business | | **2,602** | | 66 | | 44 | |
| • Other accounts receivables | | **13** | | 5 | | 6,788 | |
| | | | **2,615** | | 71 | | 6,832 |
| Other assets: | *8* | | | | | | |
| • Deferred acquisition costs | | **3,450** | | 0 | | 0 | |
| • Miscellaneous assets and accruals | | **19,352** | | 379 | | 0 | |
| | | | **22,802** | | 379 | | 0 |
| Cash and cash equivalents | *9* | | **21,093** | | 23,002 | | 22,275 |
| TOTAL ASSETS | | | **99,587** | | 59,604 | | 57,604 |

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

| €'000 | Note | | 2011 | | 2010 | | 1 January 2010 |
|---|---|---|---|---|---|---|---|
| EQUITY | | | | | | | |
| Capital and reserves attributable to the equity holders of the company | *10* | | **50,172** | | 43,055 | | 29,093 |
| LIABILITIES | | | | | | | |
| Technical provisions | *11* | | **44,070** | | 11 | | 14,608 |
| Trade and other payables | *12* | | **930** | | 14,099 | | 13,298 |
| Other liabilities: | *13* | | | | | | |
| • Deposits received from reinsurers | | **17** | | 0 | | 0 | |
| • Profit commission payable | | **1,590** | | | | | |
| • Miscellaneous liabilities and accruals | | **105** | | 1,431 | | 0 | |
| • Derivative liabilities | | **930** | | 0 | | 0 | |
| | | | **2,642** | | 1,431 | | 0 |
| Deferred income tax | | | **0** | | 57 | | 0 |
| Current income tax liabilities | *14* | | **1,773** | | 951 | | 605 |
| TOTAL LIABILITIES | | | **49,415** | | 16,549 | | 28,509 |
| TOTAL EQUITY AND LIABILITIES | | | **99,587** | | 59,604 | | 57,604 |

# INCOME STATEMENT FOR THE YEAR

| €'000 | | 2011 | 2010 |
|---|---|---|---|
| Insurance premium revenue | | **46,466** | 20,774 |
| Insurance premium ceded to reinsurers | | **3** | (97) |
| NET PREMIUMS EARNED | *15* | **46,469** | 20,677 |
| Net income from investments | *16* | **(2,861)** | 6,064 |
| TOTAL INCOME | | **43,608** | 26,741 |
| Insurance claims and loss adjustment expenses | | **(18,332)** | (6,526) |
| Insurance claims and loss adjustment expenses recovered from reinsurers | | **63** | |
| NET INSURANCE CLAIMS | *17* | **(18,269)** | (6,526) |
| Net operating expenses | *18* | **(19,049)** | (5,444) |
| Profit before tax | | **6,290** | 14,771 |
| Income tax expenses | *19* | **(1,918)** | (761) |
| PROFIT FOR THE YEAR FROM OPERATIONS | | **4,372** | 14,010 |
| Attributable to: | | | |
| Equity holders of the company | | **4,372** | 14,010 |
| Basic earnings per share from continuing operations (euro) | *20* | **2.186** | 7.005 |

# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR

| €'000 | **2011** | 2010 |
|---|---|---|
| Result for the year | **4,372** | 14,010 |
| Other comprehensive income: | | |
| Net fair value gains/(losses) on available for sale financial investments | **689** | 146 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR (net of tax) | **5,061** | 14,156 |

| | | |
|---|---|---|
| Attributable to: | | |
| Equity holders of the company | **5,061** | 14,156 |

# STATEMENT OF CHANGES IN TOTAL EQUITY

Attributable to the equity holders of the company

| €'000 | Subscribed Capital | Capital Reserve | Revaluation Reserve | Revenue Reserve | Profit for the Year | Total |
|---|---|---|---|---|---|---|
| EQUITY AT 1 JANUARY 2010 | 2,000 | – | 214 | 23,709 | 3,170 | 29,093 |
| Comprehensive income | – | – | 146 | – | 14,010 | 14,156 |
| Appropriations to reserves | – | – | – | 3,170 | (3,170) | – |
| Other movements | – | – | (194) | – | – | (194) |
| EQUITY AS PER 31 DECEMBER 2010 | 2,000 | – | 166 | 26,879 | 14,010 | 43,055 |
| **EQUITY AT 1 JANUARY 2011** | **2,000** | **–** | **166** | **26,879** | **14,010** | **43,055** |
| Comprehensive income | – | – | 689 | – | 4,372 | 5,061 |
| Appropriations to reserves | – | 2,000 | – | 14,010 | (14,010) | 2,000 |
| Other movements | – | – | 56 | – | – | 56 |
| **EQUITY AS PER 31 DECEMBER 2011** | **2,000** | **2,000** | **911** | **40,889** | **4,372** | **50,172** |

# CASH FLOW FOR THE YEAR

| €'000 | 2011 | 2010 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before tax | **6,290** | 14.771 |
| Adjustments for: | | |
| • Realized capital (gains) and losses on investments | **(1.887)** | (3.769) |
| • Unrealized capital (gains) and losses on investments | **6,964** | (3.083) |
| • Depreciation and amortization | **11** | 2 |
| • Foreign exchange result | **(93)** | 4 |
| • Interest expenses/income | **(37)** | 140 |
| Changes in operational assets and liabilities: | | |
| • Underwriting provisions. gross | **44,059** | (14.597) |
| • Reinsurance assets. net | **(6,327)** | 0 |
| • Deferred acquisition costs | **(3,450)** | 0 |
| • Accounts receivable and payable on insurance and reinsurance business | **(2,536)** | 8.742 |
| • Changes in other assets and liabilities | **(31,062)** | 7.537 |
| Income taxes paid | **(1,094)** | (762) |
| NET CASH (USED IN)/GENERATED BY OPERATING ACTIVITIES | **10,838** | 8.985 |
| **CASH FLOWS FROM INVESTMENT ACTIVITIES** | | |
| Investments and acquisition (cash outflows): | | |
| • Financial investments available for sale and through profit and loss | **(19,020)** | (7.655) |
| • Property. plant and equipment and intangible fixed assets | **(36)** | (2) |
| • Investment expenses | **(204)** | (1.462) |
| Divestments. redemptions and disposals (cash inflows); | | |
| • Financial investments available for sale and through profit and loss | **2,967** | – |
| • Property. plant and equipment and intangible fixed assets | **311** | 303 |
| • Interest income/expense | **1,235** | 559 |
| NET CASH (USED IN)/GENERATED BY INVESTMENT ACTIVITIES | **(14,747)** | (8.257) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Issue of equity instruments | **2,000** | – |
| NET CASH (USED IN)/GENERATED BY FINANCING ACTIVITIES | **2,000** | – |
| CHANGES IN CASH AND CASH EQUIVALENTS | **(1,909)** | 728 |
| Cash and cash equivalents at the end of the preceding year | **23,002** | 22.274 |
| Cash and cash equivalents at the end of the financial year | **21,093** | 23.002 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. ACTIVITIES OF NATIONALE BORG REINSURANCE

Nationale Borg Reinsurance is located on Curacao and assumes risk in the guarantees market as well as risk emanating from credit insurance.

Nationale Borg Reinsurance is fully owned by NV Nationale Borg-Maatschappij which in turn is owned by HAL Investments and Egeria Capital 2, via Nationale Borg Beheer B.V. Both HAL and Egeria have an equal stake in the Group. HAL and Egeria have both invested with the intention to remain involved in Nationale Borg for the medium to long term.

### IMPACT OF NOVATION

As per January 1, 2011, Nationale Borg-Maatschappij transferred its entire reinsurance portfolio to Nationale Borg Reinsurance NV for as far as the cedants had agreed to this. This transfer of contracts was subject to the approval of each individual cedant. As per December 31, 2011 99 cedants had agreed to this. The agreed transfer price was determined as being zero as an analysis of the cash flows related to this portfolio showed a net negative outflow.

The transfer of the reinsurance portfolio to Nationale Borg Reinsurance lead to significant increases in the technical accounts and the associated intercompany balances. The impact can be split into the amounts related to prior years (transfer of opening balances) and amounts related to the current book year (growth in portfolio). The amounts related to the current book year is visible through the significant increase in premiums and acquisition cost. The impact of the amounts related to prior years have been included in the schedule here below:

**€ '000**

| **Financial line item** | **Impact at 31 December 2011** |
|---|---:|
| Deposits at reinsurers | 4,515 |
| Accounts receivable on insurance and reinsurance business | 811 |
| Deferred acquisition cost | 2,206 |
| Miscellaneous assets and accruals | 28,528 |
| Claims provision (gross) | (27,690) |
| UPR | (7,284) |
| Profit commission payable | (1,086) |

Furthermore, NV Nationale Borg-Maatschappij has retroceded its remaining reinsurance portfolio for underwriting year 2011 to Nationale Borg Reinsurance. The treatment of this retrocession at Nationale Borg Reinsurance does not differ from the treatment of business assumed from 3rd parties.

