2014

NATIONALE BORG REINSURANCE ANNUAL REPORT

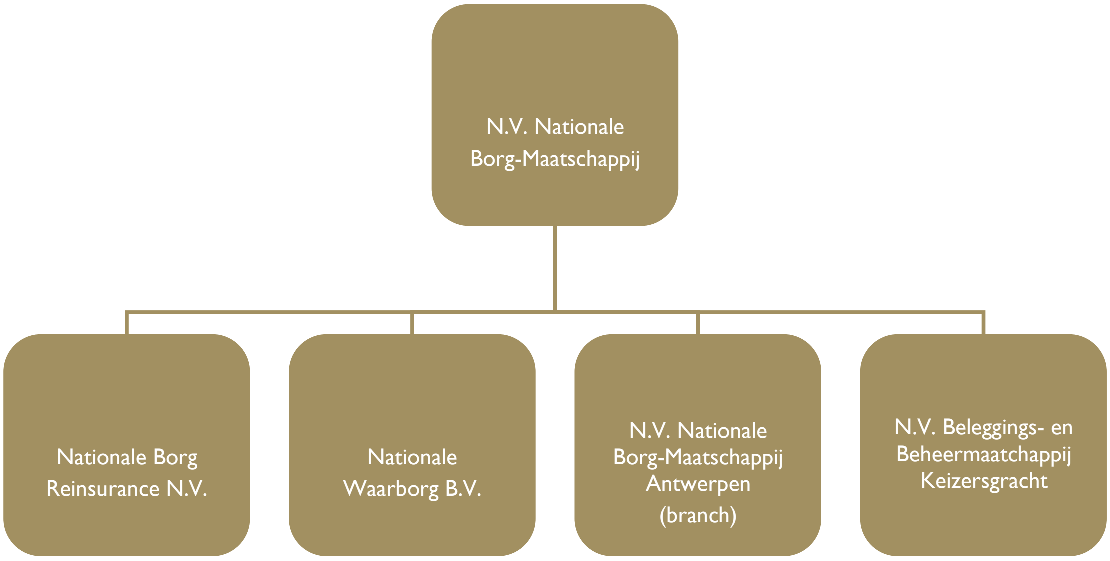
NATIONALE BORG REINSURANCE

ANNUAL REPORT

PROFILE

Nationale Borg Reinsurance NV is the reinsurance carrier within the Nationale Borg group.
Nationale Borg Reinsurance has operated for over 65 years as a specialized reinsurer of Surety, Credit Insurance and Political Risk Insurance.
Nationale Borg Reinsurance is based in Willemstad, Curaçao. The company is supervised by the Central Bank of Curaçao and St. Maarten.
Nationale Borg Reinsurance NV is rated A- (stable outlook) by Standard & Poor's, and provides its clients a solid capitalization and strong capital adequacy. Nationale Borg Reinsurance is recognized within the industry as a trustworthy partner with a long-term commitment to its niche, with both treaty and facultative capacity.
Nationale Borg Reinsurance has built its reputation in the specialist world of reinsurance through direct contact with its cedants, as well as through extensive relationships within the broker market.
The company's active membership of several worldwide and regional associations, such as ICISA, PASA, SFAA, Aman Union and SAC, creates further access to its business partners.
Nationale Borg Reinsurance NV is the largest entity within Nationale Borg Group, and a fully owned subsidiary of NV Nationale Borg-Maatschappij. This insurance company, based in Amsterdam, The Netherlands, has been a market leading specialized surety insurer, in the Netherlands and Belgium, for over 120 years.
Through a holding company its shares are mainly owned and managed by two large investors, Egeria Capital Management B.V. and HAL Investments B.V.

GROUP STRUCTURE



Supervisory Board Nationale Borg Reinsurance N.V:
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 N.V:
G.J. Hollander
I.M. Nijenhuis

SUPERVISORY BOARD REPORT

The Supervisory Board has held three meetings in 2014, covering all important issues adhering to the annual schedule, as well as their actual relevance to the company.
The financial statements of Nationale Borg Reinsurance NV, for the year 2014, have been presented to the Supervisory Board by the Executive Board. The financial statements have been audited by KPMG Accountants NV.
There have been no changes in the composition of the Supervisory- and Executive Boards of Nationale Borg Reinsurance in 2014.
We advise the shareholders to approve the financial statements 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.
In 2014 no interim-dividend was distributed.

Willemstad, 20 March 2015

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

EXECUTIVE BOARD REPORT

UNDERWRITING RESULTS REMAIN SOLID AS SOFT MARKET PUTS PRESSURE ON TREATY CONDITIONS

2014 was a year of consolidation for Nationale Borg Reinsurance. The team remained stable, after the expansion in 2013, and has been working hard to solidify the image as one of the most knowledgeable and consistent players in the marketplace.

Nationale Borg Reinsurance succeeded to retain its position as a valued reinsurer, in the specialized niche of Surety, Credit- and Political Risk Insurance (PRI).

The soft reinsurance market triggers deteriorating economic treaty conditions for reinsurers. Cedants have become increasingly aware of their purchasing power and have increased (profit) commission levels in 2014.

The Executive Board of Nationale Borg Reinsurance does not foresee any changes in this trend for 2015, unless a consolidation takes place, or external effects cause alternative capital to retreat from the reinsurance market.

The worldwide economy continued to improve slowly during 2014, underlying GDP growth remained modest and unemployment remained high in most leading economies.

Decreased public spending still affects the demand for surety (bond) products in many markets.

Credit Insurance showed slightly recovering revenues and solid results, but the continuously weak economic fundamentals required a continued prudent underwriting approach in 2014.

Nationale Borg Reinsurance's portfolio can be characterized by its diversification. We do business with approximately 100 cedants in over 40 countries, in Surety, Credit- and Political Risk Insurance (PRI).

During the early years of the financial crisis (2008/2009), the surety exposure in our portfolio was spared from substantial claims. As the crisis continued, we anticipated surety losses to increase in number and severity and this happened the past two years, albeit to a lesser extent in 2014.

The credit insurance exposure has shown losses at favourable and stable levels over the past two years, although the margins remain modest, and are under further downwards pressure, due to deteriorating economic treaty conditions. The diversification in our portfolio thus continues to prove to be a stabilizing factor on our bottom line results.

The Executive Board would like to thank its employees, and the reinsurance and accounting teams of Nationale Borg-Maatschappij in Amsterdam, for another year of strong commitment and hard work.

PREMIUM DEVELOPMENT AND INSURANCE RESULTS

The ongoing soft (re)insurance market leads to some loss of revenue due to increased retentions, decreased participations and limited opportunities for new business. Although the underlying insurance results developed positively, compared to 2013, the top line growth at the primary insurance level was very modest in most regions.

Overall gross revenue topped off at € 65.5 million, in line with our expectations, which was a 3.7% decrease compared to the 2013 revenue of € 68.1 million.

Technical results have improved compared to 2013. There were fewer large market losses in surety, although we suffered some substantial claims in specific markets (Bolivia), and only a limited number of larger market claims in credit insurance (UK, Spain) and PRI (Ukraine). This contributed to an improved technical result in 2014, although this was partially offset by increased treaty commission levels.

EXECUTIVE BOARD REPORT

We were able to commute some run off treaties favorably, which has led to loss reserve releases in 2014. We are making a continuous effort to commute old relationships in run-off, in order to decrease our administrative burden.
Overall the net claims ratio of improved from 49.1% in 2013 to 40.2% in 2014. This meets our long term objective.

INVESTMENT RESULTS

(amounts x € 1,000)
The composition of our investment portfolio was stable in 2014 and more or less unchanged compared to balance sheet date 2013. The total return on investments, including value adjustments through equity amounted to € 2,353 (2013: € 4,538).
The income from dividend (2014: € 592, 2013: € 609) and interest (2014: €1,882, 2013: € 2,157) remained in line with 2013 figures. The realized and unrealized gains and losses (including value adjustments through equity) however decreased by €1,902 (2014: € 118, 2013: € 2,020).
The decrease in investment results was partially compensated by favourable exchange rate differences on investments. These results are taken into account under the net operating expenses.
For more information regarding risk management relating to financial instruments, we refer to the Risk Management paragraph in the notes to the financial statements.

CASH FLOW AND FUNDING REQUIREMENTS

Nationale Borg Reinsurance has no debt outstanding and had no funding requirements in 2014. In our Risk Management framework we also take into account liquidity management in order to ensure that we are always able to meet the payment obligations arising from claims in our reinsurance business. For more information regarding our liquidity risk management we refer to the Risk Management paragraph in the notes to the financial statements.

