2009

NATIONALE BORG ANNUAL REPORT

NATIONALE BORG

ANNUAL REPORT

FIVE YEAR FIGURES

€ '000	IFRS				Dutch GAAP	
	2009	**2008**	**2007**	**2006**	**2006**	**2005**
Gross premiums	**73,571**	62,420	62,982	63,323	62,232	60,572
Net premium earned	**59,563**	49,976	48,934	47,445	47,445	42,764
Net claims incurred	**29,897**	21,666	18,793	17,994	17,571	19,397
Investment portfolio*	**130,345**	118,590	128,272	111,729	135,581	130,187
Investment income	**6,160**	(6,716)	13,592	5,169	8,444	7,606
Balance sheet Total	**194,169**	191,947	195,082	179,985	155,219	150,559
Net technical provisions	**57,044**	60,418	54,004	49,551	61,836	60,927
Gross technical provisions	**85,226**	92,660	83,688	79,757		
Claim ratio in %	**50.7**	43.3	38.4	37.9	37.0	45.4
Shareholders information						
Equity**	**82,429**	78,026	79,491	80,700	79,508	61,697
Result after tax	**7,614**	323	19,401	15,868	15,219	11,076

Figures for 2006 and later years are IFRS, 2006 and older years are Dutch GAAP for comparison reasons. Definitions of headings under IFRS are different from Dutch GAAP, which causes differences between the two 2006 columns. The IFRS-figures have been presented gross of reinsurance and on a consolidated basis.

* Investment portfolio includes cash investment accounts. Dutch GAAP figures include a.o. assets in own use.
** Adoption of IFRS caused an increase in equity, as Dutch GAAP provisioning rules are more conservative than IFRS.

PROFILE

For 117 years, Nationale Borg has been a specialized issuer of bonds and guarantees and a reinsurer of these instruments and of credit insurance. As a specialist in these products, we have earned a special position among banks and insurance companies.
Nationale Borg employs 89 people in four locations. At our Amsterdam head office, we work together in two commercial and four support departments. We have a branch office in Belgium (Antwerp) and two subsidiaries. One subsidiary is Antillaanse Borg Maatschappij, based in the Netherlands Antilles (Willemstad, Curaçao). It provides bonds and guarantees in its local market and acts as a reinsurer to Nationale Borg. The other is Nationale Waarborg, based in Nieuwegein, which is active in the field of home purchase bonds.
Nationale Borg is an independent insurance company. Through an intermediate holding company, its shares are owned by Egeria and HAL Investments, two investors with a long-term commitment to the company.
The company is supervised by the De Nederlandsche Bank, the Dutch bank and insurance supervisor.
Nationale Borg is an active member of ICISA, the International Credit Insurance and Surety Association, and of PASA, the Panamerican Surety Association, which unite surety and credit insurance providers from around the world. These memberships give us access to an international network of correspondents.
On 18 December 2009 Standard & Poor's confirmed the group's 'A-' rating for financial strength, with stable outlook.

GUARANTEES

We issue bonds and guarantees on behalf of our clients to beneficiaries anywhere in the world. These documents guarantee that our clients will meet their legal or contractual obligations. In the Netherlands, Nationale Borg is one of the best known issuers of bonds and guarantees. We are a well-known brand, particularly in the transportation, construction and logistics sectors. We also hold a prominent position in the world of capital goods manufacturers, as well as in the import and export business and the food & beverage sector. Our most common guarantees are advance payment, performance, maintenance and bid bonds, together with customs bonds and EU guarantees. Our commercial departments in Amsterdam and Antwerp service our customer base, which consists only of business clients, most of them in the Netherlands and Belgium.

HOME PURCHASE BONDS

Home purchase bonds are the only guarantees provided by Nationale Borg to private individuals. In the Netherlands, it is common for home buyers to provide these bonds when signing the purchase contract as security that they will actually pay the purchase price and take transfer of the home concerned.
Nationale Waarborg provides the commercial presence of Nationale Borg in this market. It acts as a service provider to intermediaries who sell home purchase bonds and it provides underwriting and claims handling services. Through Nationale Waarborg, Nationale Borg has a leading position in this niche market.