Nationale Borg Reinsurance NV in turn has retroceded the reinsurance pools 1993 to NV Nationale Borg-Maatschappij. This leads to a reinsurance receivable balance as per 31 December 2011 amounting to 560 related to the reinsurer's share in the claim provision.

## 2. PRINCIPLES OF VALUATION AND DETERMINATION OF RESULT

### BASIS OF PRESENTATION

The financial statements 2011 of Nationale Borg Reinsurance have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union ('EU') and Part 9 of Book 2 of the Netherlands Civil Code.. These are the Company's first financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial reporting Standards* have been applied.
An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 29.
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except for IFRS 9 Financial Instruments, which becomes mandatory for the Company's 2013 financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.
All amounts in these statements are in thousands of euro, unless specified otherwise.
The financial statements were authorised for issue by the Board of Directors on 12 March 2012.

### USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities at the balance sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.
The process of setting assumptions is subject to internal control procedures and approvals, and takes into account internal and external studies, industry statistics, environmental factors and trends, and regulatory requirements.

### TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.
Translation differences on non-monetary items, measured at fair value through profit and loss, are reported as part of the fair value gain or loss. Non-monetary items are retranslated at the date fair value is determined. Translation differences on non-monetary items measured at fair value through the revaluation reserve are included in the revaluation reserve in equity.
The most relevant currencies for the company are presented below:

| Currency | End rate in € | | Average rate in € | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| USD | **0,774** | 0,754 | **0,764** | 0,724 |
| CAD | **0,756** | 0,754 | **0,755** | 0,710 |
| GBP | **1,194** | 1,167 | **1,181** | 1,139 |

# NOTES TO THE FINANCIAL STATEMENTS

## FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) are based on quoted market prices at the balance sheet date.

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

## PROPERTY, PLANT AND EQUIPMENT

### *COMPUTER SOFTWARE*

Computer software that has been purchased is stated at cost less amortization and any impairment losses. Amortization is calculated on a straight-line basis over its useful life. Amortization is included in other operating expenses.

### *EQUIPMENT*

Equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight-line basis over their estimated useful lives, which are generally as follows: for data processing equipment 2 - 5 years, and 4 - 10 years for fixtures and fittings. Expenditures for maintenance and repairs are charged to the profit and loss account as incurred. Expenditure incurred on major improvements is capitalized and depreciated.

The depreciation period is based on the estimated economic useful life of the asset. Land is not depreciated. All other assets are depreciated using the straight-line depreciation method over the estimated economic useful lives presented below:

| Asset category: | Years |
|---|---|
| Computer software | 3 |
| Computer hardware | 2 - 5 |
| Fixtures and fittings | 4 - 10 |

The fair values of land and buildings are based on regular appraisals by an independent qualified valuator. Subsequent expenditure is included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

## FINANCIAL ASSETS

The Company classifies its financial assets into the following categories: at fair value through profit and loss, loans and receivables, and available for sale. The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

### *CLASSIFICATION*

*i) Financial assets at fair value through profit and loss*

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit and loss at inception.

A financial asset is classified into the 'financial assets at fair value through profit and loss' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management. Financial assets designated as at fair value through profit and loss at inception are those that are managed and their performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the company's key management personnel. The company's investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit and loss.

*ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the company intends to sell in the short term or that it has designated as at fair value through profit and loss or available for sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

*iii) Available-for-sale financial assets*

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit and loss.

*RECOGNITION AND MEASUREMENT*

Regular-way purchases and sales of financial assets are recognized on trade-date – the date on which the company commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus, in the case of all financial assets not carried at fair value through profit and loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognized when the rights to receive cash flows from them have expired or where they have been transferred and the company has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are included in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognized in the income statement as part of other income when the company's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as net realized gains on financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the company's right to receive payments is established. Both are included in the investment income line.

# NOTES TO THE FINANCIAL STATEMENTS

## DETERMINATION OF FAIR VALUE

The fair values of financial instruments traded in active markets (such as publicly traded available-for-sale securities) are based on quoted market prices at balance sheet date. The quoted market price used for financial assets by the company is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For example a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, foreign exchange rates, volatilities and counterparty spreads) existing at the dates of the consolidated statement of financial position. The company uses widely recognized valuation models for determining fair values of non-standardized financial instruments of lower complexity like options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable.

In cases where the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less any impairments. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

## RECLASSIFICATION OF FINANCIAL ASSETS

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

# NOTES TO THE FINANCIAL STATEMENTS

## IMPAIRMENT OF ASSETS

### *I) FINANCIAL ASSETS CARRIED AT AMORTIZED COST*

The company assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the company, including:
  – adverse changes in the payment status of issuers or debtors in the company; or
  – national or local economic conditions that correlate with defaults on the assets in the company.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the company's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as improved credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

*II) ASSETS CLASSIFIED AS AVAILABLE FOR SALE*

The company assesses at each date of the consolidated statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20% or more is regarded as significant, and a period of 9 months or longer is considered to be prolonged1. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account. The cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the consolidated income statement. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

*III) IMPAIRMENT OF OTHER NON-FINANCIAL ASSETS*

Assets that have an indefinite useful life – for example, land – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

## DEFERRED ACQUISITION COSTS

Commission costs that vary with and are related to securing new contracts and renewing existing contracts are capitalized as deferred acquisition costs. All other costs are recognized as expenses when incurred. The deferred acquisition costs are subsequently amortized over the life of the policies as premium is earned.

## OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount is only reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

## CAPITAL AND RESERVES ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

*EQUITY*

The share capital of Nationale Borg Reinsurance consists of 2.000 shares with a nominal value of € 1.000, which have been fully paid.

# NOTES TO THE FINANCIAL STATEMENTS

### *SUBSCRIBED CAPITAL*

The share capital is classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issues of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

### *CAPITAL RESERVE*

Capital reserve is the amount of share premium received by the company in excess of the nominal value of the shares it had issued.

### *REVALUATION RESERVE*

The revaluation reserve comprises the unrealized gains/losses of financial assets available-for-sale.
Reversals of impairment losses in shares and other variable yield securities are also credited directly to this revaluation reserve. For debt instruments and other fixed income securities, any reversals of impairments above the original cost are included in the revaluation reserve.

### *REVENUE RESERVE*

Revenue reserve is the accumulated amount of profits and losses at balance sheet date, which have not been distributed to shareholders (i.e. retained earnings). The distribution of retained earnings is restricted by the requirements imposed by the Wet op het Financieel Toezicht (law on financial supervision). The required and available solvency margin is disclosed under Risk Management on page 48.

## INSURANCE CONTRACTS

The Company issues contracts that transfer insurance risk. Insurance contracts are contracts that transfer significant insurance risk, which is defined as the possibility of having to pay benefits on the occurrence of an event that are at least 10% more than the benefits payable if the insured event did not occur.
The contracts issued by Nationale Borg Reinsurance qualify for Dutch regulatory purposes as insurance contracts and have been accounted for as such under IFRS.

## PROVISIONS

### *PROVISION FOR UNEARNED PREMIUMS*

The unearned premium and commission reserves for assumed guarantee reinsurance are calculated on the basis of the assumptions that cedants book all premiums at the mid-point of the reporting quarter and that on average bond premiums cover a 15 month risk period and credit insurance premiums cover a 7.5 month risk period. We calculate the premiums reserve on the basis of the remaining risk period as per the reporting date.

### *PROVISION FOR OUTSTANDING CLAIMS*

Claims and loss adjustment expenses are charged to the income as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from the risks the company has taken up to balance sheet date. The company does not discount its liabilities given the cycle of the company’s business. The claims provision is calculated by approximation on the basis of experience. When appropriate, deductions are made for salvage, subrogation and other expected recoveries from third parties.
The adequacy of the claims provision is evaluated each year using standard techniques.

# NOTES TO THE FINANCIAL STATEMENTS

### *REINSURANCE CONTRACTS*

Reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of technical provisions are accounted for in the same way as the original contracts for which the reinsurance was concluded. In the case and to the extent that the assuming reinsurers are unable to meet their obligations, the company remains liable to its policyholders for the portion reinsured. Consequently, provisions will be made, if necessary, for receivables on reinsurance contracts which are deemed uncollectible.

### *LIABILITY ADEQUACY TEST*

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred acquisition costs and intangible assets related to insurance portfolios. Any deficiency is immediately charged to the profit and loss account, initially by writing off the intangible assets related to insurance portfolios and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). The provisions are prudently determined based on years of experience and considered adequate based on the positive run-off results.