FINANCIAL INSTRUMENTS

The assets held against the technical provisions and equity attributable to the shareholders include investments like equity and bonds.
The market risk associated with investments includes interest rate risk, currency risk, concentration risk, ALM risk and equity risk. It also includes counterparty risk and liquidity risk. With respect to market risk we have a moderately risky investment policy.
Market risk is centrally managed by the Finance department and the CFO/CRO. Control measures, which are part of Nationale Borg's Investment Policy are designed to fit the company's need, which is dependent on the scale and volatility of the specific risk.
Market risk is considered to be the risk of economic losses triggered by changes in currency rates, interest rates, equity price changes and counterparty defaults or downgrades. We have limited equity risk with an option strategy and a significant part of the equities portfolio consists of low risk, high dividend yield shares.
In addition to the above mentioned Market risks Nationale Borg Reinsurance is exposed to liquidity risk.
Nationale Borg must at all times be able 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. By taking various economical and market circumstances into consideration, the company ensures that it has a sufficient buffer of cash on call to provide itself the necessary liquidity if there were to be an unanticipated large outflow of cash as the result of claims. Investments in bonds and equities are made only in very liquid categories that can be marketed overnight, as such providing sufficient payment capacity to meet the demand for liquidity within the time frames specified for our business.

UNDERWRITING AND RISK MANAGEMENT

Nationale Borg Reinsurance's success is based on the full and accurate underwriting of both the organization, as well as the portfolio, of each of our cedants. Each underwriter is assigned to a particular geographic area, although all knowledge and experience is shared electronically with the entire team, through a work flow tool. Underwriters personally visit all clients at least once a year and they attend industry association meetings as key elements of the underwriting process.

Underwriting conditions set by us as a treaty leader or presented to us as a following market participant, should meet our guidelines. Each underwriting decision is taken by the Executive Board on the basis of a proposal from the underwriter and the subsequent recommendation of the entire underwriting team.

Given the size and nature of the reinsurance business (new products and changes in products are not very common) Nationale Borg Reinsurance does not have a separate research and development department. New developments, and the need to adapt products, are discussed at the managerial level and experts (either internal or external) are involved if necessary.

ENVIRONMENT

Nationale Borg Reinsurance has a sustainability policy in place. According to this policy we monitor our consumption of water, electricity, paper and other materials closely. Given the nature of our business the environmental impact of our consumption is limited.

COMPOSITION OF THE BOARD

The composition of the Executive Board, as well as the Supervisory Board remained unchanged in 2014 (100% male). The preference for a balanced composition will be taken into consideration when a new vacancy becomes available.

PERSONNEL

Some of the personnel involved in the reinsurance activities of Nationale Borg Group are employed by NV Nationale Borg-Maatschappij. The collective labour agreement (in Dutch 'Collectieve ArbeidsOvereenkomst', CAO) for insurance companies applies to their contacts. The personnel costs related to these employees are charged to Nationale Borg Reinsurance NV based on a Service Level Agreement.

Four employees are employed by Nationale Borg Reinsurance NV No collective labour agreement is applicable for these employees. There were no changes in staff and no vacancies in 2014.

EXECUTIVE BOARD REPORT

COMPLIANCE WITH CORPORATE GOVERNANCE CODE FOR INSURANCE COMPANIES

The focus on corporate governance in financial institutions has increased since the start of the financial crisis. On 1 January 2011, the “Code Banken” was implemented in the Netherlands. This code contains the principles for governance and supervision, about the risk management, audit and remuneration policy. This implementation caused 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” is also applicable to Nationale Borg Reinsurance. Entities subject 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. As from January 1st 2015 it is no longer required by law to provide this explanation, however based on self-regulation we are still obliged to do so.
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.
Below is a description of the application of the Code within Nationale Borg Reinsurance.

SUPERVISORY BOARD

Composition and expertise

Nationale Borg Reinsurance has a Supervisory Board consisting of four members with a broad and diverse background (e.g. actuarial, legal, construction, general management). The members do not only bring financial and industry expertise to the Board, but a broad social and commercial knowledge and network 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. The remuneration of the Board members is on the agenda of the annual meeting of shareholders every second year.
- 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 business and 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 and the relationship between the Supervisory Board and Executive Board and it assesses the need for actions required for improvements. So far, the Supervisory Board has felt this internal evaluation to be adequate and there has not been any reason to involve outside expertise in this evaluation.

EXECUTIVE BOARD REPORT

Tasks and procedures

- The Supervisory Board regulations and those of its committee are in agreement with the Code although Nationale Borg Reinsurance is considered too small to have separate meetings for the committees.
- The Supervisory Board approves once a year the annual business plan which is set up by the Executive Board of Nationale Borg Reinsurance.

EXECUTIVE BOARD

Composition and expertise

- The Executive Board of Nationale Borg Reinsurance consists of members with a broad and diverse background, experience and knowledge. A management Board of two members is deemed sufficient for a company the size and complexity of Nationale Borg Reinsurance, as long as the competencies of the members cover all important areas of expertise, as is indeed the case.
- Executive Board members are encouraged to keep their expertise up to par and to broaden it where necessary. When needed, Board members can take educational courses or hire external expertise. In the annual performance evaluation of the Board members, the effectiveness of the Board and of each individual member is assessed in order to determine the need for improvements in the members' expertise.

Tasks and procedures

- The Executive Board members need to serve the interests of all stakeholders involved. They need to ensure the continuity of the company and its business.
- Core task is managing the reinsurance portfolio and all processes involved.
- The Executive Board of Nationale Borg Reinsurance has signed a moral and ethical statement. The principles included in this statement apply to all employees of Nationale Borg Reinsurance and serve as the guiding principles for their behaviour on the basis of the applicable Compliance Manual. The contract of each new employee refers to the Compliance Manual of Nationale Borg Reinsurance which includes a code of conduct and which states that this code should be adhered to. The manual is accessible for each employee through the company's intranet.

RISK MANAGEMENT

Nationale Borg Reinsurance's risk management approach is based on the full and accurate underwriting of both the organization as well as the portfolio, and the markets in which they operate. Risk management is mainly set-up at group level.

To ensure risk-taking is properly embedded, the Nationale Borg Group has risk management integrated in its strategic, business planning processes and in its daily business activities.

The Executive Board of the group sets the example and encourages full commitment of the organization in The Netherlands, in Belgium and in Curacao to conduct business according to these risk management principles.

As Executive Board we are clear about our strategy, our strategic risks, our desired risk profile and our risk appetite. We expect our employees to comply to the risk management policy and never to deviate on these principles to realize a potential short term benefit.

Compliance with this policy and related risk manual/guidelines is mandatory. Compliance is verified through both the Compliance and the Internal Audit function and supported by the Actuary. Deviations could be possible but only when addressed timely and agreed upon by the Executive Board, respectively the Supervisory Board, depending on the subject.

In this risk management policy we detail the scope, objective, tasks and responsibilities of the Risk Management function and of all employees within Nationale Borg. As such, the policy explains how we want to realize the Executive Board's objectives on risk taking, risk mitigation, which might also be translated into personnel & department objectives.

The scope of this Risk Management Policy ("RMP") includes all Nationale Borg Group activities and entities, including the activities of branches and subsidiaries.

The RMP covers all risk categories, hence also the risks to be included in the calculation of the Solvency Capital Requirement, as well as the risks that are not or not fully included in the calculation thereof. These risks are:

a) Non-life Underwriting risk/ Insurance risk;
b) Market risk;
c) Operational risk;
d) Strategic risk.

This paragraph contains a more details description of the non-life underwriting risk / insurance risk. The other risk areas are descripted in the risk management paragraph in the notes to the financial statements.

Non-life Underwriting risk/ Insurance risk

Nationale Borg Reinsurance assumes risks similar to the ones it takes in the direct business of the holding company (risks from guarantees) as well as risk from Credit insurance and Political risk cover. The specific competences accumulated in the fields of guarantees are applied to evaluate the underwriting performance of cedants of this business.

Reinsurance conditions set by us, as a treaty leader, or presented to us, as a following market participant, should meet the overall guidelines set by the Executive Board, and approved by the Supervisory Board as well as the senior management of the shareholder, NV Nationale Borg-Maatschappij.

Each underwriting decision is taken by the Executive Board on the basis of a recommendation from the underwriting team.

Nationale Borg Reinsurance has set up a framework based on which the operational and financial performance of prospective reinsurance clients are monitored. Regular visits are made to assess the cedant and its business. The opportunities are assessed by a team of underwriters. All underwriting decisions are subject to approval by the Executive Board of Nationale Borg Reinsurance.

By nature of the activity, the spread of risk is very high. 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.

Contracts can (f.i.) be clustered into proportional treaty, excess of loss and facultative contracts. In proportional treaty business Nationale Borg Reinsurance participates for a certain fixed percentage in all business risks underwritten by the cedant within the limits and conditions of the treaty. In excess of loss contracts Nationale Borg Reinsurance provides a fixed cover 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.