## REINSURERS' SHARE OF UNDERWRITING PROVISIONS

The benefits to which the company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short term balances due from reinsurers (classified within loans and receivables), as well as longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The Company assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired by applying similar procedures adopted for financial assets held at amortized costs. The impairment loss is calculated under the same method used for these financial assets.

## INCOME FROM REINSURANCE CONTRACTS

The Company recognizes the gains and losses on buying reinsurance directly in the income statement.

## RECEIVABLES AND PAYABLES RELATED TO INSURANCE CONTRACTS

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the income statement. The company gathers the objective evidence that an insurance receivable is impaired by applying procedures similar to those adopted for loans and receivables. The impairment loss is also calculated under the same method used for financial assets.

## SALVAGE AND SUBROGATION REIMBURSEMENTS

Some insurance contracts permit the company to sell goods acquired to settle a claim (i.e. salvage). The company may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

# NOTES TO THE FINANCIAL STATEMENTS

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the goods required. Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

## DEPOSITS RECEIVED FROM REINSURERS

Deposits received from reinsurers represent amounts received from reinsurance companies in respect to ceded claims and premium provisions and are stated at amortized costs using the effective interest method. Interest expense is recognized on an straight-line basis.

## TAX LIABILITIES

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantially enacted at balance sheet date, and any adjustments to tax payable in respect to previous years.

## INCOME

Revenue comprises the fair value for services, net of value added tax, after eliminating revenue within the company.

Revenue is recognized as follows:

### *NET PREMIUMS EARNED*

Written premiums are defined as all premium assumed, excluding tax.

Written premiums include an estimate of not yet invoiced premium for which the company is at risk. Accruals for premium refunds are charged against premiums written. Premiums earned include an adjustment for the unearned share of premiums, matching risks and rewards.

### *NET INCOME FROM INVESTMENTS*

Net investment income is the result of investment income minus investment expenses, including interest income, dividend income from available-for-sale equities, impairment and depreciation of investment property. Dividend income from available-for-sale equities is recognized when payment is received.

## EXPENSES

### *NET INSURANCE CLAIMS*

Claims charges include paid claims, the change in claims provisions net of recoveries, and the claims handling expenses.

Claims ceded under cession contracts are recorded as reductions of gross claims.

### *NET OPERATING EXPENSES*

Net operating expenses comprise administrative expenses, gross acquisition costs, gross change in deferred acquisition costs and the change in reinsurance share of deferred acquisition costs.

### *INCOME TAX*

The total sum of income tax expense recognized in the income statement is the sum of current tax expense or recovery.

## CASH FLOW STATEMENT

Some of the terminology used in the cash flow statement is explained as follows:

- Cash comprises cash on hand and demand deposits.
- Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- Cash flows are inflows and outflows of cash and cash equivalents.
- Operating activities are the principal revenue-producing activities of the company and other activities that are not investing or financing activities.
- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the company.

The cash flow statement has been drawn up in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flows from operating activities, the profit before tax is adjusted for those items in the profit and loss account, and changes in balance sheet items, which do not result in actual cash flows during the year.

For the purpose of the cash flow statement, Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with banks, treasury bills and other eligible bills, amounts due from banks and amounts due to banks. Investments qualify as a cash equivalent if they are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

The net cash flow shown in respect of accounts receivables only relates to transactions involving actual payments or receipts. The Addition to loan loss provision which is deducted from the item Loans and advances to customers in the balance sheet has been adjusted accordingly from the profit before tax and is shown separately in the cash flow statement.

The difference between the net cash flow in accordance with the cash flow statement and the change in Cash and cash equivalents in the balance sheet is due to exchange rate differences and is separately accounted for as part of the reconciliation of the net cash flow and the balance sheet change in Cash and cash equivalents.

## ESTIMATION TECHNIQUES

Nationale Borg Reinsurance makes use of estimates and assumptions that affect the reported assets and liabilities. Estimates and judgments are continually evaluated. They are based on historical experience and other factors (e.g. expectation of future events), that are believed to be reasonable under the circumstances.

Reserves are set up on the basis of the most recent outstanding loss information supplied by the ceding company, individual policy loss information, market developments and account experience. Otherwise the company uses the historical loss ratio for cedant market. It should be mentioned that during the underwriting year a large proportion of the premium is set aside as a loss reserve, as claims relating to the underwriting year usually are incurred with a significant time lag. Time lags vary per ceding company, treaty and country.

At year-end 2010 and 2011 the provision for unexpired risk was nil based on a premium deficiency test.

# 3. RISK MANAGEMENT

As an insurance company, Nationale Borg Reinsurance by definition assumes risk against a premium. The risk Nationale Borg Reinsurance incurs can be broken down into several categories:

• Insurance risk: the risk we run on a professional basis as an insurance company, which is the risk that the premiums, which were calculated on the basis of expected risk, do not adequately cover the actual risk incurred.

• Financial risks: the risk associated with investments, including credit risk, market risk and liquidity risk.

• Operational risk: the risks associated with people, processes and systems. The risk we run as a company in general, which we manage via a control framework.

## INSURANCE RISK

### *OBJECTIVES, POLICIES AND PROCESS*

The Company assumes risks primarily from the reinsurance of surety and credit insurance treaties. Nationale Borg Reinsurance has set up a framework to monitor the operational and financial performance of prospective reinsurance clients (cedants). Regular visits are made to assess the cedant and its business. The opportunities are assessed by an underwriter together with his colleagues. All underwriting decisions are subject to approval by the executive board.

By nature of the activity, the spread of risk is very broad. Not only does Nationale Borg Reinsurance participate for a small share in all underlying risks in the cedants' portfolios, but also the geographic spread of the cedants and contracts provides additional diversification.

### *RISK EXPOSURE*

Nationale Borg Reinsurance only participates in the reinsurance for guarantee, money and fraud insurance and credit insurance.

Contracts can be separated into treaty, excess of loss and facultative contracts. In the treaty business, Nationale Borg Reinsurance participates for a certain fixed percentage in all business risks underwritten by the cedant within the limits of the treaty. In excess of loss contracts, the company provides a fixed percentage of losses in excess of a hurdle amount up to a contract limit. Depending on contract conditions the cover can have one or more reinstatements.

Underwriting of treaty and excess of loss business is based on the evaluation of the ceding insurer. Facultative contracts provide coverage for a fixed share of a named risk. Generally, such coverage is provided for limited risks in case an insurer has exhausted its treaty capacity. Underwriting of facultative business is based on the individual merits of the underlying risk. The assumed exposure of the ten largest ceded represents 52% of the total exposure calculated on PML basis.

## RISK EXPOSURE

The reinsurance portfolio is specified as shown in the table below:

| | Percentage Novated | Pro forma 2011 | Pro forma 2010 |
|---|---|---|---|
| **Treaty** | | | |
| • Number of countries | | **50** | 50 |
| • Number of cedants | **73%** | **103** | 100 |
| • Total amount (PML basis, in € millions)* | **69%** | **4,069** | 4,096 |
| ○ Bond | **59%** | **2,405** | **2,421** |
| ○ Credit | **85%** | **1,521** | **1,532** |
| ○ Other | **68%** | **142** | **143** |

| | Novated | 2011 | 2010 |
|---|---|---|---|
| **Facultative** | | | |
| • Number of countries | | **18** | 18 |
| • Number of guarantees | **90%** | **108** | 61 |
| • Total nominal amount (in € thousands) | **90%** | **122,000** | 103,444 |
| • Average amount per guarantee (in € thousands) | | **1,130** | 1,696 |

* Total exposure amount is an estimate based on information supplied by cedants. We have started to improve the estimation process as cedants are capable of providing more detailed portfolio information in a timely manner and Nationale Borg Reinsurance is capable of more efficient processing of this information.