EXECUTIVE BOARD REPORT

Underwriting of treaty and excess of loss business is based on the evaluation of the ceding company.
Facultative contracts provide coverage for a fixed share of a named risk. Generally, such coverage is provided for a limited number of risks in case a cedant has exhausted its treaty capacity. Underwriting of facultative business is based on the individual merits of the underlying risk.

INTERNAL AUDIT

An internal auditor is appointed in the holding company of Nationale Borg Reinsurance, being NV Nationale Borg-Maatschappij. Nationale Borg Reinsurance is reviewed by this internal auditor as well. The internal auditor reports to the Executive Board of NV Nationale Borg-Maatschappij and its Audit Committee. Taking into account the size of Nationale Borg 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 is included in the Remuneration Policy of NV Nationale Borg-Maatschappij and its subsidiaries. This policy meets the principles of the Code and the regulation on remuneration in the Netherlands (Restrained Remuneration Policy Regulations, in Dutch 'Regeling Beheerst Beloningsbeleid'). Governance with respect to remuneration of the Supervisory Board is included in the Supervisory Board regulations in line with the principles of the Code.
The Remuneration Committee of the Supervisory Board of NV Nationale Borg-Maatschappij is responsible for the implementation and evaluation of the remuneration policy adopted with regard to the members of the Executive Board and it approves the principles of the remuneration policy for other employees of Nationale Borg Reinsurance.
The Supervisory Board annually discusses the highest variable incomes and it ensures that the Executive Board assesses whether variable incomes are consistent with the remuneration policy adopted by NV Nationale Borg-Maatschappij.

OUTLOOK 2015

Although the global economy as a whole seems to continue its modest recovery from one of the biggest economic downturns, some regions face more challenges than others. As a specialized reinsurance company, we depend to a large extent on the economic circumstances in the outside world, as these represent the risks to which insurance companies are exposed and drive demand for the products we underwrite.
We do not anticipate major changes in the number of staff we employ nor changes in the way we finance ourselves. Apart from regular investments to secure the quality of processes and IT systems, we do not foresee major investments in 2015.

EXECUTIVE BOARD REPORT

We will continue to be prudent in our underwriting approach. Our enhanced systems will provide the underwriters with additional tools to proactively review their clients. We expect technical margins to reduce due to the continuing inflow of reinsurance capacity into the reinsurance market in general, and into our niche in particular. Despite this trend, our expectation for 2015 is to maintain our profitability in line with that of previous years and to continue to provide satisfactory returns to our shareholders.

Willemstad, 20 March 2015
G.J. Hollander
I.M. Nijenhuis

STATEMENT OF FINANCIAL POSITION

Before appropriation of result €'000			31 December 2014		31 December 2013
ASSETS					
Property. plant and equipment	*5*		**3**		7
Financial assets	*6*		**50,829**		50,600
Reinsurance contracts	*7*		**18,983**		24,721
Trade and other receivables:	*8*				
• Accounts receivable on insurance and reinsurance business		**3,290**		2,722	
• Other accounts receivables		**64**		18	
			3,354		2,740
Other assets:	*9*				
• Deferred acquisition costs		**5,549**		5,139	
• Miscellaneous assets and accruals		**3,664**		8,142	
			9,213		13,281
Cash and cash equivalents	*10*		**77,928**		59,919
TOTAL ASSETS			**160,310**		151,268

STATEMENT OF FINANCIAL POSITION

€'000	Note	31 December 2014		31 December 2013	
EQUITY					
Subscribed capital		**2,000**		2,000	
Capital reserve		**2,000**		2,000	
Revaluation reserve		**796**		493	
Revenue reserve		**61,485**		54,895	
Undistributed profits		**15,679**		6,590	
Capital and reserves attributable to the equity holders of the company	*11*		**81,960**		65,978
TOTAL EQUITY			**81,960**		65,978
LIABILITIES					
Technical provisions	*12*		**78,832**		79,717
Trade and other payables	*13*		**402**		654
Other liabilities:	*14*				
• Deposits received from reinsurers		**17**		16	
• Profit commission payable		**247**		1,211	
• Miscellaneous liabilities and accruals		**227**		409	
			491		1,636
Deferred income tax liabilities	*15*	**(174)**		-	
Current income tax liabilities	*16*	**(1,201)**		3,283	
			(1,375)		3,283
TOTAL LIABILITIES			**78,350**		85,290
TOTAL EQUITY AND LIABILITIES			**160,310**		151,268

INCOME STATEMENT FOR THE YEAR

€'000		2014	2013
Insurance premium revenue		**65,546**	68,075
Insurance premium ceded to reinsurers		**(59)**	(81)
NET PREMIUMS EARNED	*17*	**65,487**	67,994
Reinsurance commission received		**17**	32
Net income from investments	*18*	**2,050**	5,596
TOTAL INCOME		**67,554**	73,622
Insurance claims and loss adjustment expenses		**(26,060)**	(33.355)
Insurance claims and loss adjustment expenses recovered from reinsurers		**(346)**	(1)
NET INSURANCE CLAIMS	*19*	**(26,406)**	(33,356)
Acquisition costs	*20*	**(25.857)**	(25.919)
Net operating expenses	*21*	**(1,152)**	(2,916)
Profit before tax		**14,139**	11,431
Income tax expenses	22	**1,540**	(1,841)
PROFIT FOR THE YEAR FROM OPERATIONS		**15,679**	9,590
Attributable to:			
Equity holders of the company		**15,679**	9,590
Basic earnings per share from continuing operations (euro)	*23*	**7,840.-**	4,795.-

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR

€'000		**2014**	2013
Profit for the year		**15,679**	9,590
Other comprehensive income:	*24*		
Net fair value gains/(losses) on available for sale financial investments		**303**	(1,058)
Total Other comprehensive income		**303**	(1,058)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (net of tax)		**15,982**	8,532
Attributable to:			
Equity holders of the company		**15,982**	8,532

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 2014	2,000	2,000	493	54,895	6,590	**65,978**
Result income statement	–	–	–	–	15,679	**15,679**
Other comprehensive income	–	–	303	–	–	**303**
Total comprehensive income for the year	–	–	303	–	15,679	**15,982**
Dividend distribution	–	–	–	–	–	–
Appropriations to reserves	–	–	–	6,590	(6,590)	–
Other movements	–	–	–	–	–	–
EQUITY AS PER 31 DECEMBER 2014	**2,000**	**2,000**	**796**	**61,485**	**15,679**	**81,960**

€'000	Subscribed Capital	Capital Reserve	Revaluation Reserve	Revenue Reserve	Profit for the Year	Total
EQUITY AT 1 JANUARY 2013	**2,000**	**2,000**	**1,551**	**45,261**	**9,634**	**60,446**
Result income statement	–	–	–	–	9,590	9,590
Other comprehensive income	–	–	(1,058)	–	–	(1,058)
Total comprehensive income for the year	–	–	(1,058)	–	9,590	8,532
Dividend distribution	–	–	–	–	(3,000)	(3,000)
Appropriations to reserves	–	–	–	9,634	(9,634)	–
Other movements	–	–	–	–	–	–
EQUITY AS PER 31 DECEMBER 2013	2,000	2,000	493	54,895	6,590	65,978

CASH FLOW FOR THE YEAR

€'000	**2014**	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**14,139**	11,431
Adjustments for:		
• Unrealized capital (gains) and losses on investments	**14**	(2,280)
• Depreciation and amortization	**2**	6
• Foreign exchange result	**(638)**	270
Changes in operational assets and liabilities:		
• Underwriting provisions (gross)	**(885)**	7,114
• Reinsurance assets (net)	**5,738**	(18,594)
• Deferred acquisition costs	**(410)**	(247)
• Accounts receivable and payable on insurance and reinsurance business	**(568)**	(520)
• Changes in other assets and liabilities	**3,032**	9,705
Income taxes paid	**(3,118)**	(1,410)
NET CASH (USED IN)/GENERATED BY OPERATING ACTIVITIES	**17,306**	5,475
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Investments and acquisition (cash outflows):		
• Financial investments	**(3,911)**	(4,524)
Divestments. redemptions and disposals (cash inflows);		
• Financial investments	**4,609**	5,554
• Property. plant and equipment and intangible fixed assets	**5**	8
NET CASH (USED IN)/GENERATED BY INVESTMENT ACTIVITIES	**703**	1,038
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend distribution	**_**	(3,000)
NET CASH (USED IN)/GENERATED BY FINANCING ACTIVITIES	**_**	(3,000)
CHANGES IN CASH AND CASH EQUIVALENTS	**18,009**	3,513
Cash and cash equivalents at the end of the preceding year	**59,919**	56,406
Cash and cash equivalents at the end of the financial year	**77,928**	59,919

	2014	**2013**
Cash banks at hand	**33,179**	20,500
Cash investment accounts	**44,749**	39,419
Total cash and cash equivalents	**77,928**	59,919

NOTES TO THE FINANCIAL STATEMENTS

1. ACTIVITIES OF NATIONALE BORG REINSURANCE

Nationale Borg Reinsurance assumes risk in the Surety market as well as risk emanating from credit- and political risk insurance.

IMPACT OF NOVATION AND RETROCESSION

As per January 1, 2011, NV Nationale Borg-Maatschappij transferred its entire reinsurance portfolio to Nationale Borg Reinsurance NV as far as the cedants had agreed to this. This transfer of contracts was subject to the approval of each individual cedant. In 2012 it was decided that not only current reinsurance business of the cedants novated in 2011 would be transferred from NV Nationale Borg-Maatschappij to Nationale Borg Reinsurance NV, but also the financial line items regarding previous years. This influenced the openings positions of several financial line items in 2012. All novations in 2012 and thereafter were transferred for the entire positions (current and previous years)
Furthermore, NV Nationale Borg-Maatschappij has retroceded its remaining reinsurance portfolio for all underwriting years 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.
As was the case in 2013, Nationale Borg Reinsurance NV in turn has retroceded the reinsurance pool 1993 to NV Nationale Borg-Maatschappij. In 2014 we commuted the remaining (treaty) outwards retrocession regarding the reinsurance pool 1993.

2. GENERAL

NV Nationale Borg Reinsurance is fully owned by NV Nationale Borg-Maatschappij. This company is regarded as holding company of the Nationale Borg Group. The shares of this entity are fully owned by Nationale Borg Beheer B.V. which is owned and managed by HAL Investments B.V. and fund Egeria Capital 2 (Egeria Capital Management B.V.). Both HAL and Egeria own 46.7% of the ordinary shares, the remaining 6.6% of the ordinary shares are owned by management.
NV Nationale Borg Reinsurance is a joint-stock company and is located (also registered office) at Kaya W.F.G. (Jombi) Mensing 18, Curaçao.

3. PRINCIPLES OF VALUATION AND DETERMINATION OF RESULT

BASIS OF PRESENTATION

The financial statements 2014 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.
A number standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements.
Amendments to IFRSs that were issued during 2014 as separate documents relate to IAS 10, 12, 27, 32, and 36. There was no impact related to these amendments on these financial statements.
All amounts in these statements are in thousands of euro, unless specified otherwise.
The financial statements were authorised for issue by the Executive Board on 20 March 2015.

NOTES TO THE FINANCIAL STATEMENTS

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. 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 €	
	2014	**2013**	**2014**	**2013**
CAD	**0,708**	0,679	**0,684**	0,727
USD	**0,823**	0,726	**0,755**	0,752
GBP	**1,278**	1,198	**1,242**	1,176

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

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 5 years, and 5 - 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. All assets are depreciated using the straight-line depreciation method over the estimated economic useful lives presented below:

Asset category:	Years
Fixtures and fittings	5 - 10
Computer hardware	5

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.

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 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.

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.

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 prolonged. 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).

NOTES TO THE FINANCIAL STATEMENTS

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 at hand, deposits on demands, 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.

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 solvency requirements imposed by the 'Landsverordening van de 4de oktober 1990 houdende regelen inzake het Toezicht op het Verzekeringsbedrijf' (Act related to Financial Supervision). The required and available solvency margin is disclosed in the Risk Management paragraph.

NOTES TO THE FINANCIAL STATEMENTS

PROVISIONS

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.

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.

Provision for unearned premium

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.

Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities (provisions). Both for the provision for unearned premium as the provision for outstanding claims the adequacy is tested by calculating a Best Estimate reserve, which is based on future cash flows taking into account the time value of money (i.e. discounting). This Best Estimate reserve is compared with the reserves at balance sheet date. Any deficiency is immediately charged to the profit and loss account, initially by writing off the intangible assets (deferred acquisition costs) related to insurance portfolios and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Based on the liability adequacy test, the provisions at yearend are prudently determined based on over 15 years of experience and considered adequate based on the positive run-off results.

REINSURER'S 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 assumed 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).

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 a 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 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. Accruals for premium refunds are charged against premiums written.
Premiums earned include an adjustment for the unearned share of 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.

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. Dividend income from available-for-sale equities is recognized when payment is received. This line also includes the realized revaluations on available for sale financial assets and the realized and unrealized revaluations on financial assets at fair value.

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 contains the current income tax.

CASH FLOW STATEMENT

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

- Cash comprises cash at hand and deposits on demand.
- 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.
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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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.

Ultimate Loss Reserves

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.

Variable Reinsurance Commission and future Profit Commission

For inwards reinsurance treaties which contain a variable reinsurance commission clause or for which profit commission is first calculated after at least 24 months, a special reserve has been set up. This reserve is based on the expected final reinsurance commission and profit commission to be paid, using the ULR methodology.

Impairment of available-for-sale financial investments

The company assesses at each date of the consolidated statement of financial position whether there is objective evidence that the government bonds classified as available-for-sale financial assets are impaired.
Government bonds classified as available-for-sale financial investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. 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 prolonged. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account.

4. RISK MANAGEMENT

The holding company NV Nationale Borg-Maatschappij is a specialized issuer of bonds and guarantees. Nationale Borg Reinsurance is a reinsurer of these risks as well as of credit insurance risks. For the long term NV Nationale Borg-Maatschappij wants to grow its market share in our two home markets and make use of opportunities to write profitable business in the global reinsurance market.

NOTES TO THE FINANCIAL STATEMENTS

Key to our mission and continuity is prudent risk management. As an insurance company, Nationale Borg Reinsurance by definition assumes risk against a premium. The risks Nationale Borg Reinsurance is exposed to can be broken down into several categories:

- Insurance risk: the risk we run on a professional basis as a reinsurance company, which is the risk that the premiums, which were calculated on the basis of expected risk, do not adequately cover the actual risk assumed.
  In reinsurance we only participate in treaties which historically have shown combined ratio levels within our guidelines and thus leaving ample profit margins. Bottom line result is the key target.
- Market risk: credit risk on (re)insurance asset; the risk associated with investments, including market risk (interest rate, currency, real estate & equity risk); and liquidity risk.
  With respect to market risk we have a moderately conservative investment policy with approximately 60% (2013: 54%) in cash and deposits, 19% (2013: 21%) in Dutch and German government bonds and 21% (2013: 25%) in equities. We have limited this equity risk with an option strategy and a significant part of the equity portfolio consists of low risk, high dividend yield shares. These risks are monitored and managed by the investment committee, which meets every month or more frequently when it is deemed necessary.
- Operational risk: the risk associated with people, processes and systems. This risk we run as a company in general which is managed via a control framework.

At least every two years we update our risk profile with Risk Assessments.

INSURANCE RISK

UNDERWRITING

Nationale Borg Reinsurance assumes risks similar to the ones it takes in the direct business of the holding company (risks from guarantees) as well as risk from Credit insurance and Political risk cover. The specific competences accumulated in the fields of guarantees are applied to evaluate the underwriting performance of cedants of this business.
Nationale Borg Reinsurance has set up a framework based on which the operational and financial performance of prospective reinsurance clients are monitored. Regular visits are made to assess the cedant and its business. The opportunities are assessed by a team of underwriters. All underwriting decisions are subject to approval by the Executive Board of Nationale Borg Re.
By nature of the activity, the spread of risk is very high. Not only does Nationale Borg Re 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.
Contracts can (f.i.) be clustered into proportional treaty, excess of loss and facultative contracts. In proportional treaty business Nationale Borg Re participates for a certain fixed percentage in all business risks underwritten by the cedant within the limits and conditions of the treaty. In excess of loss contracts Nationale Borg Re provides a fixed cover 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 company.
Facultative contracts provide coverage for a fixed share of a named risk. Generally, such coverage is provided for a limited number of risks in case a cedant has exhausted its treaty capacity. Underwriting of facultative business is based on the individual merits of the underlying risk.

Monitoring & reporting

In order to follow the developments of the underlying business within the cedants' portfolios we have a complete pallet. All data are gathered in a data warehouse from which all kind of ad hoc and standard reports are produced and discussed. The technical accounts booked are uploaded in the system on a weekly basis and statistics show "live" data. All data relating to the reinsurance clients are stored electronically in an identical format, providing easy access to the underwriters and managers. Triangular statistics per cedant, line of business, territory are the basis for control and planning.

Risk Exposure

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

	Percentage Novated	2014	2013
Treaty			
• Number of countries		**44**	47
• Number of cedants	96.6%	**94**	97
• Total amount (PML basis, in € millions)*	99.4%	**4,683**	4,810
o Bond	99.5%	**2,805**	3,223
o Credit	99.1%	**1,672**	1,587
o Other	100.0%	**207**	0

	Novated	2014	2013
Facultative			
• Number of countries		**19**	16
• Number of risks	95%	**79**	82
• Total nominal amount (in € thousands)	89%	**71,334**	62,092
• Average amount per guarantee (in € thousands)		**903**	757

* Total exposure amount is an estimate based on information supplied by cedants.