## CLAIM DEVELOPMENT

The development of reinsurance contracts provides a measure of the ability of Nationale Borg Reinsurance to estimate the ultimate value of claims. The top of the table shows the accounting years when premiums were booked for the different underlying underwriting years. This table is presented on a consolidated basis for all the reinsurance contracts. A change in loss ratio of 1% (up or down) has an impact of 531 on our loss expenses. The gross figures are equal to net, because there is neither external reinsurance nor any external retrocession on these contracts:

| **UW year 2003** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
|---|---|---|---|---|---|---|---|---|---|
| Premium | 13.119 | 30.412 | 34.136 | 35610 | 36.944 | 37.762 | 38.262 | 38.622 | 38.960 |
| Losses paid | 954 | 5.718 | 10.817 | 13.029 | 14.446 | 15.875 | 16.510 | 16.932 | 17.376 |
| Recoveries | 7 | 213 | 546 | 932 | 1.358 | 1.581 | 1780 | 1.878 | 2.039 |
| Loss reserves | 2.484 | 6.947 | 5.641 | 5.151 | 6.136 | 5570 | 5.818 | 5.970 | 5.569 |
| Loss incurred | 3431 | 12.452 | 15.912 | 17.248 | 19.224 | 19.864 | 20.548 | 21.024 | 20.905 |
| Loss ratio | 26,2% | 40,9% | 46,6% | 48,4% | 52,0% | 52,6% | 53,7% | 54,4% | 53,7% |
| | | | | | | | | | |
| **UW year 2004** | | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
| Premium | | 12.266 | 27.741 | 30412 | 31.689 | 32.674 | 33.311 | 33.696 | 34.056 |
| Losses paid | | 653 | 4.021 | 8.089 | 9.326 | 10.332 | 11.265 | 11.600 | 11.909 |
| Recoveries | | 3 | 83 | 332 | 575 | 830 | 1042 | 1.128 | 1.360 |
| Loss reserves | | 5.654 | 7.298 | 4.765 | 3.260 | 3011 | 2.859 | 2.541 | 2.491 |
| Loss incurred | | 6.304 | 11.236 | 12.522 | 12.011 | 12.513 | 13.082 | 13.013 | 13.040 |
| Loss ratio | | 51,4% | 40,5% | 41,2% | 37,9% | 38,3% | 39,3% | 38,6% | 38,3% |
| | | | | | | | | | |
| **UW year 2005** | | | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
| Premium | | | 14.131 | 30822 | 33.768 | 35.236 | 36.268 | 36.952 | 37.498 |
| Losses paid | | | 718 | 5.448 | 9.237 | 10.788 | 11.796 | 12.618 | 13.314 |
| Recoveries | | | 7 | 133 | 462 | 746 | 881 | 1.041 | 1.325 |
| Loss reserves | | | 3.574 | 7.258 | 4.774 | 3602 | 3.280 | 3.256 | 3.005 |
| Loss incurred | | | 4.285 | 12.573 | 13.549 | 13.644 | 14.195 | 14.833 | 14.994 |
| Loss ratio | | | 30,3% | 40,8% | 40,1% | 38,7% | 39,1% | 40,1% | 40,0% |

| UW year 2006 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|
| Premium | 13727 | 31.206 | 33.341 | 34.641 | 35.580 | 36.224 |
| Losses paid | 509 | 4.608 | 8.779 | 10.780 | 12.278 | 13.717 |
| Recoveries | 23 | 177 | 505 | 637 | 793 | 978 |
| Loss reserves | 3.355 | 7.042 | 4981 | 3.890 | 3.154 | 3.361 |
| Loss incurred | 3.841 | 11.473 | 13.255 | 14.033 | 14.639 | 16.099 |
| Loss ratio | 28,0% | 36,8% | 39,8% | 40,5% | 41,1% | 44,4% |

| UW year 2007 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| Premium | 12.876 | 28.011 | 30.128 | 31.104 | 32.087 |
| Losses paid | 514 | 4.860 | 9.850 | 12.555 | 15.856 |
| Recoveries | 7 | 214 | 612 | 796 | 1.159 |
| Loss reserves | 2.997 | 6803 | 4.641 | 4.264 | 2.627 |
| Loss incurred | 3.504 | 11.449 | 13.879 | 16.023 | 17.324 |
| Loss ratio | 27,2% | 40,9% | 46,1% | 51,5% | 54,0% |

| UW year 2008 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Premium | 17.149 | 34.862 | 38.085 | 39.593 |
| Losses paid | 1.199 | 11.878 | 26.214 | 30.938 |
| Recoveries | 15 | 297 | 1.514 | 2.398 |
| Loss reserves | 6076 | 12.229 | 4.784 | 2.781 |
| Loss incurred | 7.260 | 23.810 | 29.484 | 31.320 |
| Loss ratio | 42,3% | 68,3% | 77,4% | 79,1% |

| UW year 2009 | 2009 | 2010 | 2011 |
|---|---|---|---|
| Premium | 19.116 | 40.409 | 43.811 |
| Losses paid | 657 | 5.483 | 9.572 |
| Recoveries | 19 | 366 | 926 |
| Loss reserves | 5.450 | 8.205 | 5.907 |
| Loss incurred | 6.088 | 13.322 | 14.552 |
| Loss ratio | 31,8% | 33,0% | 33,2% |

| UW year 2010 | 2010 | 2011 |
|---|---|---|
| Premium | 21.629 | 47.406 |
| Losses paid | 446 | 5.511 |
| Recoveries | 8 | 566 |
| Loss reserves | 4.495 | 10.446 |
| Loss incurred | 4.933 | 15.391 |
| Loss ratio | 22,8% | 32,5% |

| UW year 2011 | 2011 |
|---|---|
| Premium | 25.518 |
| Losses paid | 724 |
| Recoveries | 43 |
| Loss reserves | 6.099 |
| Loss incurred | 6.780 |
| Loss ratio | 26,6% |

Based on the expected claims ratio of a contract, the actual loss reserve is strengthened by the difference between the actual reported ratio and the expected ratio in relation to the premium income on the contract. The expected loss ratios are adjusted periodically, based on newer insights as the contract develops. The table above is supplied on a pro forma basis. At the aggregate level, the percentage of this portfolio novated to Nationale Borg Reinsurance represents 77% of the Premium, 80% of the Losses paid net of recovery and 61% of the Loss Reserves.

## FINANCIAL RISKS

Financial risk is centrally managed by the Finance department and Board of Directors. Control measures are basically designed to fit the need, which is dependent on the scale and volatility of the specific risk.

The core components of this financial risk are credit risk, liquidity risk and market risk.

- Market risk is the risk of loss from adverse movements in market variables, such as interest rates, currency exchange rates and equity prices.
- Liquidity risk is the risk that Nationale Borg Reinsurance is unable to meet its payment obligations.
- Credit risk is the risk of loss resulting from a client or counter party default or downgrade and arises on credit exposure.

*MARKET RISK*

*Investment Risk:*

All investments are held in euro denominated financial instruments and have no currency risk associated with them. Market risk is the risk of economic losses triggered by changes in market prices. In 2011, Nationale Borg Reinsurance was exposed to interest and equity price risk. At the beginning of the year, Nationale Borg Reinsurance had a fair sized investment portfolio that consisted of a few sovereign bonds as well as some equity positions (15,124 and 21,024 respectively). During the year, the investments in bonds grew to 28,892 largely due to transfer of assets from the parent company Nationale Borg. This asset transfer was part of the commutation of the Reinsurance business from the parent to Nationale Borg Reinsurance. For the equity portfolio, managed by the appointed asset manager exhibited a mark-to-market loss of 4,629 as well as movement of an additional 477 from the un-invested balance into additional equity investments. By keeping the remainder of our portfolio (bank deposits, etc.) liquid and spread across multiple banks, we contained our market risk at a time when the insurance risk was perceived to be more volatile than normal.

*Currency Risk:*

The foreign currency risk emanates on account of claims of international cedants that are paid in non-Euro currencies. For the purpose of managing this risk, all material loss provisions in currencies closely correlated with the USD are deemed to be managed on an equivalent 'USD' basis. Non-'USD' currencies are managed on a deemed 'Euro' basis. Accordingly, for the year 2011, the technical provisions included an exposure of approximately USD 10.7 million. It is the company policy to balance this exposure to a large extent through holding USD deposits of an amount of USD 13.3 million as at the end of December 2011. As a result of this matching policy, a change in USD exchange rate does not lead to a significant foreign exchange result for the balance sheet positions. During the year, the USD positions do not differ significantly.

Risk of loss due to stress movements (i.e. decline or adverse movement in the market value of the securities under stress conditions) in market rates is estimated to be € 9.9 million. This is measured by applying stress loss rates to the various categories of investments, per the table below:

| **Risk category** | **Amount in € million** | **Proportion** | **Stress rate** | **Stress loss in € million** |
|---|---|---|---|---|
| Low | 32.1 | 47% | 5% | 1.6 |
| Medium | 16.1 | 24% | 15% | 2.4 |
| High | 19.6 | 29% | 30% | 5.9 |
| Total | 67.8 | 100% | | 9.9 |

| | | |
|---|---|---|
| Low | : | Cash and deposits with banks and bonds with a duration less than 5 years |
| Medium | : | Bonds with a duration between 5 and 15 years |
| High | : | Bonds with a duration of 15 years or longer, equity and property (funds) |

Use of Derivatives: For the equity portfolio, in addition to the management being outsourced to a professional asset manager of repute, stock index derivatives are held in order to protect the portfolio against a potential massive impairment. The stock markets indices have, in the past 15 years, observed drops (losses) in excess of the 30% value that is used for the market risk estimate. In order to prevent exposure to such a possibility, PUT options are purchased in such a way as to offer protection beyond a 20% to 25% drop in value of the equity portfolio.