The ten largest cedants account for approximately 43% (2013: 42%) of premium income, while the twenty largest cedants together account for approximately 61% (2013: 59%) of premium income.

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 € 655 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						**Accounting Year**				
2005	**2005**	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Premium	14,131	30,822	33,768	35,236	36,268	36,952	37,498	37,849	38,021	38,148
Losses paid	718	5,448	9,237	10,788	11,796	12,618	13,314	14,123	14,897	16,900
Recoveries	7	133	462	746	881	1,041	1,325	1,495	1,571	1,611
Loss reserves	3,574	7,258	4,774	3,602	3,280	3,256	3,005	2,356	3,327	1,537
Loss incurred	4,285	12,573	13,549	13,644	14,195	14,833	14,994	14,984	16,653	16,826
Loss ratio	30.3%	40.8%	40.1%	38.7%	39.1%	40.1%	40.0%	39.6%	43,8%	44,1%
2006		2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Premium		13,727	31,206	33,341	34,641	35,580	36,224	36,694	36,923	37,157
Losses paid		509	4,608	8,779	10,780	12,278	13,717	14,376	15,329	15,923
Recoveries		23	177	505	637	793	978	1,169	1,273	1,333
Loss reserves		3,355	7,042	4,981	3,890	3,154	3,361	3,310	2,625	2,510
Loss incurred		3,841	11,473	13,255	14,033	14,639	16,099	16,517	16,681	17,100
Loss ratio		28.0%	36.8%	39.8%	40.5%	41.1%	44.4%	45.0%	45,2%	46,0%
2007			**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Premium			12,876	28,011	30,128	31,104	32,087	32,574	32,786	32,964
Losses paid			514	4,860	9,850	12,555	15,856	17,454	18,001	20,847
Recoveries			7	214	612	796	1,159	1,293	1,436	3,585
Loss reserves			2,997	6,803	4,641	4,264	2,627	1,889	1,949	2,382
Loss incurred			3,504	11,449	13,879	16,023	17,324	18,050	18,514	19,644
Loss ratio			27.2%	40.9%	46.1%	51.5%	54.0%	55.4%	56,5%	59,6%
2008				**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Premium				17,149	34,862	38,085	39,593	40,066	40,551	40,800
Losses paid				1,199	11,878	26,214	30,938	32,232	33,695	35,216
Recoveries				15	297	1,514	2,398	3,874	4,377	4,757
Loss reserves				6,076	12,229	4,784	2,781	2,902	2,771	1,887
Loss incurred				7,260	23,810	29,484	31,320	31,259	32,089	32,346
Loss ratio				42.3%	68.3%	77.4%	79.1%	78.0%	79,1%	79,3%
2009					**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Premium					19,116	40,409	43,811	45,401	46,384	46,580
Losses paid					657	5,483	9,572	12,474	14,104	15,660
Recoveries					19	366	926	1,331	1,522	1,808
Loss reserves					5,450	8,205	5,907	4,266	3,926	2,426
Loss incurred					6,088	13,322	14,552	15,409	16,508	16,277
Loss ratio					31.8%	33.0%	33.2%	33.9%	35,6%	34,9%

2010	2010	2011	2012	2013	2014
Premium	21,629	47,406	51,568	53,649	54,614
Losses paid	446	5,511	11,402	14,838	17,165
Recoveries	8	566	939	1,450	1,807
Loss reserves	4,495	10,446	8,034	4,769	3,280
Loss incurred	4,933	15,391	18,498	18,157	18,638
Loss ratio	22.8%	32.5%	35.9%	33,8%	34,1%

2011	2011	2012	2013	2014
Premium	25,518	57,180	63,939	66,534
Losses paid	724	10,125	18,716	22,627
Recoveries	43	472	1,057	1,593
Loss reserves	6,099	12,900	10,100	7,083
Loss incurred	6,780	22,553	27,758	28,117
Loss ratio	26.6%	39.4%	43,4%	42,3%

2012	2012	2013	2014
Premium	25,861	58,851	67,752
Losses paid	2,058	10,916	21,408
Recoveries	42	607	1,481
Loss reserves	6,411	13,575	9,944
Loss incurred	8,427	23,884	29,872
Loss ratio	32.6%	40,6%	44,1%

2013	2013	2014
Premium	23,850	50,008
Losses paid	1,185	8,689
Recoveries	26	0,446
Loss reserves	7,621	12,930
Loss incurred	8,781	21,173
Loss ratio	36,8%	42,3%

2014	2014
Premium	26,196
Losses paid	0,886
Recoveries	0,046
Loss reserves	6,785
Loss incurred	7,626
Loss ratio	29,1%

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 and only contains the losses and recoveries as stated by the cedants. At the aggregate level, the percentage of this portfolio novated to Nationale Borg Reinsurance represents 98.9% (2013: 97.6%) of the Premium, 90.4% (2013: 91.2%) of the Losses paid net of recovery and 81% (2013: 74.3%) of the Loss Reserves.

MARKET RISK

Market risk is managed at group level (NV Nationale Borg-Maatschappij consolidated) by the Finance department and the CFO/CRO. Control measures also being part of Nationale Borg Investment Policy are designed to fit the need, which is dependent on the scale and volatility of the specific risk.
Market risk is considered to be the risk of economic losses triggered by changes in currency rates, interest and equity price changes due to counter party default or downgrades. In relation to market circumstances foreseen and encountered Nationale Borg pro-actively monitors and manages its investment portfolio according to the investment policy agreed by the Investment Committee.
In addition to Market risk Nationale Borg Group is exposed to Liquidity risk. Nationale Borg Group must be capable at all times to fund items such as claims, reinsurance flows and operational cost.

MARKET RISK INVESTMENTS

Investments are held in euro and US dollar denominated financial instruments. The currency risk associated with these investments are explained in the paragraph here after. Investment risk is the risk of economic losses triggered by changes in prices of investments. In 2014, Nationale Borg Reinsurance was exposed to interest and equity price risk. At balance sheet date Nationale Borg Reinsurance had a fair sized investment portfolio that consisted of sovereign bonds (2014: € 23,862, 2013: € 23,559), equity portfolio (2014: € 26,967, 2013: € 27,041), and cash & deposits (2014: € 77,929, 2013: € 59,914).
In order to reduce our liquidity risk, a substantial part of the total investment portfolio is put into cash & deposits. The cash and cash equivalents are spread across multiple banks. This way we contain our liquidity risk at a time when the insurance risk is perceived to be more volatile than normal.
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 € 10.4 million.
This is measured by applying stress loss rates to the various categories of investments, per the table below:

isk category	Amount in € million	Proportion	Stress rate	Stress loss in € million
Low	33	26%	5%	1.7
Medium	69	53%	4%	2.8
High	27	21%	22%	5.9
Total	129	100%		10.4

Low	:	Cash (current accounts).
Medium	:	Government bonds with a duration less than15 years and Deposits with a duration less than 10 years.
High	:	Equity.

In addition to the management being outsourced to a professional asset manager of repute, stock index derivatives are also managed by the asset manager 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 limit exposure to such a possibility, PUT options are purchased in such a way as to offer protection for the major part of the equity portfolio (up to € 16.0 million). Because of this, the total loss on this part of the equity portfolio is limited to a maximum of 40%.

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.

For the year 2014 the technical provisions included an exposure of approximately USD 25.3 (2013: USD 22.2 million). It is the company policy to balance this exposure to a large extent by keeping USD bank deposits amounting to USD 24.2 (2013: USD 18.5 million) and equity investments amounting to USD 6.8 (2013: USD 6.3 million). Besides the bank deposits we also keep USD and other currencies position in deposits with reinsurers. The carrying amount of these deposits was € 4,291 (2013: € 5,252) at balance sheet date.

As a result of this matching policy, a change in USD exchange rate should not lead to a significant foreign exchange result for the balance sheet positions.

LIQUIDITY RISK

Premiums, fees, investment income ,incoming reinsurance flows and recoveries in general are the main source to service the daily needs for ongoing liquidity. Taking into consideration various economical and market circumstances the company makes sure to keep a sufficient buffer of cash on demand to provide itself the necessary liquidity, if there were to be an unanticipated large outflow of cash as the result of claims. Investments in bonds and equities are made only in categories which are very liquid and can be marketed overnight, as such providing sufficient payment capacity to meet the demand for liquidity within the time frames specified for our business.

Furthermore, Nationale Borg Reinsurance makes sure the reinsurance treaties include simultaneous settlement clauses (cash call), enabling Nationale Borg Reinsurance to request payment from its reinsurers of their share in any large claims prior to effecting the claims to beneficiaries or policyholders.
Nationale Borg Reinsurance is 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 Nationale Borg Reinsurance, we find that 27% (2013: 32%) of the Best Estimate of the 2014 Loss Reserve is expected to be paid in the first 12 months; and, similarly, 62% (2013: 67%) of the Best Estimate is expected to be paid in 36 months. The Net Premium (i.e. Premium – Commission - Brokerage) is also projected using the same method and the cumulative premium exceeds the cumulative losses by 32% (2013: 32%). Around 57% (2013: 56%) of the future net premium will be received in the first 12 months and 79% (2013: 78%) in 36 months.
The average duration of the projected claims is 3,59 years (2013: 3,23 years); while the duration for the projected net premium is 2,34 years (2013: 2,49) years indicating that, in aggregate, the premiums 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 mean plus standard deviation of cash outflow on account of claims is estimated over the past 20 quarters and applied to the loss reserve (including both the novated portfolio as well as the portfolio retroceded from NV Nationale Borg-Maatschappij) at December 2014 as follows:

Loss reserve in € million	**Stress outflow**	**Liquidity needed in € million**
61.9	13.1%	8.1

In the current environment, Nationale Borg Reinsurance keeps a substantial share of its assets in cash. In addition, the company keeps a buffer of cash on demand to provide itself the necessary liquidity. 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 (€ 8.1 million) with the stress loss in investments (€ 10.4 million) provides an estimate of the minimum liquidity requirements to be € 18.5 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 (€ 83.5 million in December 2014).
Regarding cash and cash equivalents a concentration risk is applicable. The table below provides an overview of the financial institutions were cash positions are held:

	2014	2013
ING	**45,052**	37,967
Rabo	**18,895**	14,669
Deutsche Bank	**11,717**	6,680
Kasbank	**1,095**	478
SNS	**1,093**	62
RBC	**76**	63
Total cash and cash equivalents	**77,928**	59,919

CREDIT RISK

Credit risk in government bonds has been kept to a minimum by investing in AA+ 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.

				2014			2013	
	Opening	Pur-chases / sales	Matured	Gains/ losses	Total		Total	
Government bonds (AA+ sovereign) - fixed rate	15,520	_	_	496	**16,016**	**67%**	15,520	66%
Government bonds (AA+ sovereign) - indexed rate	8,039	_	_	(193)	**7,846**	**33%**	8,039	34%
Total - Available for Sale	23,559	_	_	303	**23,862**	**100%**	23,559	100%
Equity and Preferred shares	27,041	(698)	_	624	**26,967**	**100%**	27,041	100%
Total - To / From P&L	27,041	(698)	_	624	**26,967**	**100%**	27,041	100%
Total - All Financial Securities	50,600	(698)	_	927	**50,829**		50,600	

In 2014, the split of investments (excluding PUT option) by country of risk are provided in the following table.

	Equity	Bonds	Total	%
Belgium	4,006	_	**4,006**	**8%**
Germany	11,293	7,846	**19,138**	**38%**
France	97	_	**97**	**0%**
Luxembourg	1,752	_	**1,752**	**3%**
Netherlands	4,063	16,016	**20,079**	**40%**
United States	5,555	_	**5,555**	**11%**
Total	26,766	23,862	**50,628**	**100%**

Duration and Maturity profile of the financial investment portfolio:

	2014		2013	
Years	**Amount**	**%**	**Amount**	**%**
0 – 1	**4,874**	**20%**	_	0%
1 – 3	**9,912**	**42%**	12,978	55%
3 – 5	_	_	2,436	10%
5 – 10	**5,867**	**25%**	5,478	23%
10+	**3,209**	**13%**	2,667	11%
Total	**23,862**	**100%**	23,559	100%

	2014	2013
Duration	**3.85 years**	4.58 years
Average Maturity	**8.81 years**	7.69 years

In addition, credit risk also exists with regard to deposits at cedants amounting to € 8,375 (2013: € 9,052) and credit risk with respect to outstanding premium receivables of € 3,290 (2013: € 2,722).

OPERATIONAL RISK

Operational risk is managed at group level by the departments in cooperation with the Risk Management Department and Compliance. In case a new risk occurs / is identified this risk shall be discussed with Risk Management. The yearly Risk Assessment session contribute to the identification and analysis of risks. The Risk Assessment is facilitated by Risk Management and attended by key employees of the business departments. During this Risk Assessment risks are analyzed and assessed. Risk analysis consist of describing the risk on a detailed level including assigning a risk owner (management level). Risk assessment consists of the assessment of 'impact' and 'likelihood' for each risk. We distinguish the assessment of the inherent risk, which is the impact x probability in a situation where no internal controls exists. Residual risk is the risks after internal controls. Before assessing residual risk the internal controls should be identified.
The identification of controls is also part of the Risk Assessment. Each control should be linked to a risk and should be described in detail. Controls should be assigned to a control owner (management level). (1st line) Management of the business is responsible for effectively operating internal controls and keep documentation in

order to proof existence en operating effectiveness. It is the responsibility of business management to set up new internal controls.
Risk Management is responsible to monitor the implementation of new controls and to monitor the operating effectiveness of existing controls. Internal Audit is responsible to evaluate the adequacy and effectiveness of the internal control system.
A monitoring and reporting process still needs to be developed.

CAPITAL MANAGEMENT

The optimal capital position is determined by comparing the following objectives and requirements:

- ROE and dividend requirements from shareholders
- Minimum regulatory requirements (local, as well as Solvency I and II)
- Rating agency (S&P) requirements to maintain an A- rating
- Requirements from counterparts (mainly cedants)
- Internal calculation of solvency needs

The internal objective is to maintain a buffer over the greater of regulatory and rating agency requirements. Since the current solvency requirements are not risk based and Solvency II requirements are expected to be significantly higher, Solvency II requirements for calculating regulatory capital are already applied in the ORSA process.
The capital needed for our business according to the standards of the regulator of Curaçao is € 7 million. The current capital of € 82 million comfortably 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. Nationale Borg group does not only meet the requirements of the minimum level for such a rating, it also 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 € 95 million which comfortably 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 moderate level.

FAIR VALUE HIERARCHY

During 2014 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 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).
At 31 December 2014, investments classified as Level 1 comprised 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, reference is made to the "Principles of valuation and determination of result".

NOTES TO THE FINANCIAL STATEMENTS

The following table presents the group's assets and liabilities measured at fair value at 31 December 2014.

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	23,862	_	_	**23,862**
Financial assets at fair value through P&L				
• Shares and other variable yield securities	26,967	_	_	**26,967**
• Bonds and other fixed income securities				
Loans and Receivables				
• Reinsurance contracts	_	18,983	_	**18,983**
• Trade and other receivables	_	3,354	_	**3,354**
• Other assets	_	9,213	_	**9,213**
• Cash and cash equivalents	77,928	_	_	**77,928**
Total loans and receivables	77,928	31,551	_	**109,479**
Total assets	**128,757**	**31,551**	_	**160,308**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at amortized costs				
• Technical provisions	–	78,832	–	**78,832**
• Payables	–	402	–	**402**
• Other liabilities	–	(884)	–	**(884)**
Total liabilities	–	**78,350**	–	**78,350**

The comparative figures for 2013 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	23,559	–	–	23,559
Financial assets at fair value through P&L				
• Shares and other variable yield securities	27,041	–	–	27,041
• Bonds and other fixed income securities				
Loans and Receivables				
• Reinsurance contracts	–	24,721	–	24,721
• Trade and other receivables	–	2,740	–	2,740
• Other assets	–	13,281	–	13,281
• Cash and cash equivalents	59,919	–	–	59,919
Total loans and receivables	59,919	40,742	–	100,661
Total assets	110,519	40,742	–	151,261

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at amortized costs				
• Technical provisions	–	79,717	–	79,717
• Payables	–	654	–	654
• Other liabilities	–	4,919	–	4,919
Total liabilities	–	85,290	–	85,290

The fair values of all financial instruments (assets and liabilities) do not differ from their book value.

5. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and Fittings	IT hardware	Company cars	Total
At cost as at 1 January 2014	3	8	0	**11**
Additions	_	_	_	_
Disposals	_	(5)	-	**(5)**
Revaluations	_	_	0	_
At cost as at 31 December 2014	3	3	_	**6**
Accumulated depreciation and impairments at 1 January 2014	1	3	_	**4**
Depreciation charge for the year	_	(1)	_	**(1)**
Depreciation on disposals	_	_	0	**0**
Accumulated depreciation and impairments at 31 December 2014	1	2	_	**3**
Book value as at 1 January 2014	2	5	0	**7**
Book value as at 31 December 2014	**2**	**1**	_	**3**

	Fixtures and Fittings	IT hardware	Company cars	Total
At cost as at 1 January 2013	3	8	24	35
Additions	_	_	_	_
Disposals	_	_	(24)	(24)
Revaluations	_	_	_	_
At cost as at 31 December 2013	3	8	_	11
Accumulated depreciation and impairments at 1 January 2013	(1)	(2)	(11)	(14)
Depreciation charge for the year	_	(1)	(5)	(6)
Depreciation on disposals	_	_	16	16
Accumulated depreciation and impairments at 31 December 2013	(1)	(3)	_	(4)
Book value as at 1 January 2013	2	6	13	21
Book value as at 31 December 2013	2	5	_	7

6. FINANCIAL ASSETS

Financial assets classified by type and nature 2014 and 2013:

2014	**Available for sale**	**Asset at Fair Value Through P&L**	**Total**
Shares and other variable yield securities	–	26,967	**26,967**
Bonds and other fixed income securities	23,862	–	**23,862**
	23,862	**26,967**	**50,829**

2013	**Available for sale**	**Asset at Fair Value Through P&L**	**Total**
Shares and other variable yield securities	–	27,041	27,041
Bonds and other fixed income securities	23,559	–	23,559
	23,559	27,041	50,600

Movements in available-for-sale assets:

	2014	**2013**
Book value at 1 January	**23,559**	27,096
Additions	–	–
Disposals	–	(2,479)
Revaluations	**303**	(1,058)
Effects of movements in foreign exchange	–	–
Book value at 31 December	**23,862**	23,559

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

	2014	**2013**
Book value at 1 January	**27,041**	23,582
Additions	**3,911**	4,524
Disposals	**(4,609)**	(3,075)
Revaluations	**(14)**	2,280
Effects of movements in foreign exchange	**638**	(270)
Book value at 31 December	**26,967**	27,041

The ‘at fair value through profit and loss’ assets also contain derivatives for an amount of € 201.4 (2013: € 124.2). These derivatives expire within one year after balance sheet date.

7. REINSURANCE CONTRACTS

	2014	2013
Deposits with cedants	**18,966**	24,343
Reinsurers' share of insurance liabilities:		
• Provisions for unearned premiums	**17**	32
• Claims and loss adjustment expenses	**_**	346
	18,983	24,721

The reinsurers' share of insurance liabilities fully relates to the retrocession reinsurance contract between Nationale Borg Reinsurance and holding company NV Nationale Borg-Maatschappij. Of the deposits with cedants € 10,591 (2013: 15,286) relates to group company NV Nationale Borg-Maatschappij.

All assets related to reinsurance contracts are current and collectible within one year.

8. TRADE AND OTHER RECEIVABLES

	2014	2013
Accounts receivable on reinsurance business:		
• Amounts owed by cedants	**3,290**	2,722
• Other accounts receivable	**64**	18
Total receivables	**3,354**	2,740

The outstanding receivables are substantially all current and consequently their fair value does not materially differ from its book value. All trade and other receivables are collectible within one year.

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:

	2014	2013
Balance as at 1 January	**10**	44
Additions and (releases) during the year	**143**	(34)
Balance as at 31 December	**153**	10

The creation or 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.

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER ASSETS

	2014	2013
Accrued interest	**550**	630
Deferred acquisition costs	**5,549**	5,139
Other	**3,114**	7,512
	9,213	13,281

The miscellaneous assets and accruals are substantially all current and consequently their fair value does not materially differ from their book value. Depending on their nature other assets are collectible or will be realized within a period of one year.
The category Other mainly consists of the intercompany receivable on NV Nationale Borg-Maatschappij being € 3,101 (2013: € 7,505).
Movements on the deferred acquisition costs are as follows:

	2014	2013
Balance as at 1 January	**5,139**	4,892
Change in deferred acquisition costs	**410**	247
Impact of novation	–	–
Balance as at 31 December	**5,549**	5,139

For assumed reinsurance the deferred acquisition costs are taken into account in the profit and loss statement equally as the corresponding premiums earned. The premiums earned are recognized proportionally to the insurance risk of the contract.

10. CASH AND CASH EQUIVALENTS

	2014	2013
Cash banks at hand	**33,179**	20,500
Cash investment accounts	**44,749**	39,419
Total cash and cash equivalents	**77,928**	59,919

Cash in investment accounts is freely available.

11. CAPITAL AND RESERVES

SUBSCRIBED CAPITAL

	2014	2013
Balance as at 31 December	**2,000**	2,000

The share capital of € 2,000 (2013: € 2,000) is divided into 2,000 fully paid ordinary shares of €1,000.- . The fully paid shares carry one vote per share and carry the rights to dividends.

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL RESERVE

	2014	**2013**
Balance as at 31 December	**2,000**	2,000

REVALUATION RESERVE

	2014	2013
Balance as at 1 January	**493**	1,551
Change in revaluation reserve	**303**	(1,058)
Balance as at 31 December	**796**	493

The revaluation reserve relates to the financial assets classified as available for sale.

REVENUE RESERVE

	2014	**2013**
Balance as at 1 January	**54,895**	45,261
Appropriations to reserve	**6,590**	9,634
Balance as at 31 December	**61,485**	54,895

PROFIT FOR THE YEAR

	2014	**2013**
Balance as at 1 January	**6,590**	9,634
Appropriations to revenue reserve	**(6,590)**	(9,634)
Dividend distribution	–	(3,000)
Profit for the year	**15,679**	9,590
Balance as at 31 December	**15,679**	6,590

TOTAL EQUITY

	2014	**2013**
Subscribed capital	**2,000**	2,000
Capital reserve	**2,000**	2,000
Revaluation reserve	**796**	493
Revenue reserve	**61,485**	54,895
Profit for the year	**15,679**	6,590
Total equity	**81,960**	65,978

NOTES TO THE FINANCIAL STATEMENTS

12. TECHNICAL PROVISIONS

	2014	2013
Provision for claims	**62,138**	63,794
Provision for unearned premium	**16,695**	15,923
Total underwriting provisions at 31 December	**78,833**	79,717

The movement schedule of technical provisions:

	Gross 2014	Reinsured 2014	Net 2014
Opening provision for claims	**63,794**	346	63,448
Change in provision	**(3,115)**	(346)	(2,769)
Effects of changes in foreign exchange	**1,459**	–	1,459
Ending provision for claims	**62,138**	0	62,138
Provision for unearned premium	**15,923**	32	15,891
Change in provision	**783**	(4)	787
Impact of novation	**(11)**	11	0
Ending provision for unearned premium	**16,695**	17	16,678

In 2014 we commuted the remaining outwards retrocession arrangements.

13. PAYABLES

	2014	2013
Trade and other accounts payable:		
Accounts payable	**(4)**	12
Other account payables	**406**	642
	402	654

Other accounts payables mainly relate to net credit balances payable to cedants. The payables are all current and consequently their fair value does not materially differ from their book value.

14. OTHER LIABILITIES

	2014	2013
Deposits received from cedants	**17**	16
Profit commission payable	**247**	1,211
Miscellaneous liabilities and accruals:		
Payroll and other accruals	**160**	182
Sundry creditors	**67**	227
Balance as at 31 December	**491**	1,636

All other liabilities are current liabilities and payable within one year, consequently their fair value does not materially differ from their book value.

15. DEFERRED INCOME TAX LIABILITIES

	2014	2013
Deferred income tax liabilities	**(174)**	–

The movement on the deferred income taxes is as follows:

	2014	2013
Balance as at 1 January	–	–
Charge/(credit) to equity for the year	–	–
Charge/(credit) to corporate tax payable for the year	–	–
Charge/(credit) to the income statement for the year	**(174)**	–
Balance as at 31 December	**(174)**	–

The movement in deferred tax assets and liabilities during the year is as follows:

	Technical provisions	Total
Balance as at 1 January 2014	–	–
Charge/(credit) to equity for the year	–	–
Charge/(credit) to the income statement for the year	**(174)**	(174)
Balance as at 31 December 2014	**(174)**	(174)
Balance as at 1 January 2013	–	–
Charge/(credit) to equity for the year	–	–
Charge/(credit) to the income statement for the year	–	–
Balance as at 31 December 2013	–	–

16. CURRENT INCOME TAX LIABILITIES

	2014	2013
Current income tax liabilities	**(1,201)**	3,283

The current income tax liabilities consist of corporate taxes payable.

17. NET PREMIUM EARNED

	2014			2013		
	Gross	**Reinsurers' Share**	**Net**	**Gross**	**Reinsurers' share**	**Net**
Written premium	66,319	44	**66,275**	68,461	79	68,382
Change in provision for unearned premium	(773)	15	**(788)**	(386)	2	(388)
Earned premium	**65,546**	**59**	**65,487**	68,075	81	67,994

The increase from new business was lower than the decrease resulting from reductions in shares of cedents and lower volumes regarding treaties in run-off. The fact that the exchange rate of the Euro versus the US dollar became weaker in the course of the second half of 2014 compensated this decrease partially.