*LIQUIDITY RISK*

Nationale Borg Reinsurance must be prepared for the requirement of liquidity to fund items such as claims, reinsurance flows and operational cost. Premiums, fees, investment income, incoming reinsurance flows and recoveries in general are the main source to service the daily needs for ongoing liquidity.

Nationale Borg Reinsurance would be exposed to liquidity risk if there is insufficient cash available to pay its (insurance) obligations. Using the Chain-Ladder method to project the cash flows for NB Re, we find that 37% of the Best Estimate of the 2011 Loss Reserve will need to be paid in the first 12 months; and, similarly, 75% of the Best Estimate will be paid in 36 months. The Net Premium (i.e. Premium – Commission - Brokerage) is also projected using the same method and the projected premium exceeds the projected loss by nearly 8%. Around 61% of this premium will be received in the first 12 months and 84% in 36 months.

The average duration of the projected claims is 2.6 years; while the duration for the projected net premium is 2.1 years indicating that the premia are received earlier than the claims. Thus, we find that the cumulative net premium always exceeds the cumulative claims for the projected years

During the year liquidity shortfall could occur if there were to be an unanticipated large outflow of cash as the result of claims. As a result, the potential for liquidity shortfall is estimated by examining the claims cash flows in a quarter relative to the size of the reserve at the beginning of the quarter. The worst case cash outflow on account of claims is estimated over the past 13 quarters and applied to the loss reserve (including both the novated portfolio as well as the portfolio retroceded fom NBM) at December 2011 as follows:

| Loss reserve in € million | Stress outflow | Liquidity needed in € million |
|---|---|---|
| 50.9 | 17.4% | 8.8 |

In the current environment, Nationale Borg Reinsurance keeps a substantial share of its assets in cash. However, in normal circumstances, the company still keeps a buffer of cash on call to provide itself the necessary liquidity and investments in bonds and equities are made only in categories which are very liquid and can be marketed overnight. This provides more than enough capacity to meet the demand for liquidity within the time frames specified for our business.

Simple addition (ignoring possible diversification effects) of the calculation of the cash outflow from claims (€ 8.8 million) with the stress loss in investments (€ 9.9 million) provides an estimate of the minimum liquidity requirements to be € 18.7 million. The investments in the Low Risk category represent the safest and most liquid assets for coverage of this amount of worst case liquidity needs. As a matter of policy the amount of investments in this category always cover the liquidity requirements with a conservative margin (€ 36.8 million in December 2011).

*CREDIT RISK*

Credit risk in government bonds has been kept to a minimum by investing in AAA bonds; whereas the remaining investments are in the equity portfolio. The management of the market risk associated with this portfolio has been described in the respective paragraph.

The following table gives insight in the profile of the investment portfolio.

| | 2011 | | | | 2010 | |
|---|---|---|---|---|---|---|
| | **Purchases** | **Gains/ (Losses)** | **Total** | **%** | **Total** | **%** |
| Government bonds (AAA sovereign) – fixed rate | **6.955** | **1.238** | 18.134 | 63% | 9.941 | 66% |
| Government bonds (AAA sovereign) - indexed rate | **4.388** | **1.187** | 10.758 | 37% | 5.183 | 34% |
| **Total - Available for Sale** | **11.343** | **2.425** | 28.892 | 100% | 15.124 | 100% |
| | | | | | | |
| Equity and Preferred shares | **2.308** | **(5.503)** | 17.829 | 100% | 21,024 | 100% |
| **Total - To / From P&L** | **2.308** | **(5.503)** | 17.829 | 100% | 21,024 | 100% |
| | | | | | | |
| **Total - All Financial Securities** | **13.651** | **(3.078)** | 46.721 | | 36.148 | |

In 2011, the split of investments by country of risk are provided in the following table.

| | **Equity** | **Bonds** | **Total** | **%** |
|---|---|---|---|---|
| **Belgium** | 2,269 | – | 2,269 | 5.0% |
| **Germany** | 8,769 | 10,758 | 19,527 | 42.7% |
| **Netherlands** | 5,833 | 18,134 | 23,967 | 52.4% |
| **Total** | 16,872 | 28,892 | 45,764 | 100% |

Duration and Maturity profile of the financial investment portfolio:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| **Years** | **Amount** | **%** | **Amount** | **%** |
| **0 – 1** | 2.348 | 8% | - | - |
| **1 – 3** | 2.579 | 9% | 4.995 | 33% |
| **3 – 5** | 13.278 | 46% | 2.495 | 16% |
| **5 – 10** | 7.917 | 27% | 5.139 | 34% |
| **10+** | 2.769 | 10% | 2.495 | 16% |
| **Total** | 28.892 | 100% | 15.124 | 100% |

| | |
|---|---|
| Duration | 4,82 years |
| Average Maturity | 5,62 years |

In addition, credit risk also exists with regard to deposits at cedants (6,000) and credit risk with respect to outstanding premium receivables (2,300).

## OPERATIONAL RISKS

Operational risks are the risks of direct and indirect loss resulting from fraud, inadequate or failed internal processes, people, system or external events. In 2011 Nationale Borg Reinsurance continued to embed operational risk management into business-as-usual activities, with particular emphasis on financial reporting controls, business continuity management, documentation of procedures and the compliance framework

## CAPITAL MANAGEMENT

Nationale Borg Reinsurance considers it its ultimate goal to preserve enough capital to meet all claims of the beneficiaries. To be able to meet this standard it is important to have a strong capital base. Nationale Borg Reinsurance preserves this capital base by prudent underwriting and prudent investment policies, which have been elaborated on in the risk management paragraphs of this report.
The capital needed for our business according to the standards of the regulator is € 3.1 million and the available capital according to this measurement is € 49.3 million on consolidated basis. The current capital of € 50.2 million far exceeds the capital level required to maintain standards under current conditions.
Furthermore, the parent company of Nationale Borg Reinsurance, NV Nationale Borg-Maatschappij, aims to preserve an S&P rating in the A range. This rating is applicable for all companies within the group. The minimum capital as required by S&P for such a rating is approximately € 65.4 million. Nationale Borg group preserves a solid safety margin above this standard, so it can meet the standard even in extremely adverse conditions. The current capital of the parent, NV Nationale Borg-Maatschappij, is € 81.3 million which far exceeds the capital level required to maintain standards under current conditions
Given the current uncertain economic conditions, which increases the downside risk in our insurance portfolio by nature of the risks we insure against, we have opted to keep the risk in our investment portfolio at a low level.

## FAIR VALUE HIERARCHY

At 31 December 2011, investments classified as Level 1 comprised approximately 100 % of financial assets measured at fair value on a recurring basis. Fair value measurements classified as Level 1 include exchange-traded prices (i.e. quoted market prices in an active market) of fixed maturities, equity securities and derivative contracts.
For the accounting policies regarding the determination of the fair values of financial assets and financial liabilities, see "Principles of valuation and determination of result"
The following table presents the group's assets and liabilities measured at fair value at 31 December 2011.

| **Assets** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Available-for-sale financial assets | | | | |
| • Shares and other variable yield securities | | | | |
| • Bonds and other fixed income securities | 29,892 | | | **29,892** |
| Financial assets at fair value through P&L | | | | |
| • Shares and other variable yield securities | 17,829 | | | **17,829** |
| • Bonds and other fixed income securities | | | | |
| **Total assets** | **46,721** | **-** | **-** | **46,721** |

| **Liabilities** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Derivative financial instruments | 930 | | | **930** |
| **Total liabilities** | **930** | **-** | **-** | **930** |

The comparative figures for 2010 are:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Available-for-sale financial assets | | | | |
| • Shares and other variable yield securities | | | | |
| • Bonds and other fixed income securities | 15,124 | | | **15,124** |
| Financial assets at fair value through P&L | | | | |
| • Shares and other variable yield securities | 21,024 | | | **21,024** |
| • Bonds and other fixed income securities | | | | |
| **Total assets** | **36,148** | **-** | **-** | **36,148** |

There were no liabilities in 2010.

During 2011 there were no transfers of financial assets between the Level 1, 2 and 3 fair value hierarchy classifications. As all financial assets and liabilities are classified in the Level 1 or 2 fair value hierarchy, the fair value of these assets and liabilities are not sensitive to possible favorable or unfavorable changes in the assumptions used to determine the fair value (for example, discount rate, credit rating assumptions).

## 4. PROPERTY, PLANT AND EQUIPMENT

| | Fixtures and Fittings | IT hardware | Company cars | Total |
|---|---|---|---|---|
| At cost as at 1 January 2010 | 29 | _ | _ | 29 |
| Additions | 2 | _ | _ | 2 |
| Revaluations | _ | _ | _ | _ |
| At cost as at 31 December 2010 | 31 | _ | _ | 31 |
| Accumulated depreciation and impairments at 1 January 2010 | 24 | _ | _ | 24 |
| Depreciation charge for the year | 3 | _ | _ | 3 |
| Accumulated depreciation and impairments at 31 December 2010 | 27 | _ | _ | 27 |
| Book value as at 1 January 2010 | 5 | _ | _ | 5 |
| Book value as at 31 December 2010 | 4 | _ | _ | 4 |
| At cost as at 1 January 2011 | 31 | _ | _ | 31 |
| Additions | 2 | 7 | 27 | 36 |
| Disposals | (31) | _ | _ | (31) |
| Revaluations | _ | _ | _ | _ |
| At cost as at 31 December 2011 | 2 | 7 | 27 | 36 |
| Accumulated depreciation and impairments at 1 January 2011 | 27 | _ | _ | 27 |
| Depreciation charge for the year | 1 | 1 | 6 | 8 |
| Depreciation on disposals | (27) | _ | _ | (27) |
| Accumulated depreciation and impairments at 31 December 2011 | 1 | 1 | 6 | 8 |
| Book value as at 1 January 2011 | 4 | _ | _ | 4 |
| Book value as at 31 December 2011 | 1 | 6 | 21 | 28 |

## 5. FINANCIAL ASSETS

Financial assets classified by type and nature 2011 and 2010:

| **2011** | **Available for sale** | **Asset at Fair Value Through P&L** | **Total** |
|---|---|---|---|
| Shares and other variable yield securities | _ | 17,829 | 17,829 |
| Bonds and other fixed income securities | 28,892 | _ | 28,892 |
| | 28,892 | 17,829 | 46,721 |

| **2010** | **Available for sale** | **Asset at Fair Value Through P&L** | **Total** |
|---|---|---|---|
| Shares and other variable yield securities | _ | 21,024 | 21,024 |
| Bonds and other fixed income securities | 15,124 | _ | 15,124 |
| | 15,124 | 21,024 | 36,148 |

Movements in available-for-sale assets:

| | **2011** | **2010** |
|---|---|---|
| Book value at 1 January | **15,124** | 15,142 |
| Additions | **13,079** | 10,146 |
| Disposals / Maturity | _ | (9,968) |
| Revaluations | **689** | (196) |
| Effects of movements in foreign exchange | | – |
| Book value at 31 December | **28.892** | 15,124 |

Movements in financial assets at fair value through profit and loss:

| | **2011** | **2010** |
|---|---|---|
| Book value at 1 January | **21,024** | 11,729 |
| Additions | **5,941** | 8,428 |
| Disposals | **(2,967)** | (2,374) |
| Revaluations | **(6,169)** | 3,241 |
| Effects of movements in foreign exchange | | - |
| Book value at 31 December | **17,829** | 21,024 |

## 6. REINSURANCE CONTRACTS

| | 2011 | 2010 |
|---|---|---|
| Deposits at insurers | **5,767** | – |
| Reinsurers' share of insurance liabilities: | | |
| Claims and loss adjustment expenses | **561** | – |
| | **6,328** | – |

The reinsurers' share of insurance liabilities relates to the retrocession reinsurance contract Nationale Borg Reinsurance has with NV Nationale Borg-Maatschappij.

## 7. RECEIVABLES

| | 2011 | 2010 |
|---|---|---|
| Accounts receivable on insurance and reinsurance business: | | |
| Amounts owed by policy holders and direct insurance operations | **2,554** | 66 |
| Receivables arising out of reinsurance | **48** | – |
| Other accounts receivable | **13** | 5 |
| Total receivables | **2,615** | 71 |

The outstanding receivables are substantially all current and consequently their fair values do not materially defer from its book value.

There is no concentration of credit risk with respect to receivables as the Company has a large number of internationally dispersed debtors. All receivables are considered on an individual basis for impairment testing. The Company does not hold any collateral over these balances.

Movements on the provision for impairment of receivables are as follows:

| | 2011 | 2010 |
|---|---|---|
| Balance as at 1 January | – | – |
| Provision for receivables impairment | **63** | – |
| Receivables written off during the year as uncollectible | – | – |
| Unused amounts reversed | – | – |
| Balance as at 31 December | **63** | – |

The creation of release of provision for impaired receivables has been included in net operating expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

## 8. OTHER ASSETS

| | 2011 | 2010 |
|---|---|---|
| Accrued interest | **469** | 379 |
| Accrued acquisition costs | **3,450** | _ |
| Other | **18,883** | _ |
| | **22,802** | 379 |

The miscellaneous assets and accruals are substantially all current and consequently their fair values do not materially differ from their book value. The increase in the balance 2011 has been caused by the impact of the transfer of the reinsurance business from NV Nationale Borg-Maatschappij to Nationale Borg Reinsurance. The category Other mainly consists of the intercompany receivable on NV Nationale Borg-Maatschappij being 18,624.

Movements on the deferred acquisition costs are as follows:

| | 2011 | 2010 |
|---|---|---|
| Balance as at 1 January | _ | _ |
| Change in deferred acquisition costs | **1,244** | _ |
| Impact of novation | **2,206** | _ |
| Balance as at 31 December | **3,450** | _ |

The premiums are earned taking into account the duration of the risk period of the underlying insurance portfolios.

## 9. CASH AND CASH EQUIVALENTS

| | 2011 | 2010 |
|---|---|---|
| Cash at banks and in hand | **4,258** | 10,502 |
| Cash investment accounts | **16,835** | 12,500 |
| Total cash and cash equivalents | **21,093** | 23,002 |

## 10. CAPITAL AND RESERVES

### SUBSCRIBED CAPITAL

| | 2011 | 2010 |
|---|---|---|
| Balance as at 31 December | **2,000** | 2,000 |

The share capital of 2,000 (2010: 2,000) is divided into 2,000 fully paid ordinary shares of 1. The fully paid shares carry one vote per share and carry the rights to dividends.

### CAPITAL RESERVE

| | 2011 | 2010 |
|---|---|---|
| Balance as at 1 January | _ | _ |
| Appropriations to reserve | **2,000** | |
| Balance as at 31 December | **2,000** | |

# NOTES TO THE FINANCIAL STATEMENTS

As per December 31, 2011 the parent company NV Nationale Borg-Maatschappij, made a capital contribution of 2,000 to Nationale Borg Reinsurance.

## REVALUATION RESERVE

| | 2011 | 2010 |
|---|---|---|
| Balance as at 1 January | **166** | 214 |
| Change in revaluation reserve | **745** | (48) |
| Balance as at 31 December | **911** | 166 |

The revaluation reserve consists of 912 (2010: 166) for financial fixed assets.

## REVENUE RESERVE

| | 2011 | 2010 |
|---|---|---|
| Balance as at 1 January | **26,879** | 23,709 |
| Appropriations to reserve | **14,010** | 3,170 |
| Balance as at 31 December | **40,889** | 26,879 |

## PROFIT FOR THE YEAR

| | 2011 | 2010 |
|---|---|---|
| Profit for the year | **4,372** | 14,010 |
| Appropriations to revenue reserve | **(14,010)** | (3,170) |

# 11. TECHNICAL PROVISIONS

| | 2011 | 2010 |
|---|---|---|
| Provision for unearned premium | **12,215** | 11 |
| Provision for claims | **31,855** | _ |
| Claims incurred but not reported | _ | _ |
| Total underwriting provisions at 31 December | **44,070** | 11 |

The movement schedule of technical provisions:

| | Gross | Reinsured | Net |
|---|---|---|---|
| Opening provision for claims | - | - | - |
| Change in provision | 3,567 | (21) | 3,588 |
| Impact of novation | 28,271 | 582 | 27,689 |
| Effects of changes in foreign exchange | 17 | - | 17 |
| Ending provision for claims | 31,855 | 561 | 31,294 |
| | | | |
| Provision for unearned premium | 11 | - | 11 |
| Change in provision | 4,920 | - | 4,920 |
| Impact of novation | 7,284 | - | 7,283 |
| Ending provision for unearned premium | 12,215 | - | 12,215 |

## 12. PAYABLES

| | 2011 | 2010 |
|---|---|---|
| Trade and other accounts payable | | |
| Accounts payable | **930** | 14,099 |
| | **930** | 14,099 |

As at December 31, 2010 the company had a significant intercompany liability towards NV Nationale Borg-Maatschappij amounting to 14,099. At December 31, 2011 through the impact of the novation the intercompany relationship with NV Nationale Borg-Maatschappij shows a receivable balance as disclosed in note 8.