18. NET INVESTMENT INCOME

Net investment income by type of investment:

	2014	**2013**
Income/expense from:		
• Bonds and other fixed rate securities	**655**	694
• Loans	**1,219**	1,073
• Shares and other variable yield securities	**570**	3,956
• Derivatives	**(162)**	(309)
• Other investments	**(232)**	182
Net income/(expense) from investments	**2,050**	5,596

Net investment income by nature of income/(expense):

	2014	**2013**
Income/(expense) from:		
Interest	**1,882**	2,157
Dividends	**592**	609
Realized gains	**(171)**	798
Unrealized gains	**(14)**	2,280
Investment handling expenses	**(239)**	(248)
Net income/(expense) from investments	**2,050**	5,596

19. NET INSURANCE CLAIMS

	2014			2013		
	Gross	**Re-insurers' share**	**Net**	**Gross**	**Re-insurers' share**	**Net**
Claims paid in the year	29,175	_	**29,175**	25,422	_	25,422
Change in provision for outstanding claims	(3,115)	(346)	**(2,769)**	7,933	(1)	7,934
Total insurance claims and loss adjustment expenses	**26,060**	**(346)**	**26,406**	33,355	(1)	33,356

The claim development has been disclosed in note 4: Risk Management.

20. ACQUISITION COSTS

	2014	**2013**
Acquisition costs	**24,558**	24,542
Change in deferred acquisition costs	**(413)**	(248)
Change in profit commission payable	**(886)**	(335)
Profit commission paid	**2,598**	1,960
Total acquisition costs	**25,857**	25,919

21. NET OPERATING EXPENSES

	2014	**2013**
Staff expenses	**606**	536
Administrative expenses	**542**	419
Depreciation	**2**	6
Exchange rate differences	**(1,570)**	445
Other expenses	**1,572**	1,510
Total net operating expenses	**1,152**	2,916

The other expenses mainly relates to the costs associated with the service level agreement between Nationale Borg Reinsurance and 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.

NOTES TO THE FINANCIAL STATEMENTS

22. INCOME TAX EXPENSES

	2014	2013
Current tax	**(1,540)**	1,841

The effective tax rate as a percentage of gross written premiums (optional tax basis for insurance companies resided on Curaçao) amounts to (2.35)% (profit) for 2014 (2013: 2.70% charge). This is minus (10.89)% (profit) of the profit before tax (2013: 16.11% charge).

The following circumstances in 2014 caused the substantial deviation compared to 2013 figures:

- The tax basis decreased from 10% to 5% of the gross written premiums in 2014.
- The decrease in tax basis as implemented in 2014 was in force with retroactive effect as from January 1 2013. Therefore 50% of the tax charges related to 2013 were reversed in 2014 amounting to € 941.
- Based on a settlement agreement with the fiscal authorities of Curaçao and the Netherlands a part of the profits of Nationale Borg Reinsurance (resided in Curaçao) are taken into account in Nationale Borg Maatschappij (resided in the Netherlands). For 2014 this percentage is set at 24% (2013: 20%). This reduces the tax basis of Nationale Borg Reinsurance for 2014 and retroactive also for 2011, 2012, and 2013.
- As from 2014 a deferred tax asset is set in relation to the unearned premium reserve. This caused a one off profit in tax charges of approximately € 162.

	2014	2013
Gross written premiums (tax basis)	**65,546**	68,075
Taxation shifted to fiscal authorities in the Netherlands	**(15,731)**	
Tax basis Curaçao	**49,815**	

Tax calculated at domestic tax rates applicable to profits in the respective countries	**685**	1,872
Tax exempt income and permanent differences	**(168)**	11
Reassessment of prior year tax positions	**(2,057)**	(42)
Tax charge for the year	**(1,540)**	1,841

23. EARNINGS AND DIVIDENDS PER SHARE

BASIS EARNINGS PER SHARE

	2014	2013
Continuing operations:		
Profit attributable to the company's equity holders	**15,796**	9,590
Number of ordinary shares issued as per 31 December	**2,000**	2,000
Earnings per share (in €)	**7,840.-**	4,795.-

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 issued during the year.

DIVIDEND PER SHARE

No dividend was distributed in 2014 (2013: € 3 million (€ 1,500.- per share)).

24. OTHER COMPREHENSIVE INCOME

	2014			2013		
	Gross	**Income tax**	**Net**	**Gross**	**Income tax**	**Net**
Fair value gains/(losses) on available for sale financial investments	303	–	**303**	(1,058)	–	(1,058)
	303	–	**303**	(1,058)	–	(1,058)

The government bonds that are part of our investment portfolio are classified as available for sale assets. Unrealized fair value changes are taken into account in the other comprehensive income. At realisation through maturity or disposal of the government bonds the fair value changes are reversed in the revaluation reserve and taken into account in the income statement.
In 2014 no government bonds matured and there were no disposals. The income tax charges of NV Nationale Borg Reinsurance are based on a percentage of the gross written premiums. Therefore the impact of income tax on these fair value changes is zero.

25. CONTINGENCIES

The Company has contractual commitments with regard to the office rent and housing for personnel. The total commitment relating to office rent at balance sheet date amounts to € 34 (2013: € 47). With regard to the housing of personnel the contingencies at balance sheet date amount to nil (2013 € 7). There are no other contingencies or litigation issues that could have a significant impact on the financial statements.

26. CAPITAL COMMITMENTS

There are no capital commitments.

27. RELATED PARTY TRANSACTIONS

NV NATIONALE BORG-MAATSCHAPPIJ

Nationale Borg Reinsurance NV 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:

2014	**Sales to related parties**	**Purchases from related parties**	**Amounts owed by related parties**	**Amounts owed to related parties**
Inward reinsurance (assumed)	**1,662**		**1,662**	
Outward reinsurance (ceded)		**346**		**346**
Service level agreement on underwriting and supporting services		**1,564**		**1,564**
(Interest on) outstanding intercompany balances			**13,940**	
after novation	**1,219**			

2013	**Sales to related parties**	**Purchases from related parties**	**Amounts owed by related parties**	**Amounts owed to related parties**
Inward reinsurance (assumed)	2,239		2,239	
Outward reinsurance (ceded)		1		1
Service level agreement on underwriting and supporting services		1,522		1,522
(Interest on) outstanding intercompany balances after novation	1,073		22,075	

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.

With regard to the inward reinsurance (assumed) business, this relates to the indirect business of Nationale Borg-Maatschappij for all underwriting years. 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 2014 this was calculated on a monthly basis at a rate of 5.95 per cent. The average applicable interest rate during 2014 was 5.95 (2013: 5.00%).

NOTES TO THE FINANCIAL STATEMENTS

OTHER

One director of Nationale Borg Reinsurance NV is the owner of Gilhol Management and Consulting NV (Gilhol). Holding company NV Nationale Borg-Maatschappij offers guarantees to customers located at the Antilles. Regarding these guarantees Gilhol serves as a local intermediary.
HAL Investments B.V. (shareholder in parent company Nationale Borg Beheer B.V.) provides the Nationale Borg Group with assistance regarding the internal audit function by making one of their employees partially available at no charge.

28. PERSONNEL

The number of employees working for the company:

	2014	2013
Total average number of employees (full-time equivalent)	**4.00**	3.42
Total year-end number of employees (full-time equivalent)	**4**	4
Total year-end number of employees	**4**	4

29. 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 (2013: 2 members). The Supervisory Board consists of 4 members (2013: 4 members).

	2014	2013
Short term employee benefits	**160**	186
Bonus payments	**94**	115
Long term benefits (deferred compensation)	**5**	_
Pension and other benefits	**18**	_
Total compensation paid to the Executive Board	**277**	301
Supervisory Board	**13**	14
Total compensation paid to the Supervisory Board	**13**	14

30. AUDITOR FEES

In accordance with BW2 article 382a sub 3 no breakdown is given regarding the fees paid to the external auditor. The fees charged by the external auditor are stated in the annual report of parent company NV Nationale Borg-Maatschappij.

NOTES TO THE FINANCIAL STATEMENTS

AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Willemstad, 20 March 2015

Supervisory Board:
A.P. Van der woude
J.M.R.S. van Eps
F.J.M. Hoeven
A.P.J.C. Kroon

Executive Board:
G.J. Hollander
I.M. Nijenhuis

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 2014 of Nationale Borg Reinsurance NV, Willemstad, Curaçao, which comprise the statement of financial position as at 31 December 2014, the income statement, the statement of comprehensive income, the statement of changes in equity and the 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 these 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 determine 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 Company'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 Company'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 2014 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.

OTHER INFORMATION

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 whether 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.

Utrecht, 20 March 2015

KPMG Accountants NV
A.J.H. Reijns 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."

PROPOSED PROFIT APPROPRIATION

Net profit	**15,679**
Interim dividend paid out	–
Transfer to reserves	**15,679**
Dividend to shareholders	–

No (interim) dividend was distributed in 2014 (2013: € 3,000). 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.

EVENTS AFTER BALANCE SHEET DATE

There have been no adjusting events after the balance sheet date.

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