## 13. OTHER LIABILITIES

| | 2011 | 2010 |
|---|---|---|
| Deposits received from reinsurers | **17** | _ |
| Profit commission payable | **1,590** | - |
| Miscellaneous liabilities and accruals: | | |
| Payroll and other accruals | **72** | _ |
| Sundry creditors | **33** | 1,431 |
| | **105** | 1,431 |
| Derivatives | **930** | _ |
| Balance as at 31 December | **2,642** | 1,431 |

All other liabilities are current liabilities and payable within one year.
The derivative has a notional amount of 880 and expires in September 2012.

## 14. CURRENT INCOME TAX LIABILITIES

| | 2011 | 2010 |
|---|---|---|
| Current income tax liabilities | **1,773** | 951 |

The current income tax liabilities consist of corporate taxes payable.

## 15. NET PREMIUM EARNED

| | **2011** | | | 2010 | | |
|---|---|---|---|---|---|---|
| | **Gross** | **Reinsurers' share** | **Net** | **Gross** | **Reinsurers' share** | **Net** |
| Written premium | **51,386** | **(3)** | **51,389** | 21,977 | 97 | 21,880 |
| Change in provision for unearned premium | **(4,920)** | **-** | **(4,920)** | (1,203) | - | (1,203) |
| Earned premium | **46,466** | **(3)** | **46,469** | 20,774 | 97 | 20,677 |

The significant increase in the earned premium is directly linked to the transfer of the assumed reinsurance portfolio from NV Nationale Borg-Maatschappij to Nationale Borg Reinsurance as per 1 January 2011.

# 16. NET INVESTMENT INCOME

## NET INVESTMENT INCOME BY TYPE OF INVESTMENT

| | 2011 | 2010 |
|---|---|---|
| Income/expense from: | | |
| Bonds and other fixed rate securities | **487** | 204 |
| Loans | **561** | - |
| Shares and other variable yield securities | **(4,523)** | 5,850 |
| Derivatives | **298** | - |
| Other investments | **316** | 10 |
| Net income/(expense) from investments | **(2,861)** | 6,064 |

## NET INVESTMENT INCOME BY NATURE OF INCOME/(EXPENSE)

| | 2011 | 2010 |
|---|---|---|
| Income/(expense) from: | | |
| Interest | **1,364** | 418 |
| Dividends | **311** | 303 |
| Realized gains | **1,887** | 3,770 |
| Unrealized gains | **(6,218)** | 3,035 |
| Investment handling expenses | **(205)** | (1,462) |
| Net income/(expense) from investments | **(2,861)** | 6,064 |

# 17. NET INSURANCE CLAIMS

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Gross | Re-insurers' share | Net | Gross | Re-insurers' share | Net |
| Claims paid in the year | **14,765** | **21** | **14,786** | 7,830 | - | 7,830 |
| Change in provision for outstanding claims | **3,567** | **(84)** | **3,483** | (1,304) | - | (1,304) |
| Claims handling expenses | | | | - | - | - |
| Total insurance claims and loss adjustment expenses | **18,332** | **(63)** | **18,269** | 6,526 | - | 6,526 |

The claim development has been disclosed in note 3: Risk Management.

## 18. NET OPERATING EXPENSES

| | 2011 | 2010 |
|---|---|---|
| Staff expenses | **426** | 9 |
| Depreciation | **11** | 2 |
| Other expenses | **461** | 176 |
| Total administrative expenses | **898** | 187 |
| | | |
| Gross acquisition costs | **16,574** | 7,654 |
| Gross change in deferred acquisition costs | **(1,244)** | - |
| Gross change in profit commission payable | **503** | - |
| Paid profit share | **1,330** | - |
| Total acquisition costs | **17,163** | 7,654 |
| | | |
| Other | **988** | (2,397) |
| Net operating expenses | **19,049** | 5,444 |

The increase in the operating expenses is attributed to a significant increase in the acquisitions costs caused by the novation of the assumed reinsurance business.

The other expenses mainly relates to the costs associated with the service level agreement the Company has with NV Nationale Borg-Maatschappij relating to supporting services on underwriting, IT, financial and actuarial activities. The service level agreement has been set up at arm's-length conditions.

## 19. INCOME TAX EXPENSES

| | 2011 | 2010 |
|---|---|---|
| Current tax | **1,918** | 761 |

Tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate:

| | 2011 | 2010 |
|---|---|---|
| Gross written premiums (tax basis) | **51,386** | 21,977 |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | **1,773** | 761 |
| Release of tax balances related to older years | **145** | _ |
| Tax charge for the year | **1,918** | 761 |

The weighted average effective tax rate is 3,73% (2010: 3,54%). In Curacao the gross written premiums are the basis for the taxable profit. The premiums are further split into premiums earned from cedants located on the Dutch Antilles and the rest of the world. Different taxable percentages are applied to these 2 categories.

## 20. EARNINGS AND DIVIDENDS PER SHARE

### BASIS EARNINGS PER SHARE

| | **2011** | **2010** |
|---|---|---|
| Continuing operations: | | |
| Profit attributable to the company's equity holders | **4,372** | 14,010 |
| Number of ordinary shares issued as per 31 December | **2,000** | 2,000 |
| Earnings per share (in €) | **2.186** | 7.005 |

Basic earnings per share are calculated dividing the net profit of the year attributable to the equity holders of the company by the weighted average number of ordinary shares in issue during the year.

### DIVIDEND PER SHARE

No dividend has been paid or will be paid.

## 21. CONTINGENCIES

The Company has contractual commitments with regard to the office rent and housing for personnel. The total commitment for the year 2011 amounted to 17 and is renewable on a yearly basis per the 1 February. With regard to the housing of personnel the cost in 2011 amounted to 24. A new rental agreement was entered into per 1 February 2012 until 31 January 2013 with a rental commitment of 3 per month.
There are no other contingencies or litigation issues that could have a significant impact on the financial statements.

## 22. CAPITAL COMMITMENTS

There are no capital commitments.

## 23. RELATED PARTY TRANSACTIONS

Nationale Borg Reinsurance is 100% owned by NV Nationale Borg-Maatschappij.
The following table provides the total value of transactions which have been entered into with related parties for the financial year:

| **2011** | **Sales to related parties** | **Purchases from related parties** | **Amounts owed by related parties** | **Amounts owed to related parties** |
|---|---|---|---|---|
| Inward reinsurance (assumed) | 2,332 | | 2,332 | |
| Outward reinsurance (ceded) | | 560 | | 560 |
| Service level agreement on underwriting and supporting services | | 1,706 | | 1,706 |
| Interest on outstanding intercompany balances after novation | 781 | | 18,425 | |

| 2010 | Sales to related parties | Purchases from related parties | Amounts owed by related parties | Amounts owed to related parties |
|---|---|---|---|---|
| Inward reinsurance (assumed) | 6,535 | | 4,050 | |
| Outward reinsurance (ceded) | | 97 | | |
| Sale of indirect business | 1,150 | | | |
| Interest on outstanding intercompany balances | | 198 | | 14,099 |

For Inward reinsurance, purchases consist of the net effect of assumed reinsurance (premiums, claims, recoveries and commission). For Outward reinsurance, sales consist of the net effect of (retro-) ceded insurance (premiums, claims, recoveries and commission).

### TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

As per January 1, 2011, Nationale Borg-Maatschappij transferred its entire reinsurance portfolio to Nationale Borg Reinsurance NV for as far as the cedants had agreed to this. This transfer of contracts was subject to the approval of each individual cedant. The agreed transfer price was determined as being zero as an analysis of the cash flows related to this portfolio showed a net negative outflow.

With regard to the inward reinsurance (assumed) business, this relates to the indirect business of Nationale Borg-Maatschappij for underwriting year 2011. This portfolio has been reinsured at Nationale Borg Reinsurance at current arm's-length market conditions.

A service level agreement has been set-up between Nationale Borg Reinsurance and Nationale Borg-Maatschappij for the services Nationale Borg-Maatschappij provides to the Company. These services are related to Underwriting, IT, Finance, Actuary and Investment management. The remuneration to Nationale Borg-Maatschappij has been set at arm's-length conditions.

Interest is due on all outstanding intercompany balances including intercompany loans. During 2011 and 2010 this was calculated on a monthly basis at a rate of 6 months Euribor plus 25 basis points. The average applicable interest rate during 2011 was 1.9% (2010: 3.5%).

## 24. PERSONNEL

The number of employees working for the company:

| | **2011** | **2010** |
|---|---|---|
| Total average number of employees (full-time equivalent) | **2** | 0 |
| Total year-end number of employees (full-time equivalent) | **2** | 0 |
| Total year-end number of employees | **2** | 0 |

## 25. REMUNERATION EXECUTIVE BOARD AND SUPERVISORY BOARD

The following table provides details regarding the remuneration of the Executive board and Supervisory Board. The Executive board consists of 2 members (2010: 1 members). The Supervisory Board consists of 4 members (2010: 3 members).

| | 2011 | 2010 |
|---|---|---|
| Executive board | **104** | 53 |
| Bonus payments | **27** | _ |
| Total compensation paid to the Executive board | **131** | 53 |
| | | |
| Supervisory Board | **14** | 14 |
| Total compensation paid to the Supervisory Board | **14** | 14 |

## 26. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date to be reported.

## 27. AUDITOR FEES

The following amounts have been paid to KPMG Accountants during the year:

| | 2011 | 2010 |
|---|---|---|
| Financial statement audit | **-** | 19 |
| Other assurance services | **-** | - |
| Tax advise | **30** | 31 |
| Total fees paid to KPMG Accountants during the year | **30** | 50 |

## 28. EXPLANATION OF TRANSITION TO IFRS

As stated on page 17 these are the Company's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in the notes have been applied in preparing the financial statements for the year ended 31 December 2011, the comparative information presented in these financial statements for the year ended 31 December 2010 and in the preparation of an opening IFRS statement of financial position at 1 January 2010.

In preparing its opening IFRS statement of financial position the Company has adjusted amounts reported previously in financial statements prepared in accordance with Dutch GAAP (previous GAAP). An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

There are no differences between the financial statements in previous GAAP and IFRS.

## RECONCILIATION OF EQUITY

| | Previous GAAP | Effect of transition to IFRS 1 Jan 2010 | IFRS | Previous GAAP | Effect of transition to IFRS 31 Dec 2010 | IFRS |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Property. plant and equipment | 5 | - | 5 | 4 | - | 4 |
| Financial assets | 28,493 | - | 28,493 | 36,148 | - | 36,148 |
| Receivables: | | | | | | |
| • Accounts receivable on insurance and reinsurance business | 44 | - | 44 | 66 | - | 66 |
| • Other accounts receivables | 6,788 | - | 6,788 | 5 | - | 5 |
| | 6,832 | - | 6,832 | 71 | - | 71 |
| Other assets: | | | | | | |
| • Miscellaneous assets and accruals | - | - | - | 379 | - | 379 |
| | - | - | - | 379 | - | 379 |
| Cash and cash equivalents | | | | | | |
| • Cash | 22,275 | - | 22,275 | 23,002 | - | 23,002 |
| | 22,275 | - | 22,275 | 23,002 | - | 23,002 |
| TOTAL ASSETS | 57,604 | - | 57,604 | 59,604 | - | 59,604 |
| EQUITY | | | | | | |
| Capital and reserves attributable to the equity holders of the company | 28,497 | - | 28,497 | 43,055 | - | 43,055 |
| LIABILITIES | | | | | | |
| Technical provisions | 14,608 | - | 14,608 | 11 | - | 11 |
| Trade and other payables | 13,296 | - | 13,296 | 14,099 | - | 14,099 |
| Other liabilities: | | | | 1,431 | - | 1,431 |
| Deferred income tax | - | - | - | 57 | - | 57 |
| Current income tax liabilities | 605 | - | 605 | 951 | - | 951 |
| TOTAL LIABILITIES | 28,509 | - | 28,509 | 16,487 | - | 16,487 |
| TOTAL EQUITY AND LIABILITIES | 57,604 | - | 57,604 | 59,604 | - | 59,604 |

## RECONCILIATION OF THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

| | Previous GAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|
| Insurance premium revenue | 20,774 | - | 20,774 |
| Insurance premium ceded to reinsurers | (97) | - | (97) |
| NET PREMIUMS EARNED | 20,677 | - | 20,677 |
| Reinsurance commission paid | (7,654) | - | (7,654) |
| Net income from investments | 6,064 | - | 6,064 |
| TOTAL INCOME AFTER REINSURANCE | (1,590) | - | (1,590) |
| Insurance claims and loss adjustment expenses | (7,830) | - | (7,830) |
| Insurance claims and loss adjustment expenses recovered from reinsurers | 1,304 | - | 1,304 |
| NET INSURANCE CLAIMS | (6,526) | - | (6,526) |
| Net operating expenses | (187) | - | (187) |
| Total expenses after reinsurance | (8,303) | - | (8,303) |
| Ordinary activities | 2,397 | - | 2,397 |
| Profit before tax | 14,771 | - | 14,771 |
| Income tax expenses | (761) | - | (761) |
| PROFIT FOR THE YEAR FROM OPERATIONS | 14,010 | - | 14,010 |

## RECONCILIATION OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

| | Previous GAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|
| Result for the year | 14,010 | - | 14,010 |
| Other comprehensive income: | | | |
| Net fair value gains/(losses) on available for sale financial investments | 146 | - | 146 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR (net of tax) | 14,156 | - | 14,156 |
| | | | |
| Attributable to: | | | |
| Equity holders of the company | 13,814 | - | 13,814 |

## RECONCILIATION OF CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

| | Previous GAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | 14.771 | – | 14.771 |
| Adjustments for: | | | |
| • Realized capital (gains) and losses on investments | (3.769) | – | (3.769) |
| • Unrealized capital (gains) and losses on investments | (3.083) | – | (3.083) |
| • Depreciation and amortization | 2 | – | 2 |
| • Foreign exchange result | 4 | – | 4 |
| • Interest expenses/income | 140 | – | 140 |
| Changes in operational assets and liabilities: | | | |
| • Underwriting provisions. Gross | (14.597) | – | (14.597) |
| • Accounts receivable and payable on insurance and reinsurance business | 8.742 | – | 8.742 |
| • Changes in other assets and liabilities | 7.537 | – | 7.537 |
| Income taxes paid | (762) | – | (762) |
| **NET CASH (USED IN)/GENERATED BY OPERATING ACTIVITIES** | 8.985 | – | 8.985 |
| **CASH FLOWS FROM INVESTMENT ACTIVITIES** | | | |
| Investments and acquisition (cash outflows): | | | |
| • Financial investments available for sale and through profit and loss | (7.655) | – | (7.655) |
| • Property. plant and equipment and intangible fixed assets | (2) | – | (2) |
| • Investment expenses | (1.462) | – | (1.462) |
| Divestments. redemptions and disposals (cash inflows); | | | |
| • Property. plant and equipment and intangible fixed assets | 303 | – | 303 |
| • Interest income/expense | 559 | – | 559 |
| **NET CASH (USED IN)/GENERATED BY INVESTMENT ACTIVITIES** | (8.257) | – | (8.257) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Issue of equity instruments | – | – | – |
| **NET CASH GENERATED BY FINANCING ACTIVITIES** | – | – | – |
| **CHANGES IN CASH AND CASH EQUIVALENTS** | 728 | – | 728 |
| Cash and cash equivalents at the end of the preceding year | 22.274 | – | 22.274 |
| Cash and cash equivalents at the end of the financial year | 23.002 | – | 23.002 |

# OTHER INFORMATION

## INDEPENDENT AUDITOR'S REPORT

To the General meeting of shareholders and supervisory board of Nationale Borg Reinsurance NV

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements 2011 of Nationale Borg Reinsurance NV, Willemstad, Curaçao, which comprise the statement of financial position as at 31 December 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY

Management 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 with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the executive board report, in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBLITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## OPINION

In our opinion, the financial statements give a true and fair view of the financial position of Nationale Borg Reinsurance NV as at 31 December 2011 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the executive board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the executive board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 12 March 2012

KPMG ACCOUNTANTS NV

F.M. van den Wildenberg RA

# OTHER INFORMATION

## PROFIT APPROPRIATION

The profit is appropriated according to Article 12 of the articles of Association of Nationale Borg Reinsurance NV, the relevant stipulations of which state:
"The profit as included in the income statement is available for distribution at the discretion of the shareholders. For as far as the profit of the company allows it, an interim dividend may be paid by the executive board upon approval of the supervisory board. If a loss is made that cannot be covered by the reserves or other methods, dividend will not be paid in the following years until the negative balance has been recovered."
No dividend will be declared.

## PROPOSED PROFIT APPROPRIATION

| | |
|---|---|
| Net profit | 4,372 |
| Interim dividend paid out | - |
| Transfer to reserves | 4,372 |
| Dividend to shareholders | - |

NATIONALE BORG REINSURANCE N.V.
KAYA MENSING 18
P.O. BOX 4489
CURAÇAO
WWW.NATIONALEBORG.COM

NATIONALE BORG
REINSURANCE