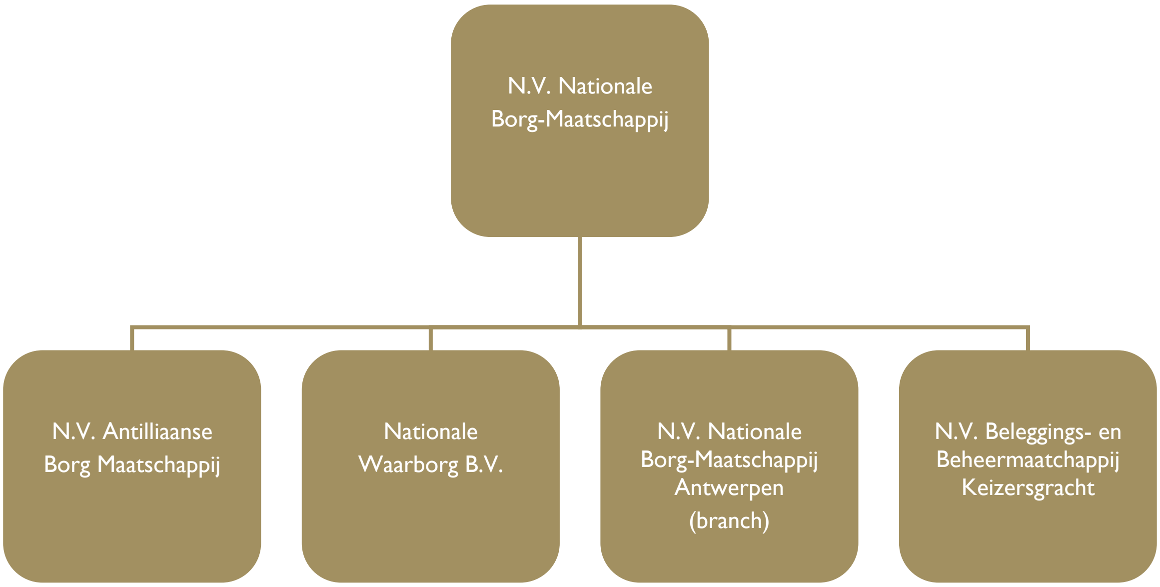
REINSURANCE

A substantial part of the risks we assume is reinsured in the international reinsurance market. This allows us to take on relatively large exposures without jeopardizing our financial position. Our international panel of the world's most respected reinsurers provides excellent security to the beneficiaries of our policies and guarantees.

PROFILE

Nationale Borg itself is also active as a reinsurer of both treaty and facultative business of insurers worldwide. We mainly underwrite the type of business that we are familiar with from our own direct operations: guarantees, as well as credit insurance.

ORGANIZATION



Supervisory Board:
A. Tukker
P.E. Visser
J.N. van Wiechen

Executive Board:
A.P.J.C. Kroon
P. Lanzillotta

SUPERVISORY BOARD REPORT

As per April 1, 2009, Mr. J.G.H.M. Niessen resigned from his position as partner at our shareholder, Egeria, and consequently he gave up his position as chairman of the Supervisory Board. He was succeeded as per that same date by Mr. P.E. Visser. Mr. Niessen played an important role in the acquisition of Nationale Borg by Egeria and HAL and in many of the changes that have occurred since then. We thank Mr. Niessen for this important contribution.

The Supervisory Board has held eight meetings in 2009, covering all important issues based on an annual schedule as well as on their actual relevance to the company. The Audit Committee has held two meetings during 2009.

The financial statements of Nationale Borg for the year 2009 have been presented to our board by the Executive Board. These accounts have been audited by KPMG Accountants N.V. We advise the shareholders to approve the accounts and to discharge the Executive Board in accordance with the bylaws of the company.

With respect to the distribution of the result and retained earnings, the Supervisory Board agrees with the proposal of the Executive Board to the shareholders to pay a dividend of € 9,000,000.

Amsterdam, 9 April 2010

A. Tukker
P.E. Visser
J.N. van Wiechen

EXECUTIVE BOARD REPORT

A YEAR OF UNCERTAINTY

2009 was a year of great uncertainty, not only for Nationale Borg, but for all financial services providers and their clients. As the world economy entered into a financial crisis toward the end of 2008, it became impossible to predict where the economy was headed as the world moved into a recession of which we cannot yet estimate the full consequences. Nationale Borg shifted its focus to risk management and that is where it has remained during 2009. In the meantime, we remain alert to opportunities that occur and we stay true to our adage that we try to support our clients both in good and bad times.

Looking back at 2009, we have generated strong growth in premiums while keeping exposures at a relatively stable level. Considering the economic environment, the result on our insurance activities was satisfactory and our investment portfolio, which had a limited risk profile, produced a good return.

CONTINUED FOCUS ON GUARANTEES AND REINSURANCE

After the strategic review that occurred after the transition of ownership of Nationale Borg, we spent 2009 to further execute the strategy we set out in our previous report: focus on our commercial efforts in our two product lines: Guarantees and Reinsurance.

The economic conditions forced us to shift focus to risk management in order to prevent losses, but throughout the year, we have kept our eyes on the goals of strengthening our market position in the Dutch and Belgian Guarantee markets, as well as on maintaining our position in the Reinsurance market.

We had our geographic teams in place in Amsterdam and completed the staffing of the teams in both Amsterdam and Antwerp. In Antwerp, we set up a Risk Management unit that reports to our central Risk Management function, bringing our risk assessment function closer to the market in order to serve the Belgian market better and faster. The shift of tasks from the commercial departments to the back office continued and the roll-out of the CRM system was completed. Meanwhile, quarterly reviews of all risks in the portfolio continued and we took actions to bring rates in line with the increased insolvency risk to which our clients are exposed and with the anticipated capital requirements Solvency II will impose. Based on the input of the commercial departments, our risk management department has carefully screened risks to have an up-to-date overview of the risk in our guarantee portfolio and to make sure we generate sufficient revenues to be able to cover anticipated loss levels.

In the Reinsurance activity, we have continued to work with the team of underwriters we had in place, adding one underwriter who has extensive experience in our direct business. Each underwriter is assigned to a particular geographic area and although we have a relatively small team, we visit all cedants on at least an annual basis. Meanwhile, we are present at many industry events and meetings, in order to develop a good understanding of the various markets. Each underwriting decision is taken by the team together with the executive board.

During the year, we saw a decline in exposures and an increase in rate levels at many of our credit insurance cedants, as they restructured their portfolios in response to the crisis that had surprised many of them in late 2008. Similar actions, be it on a smaller scale due to the longer term of their commitments, were observed at bonding cedants. Although these actions could not prevent – in some cases quite dramatic – loss ratios for the 2008 underwriting year, we feel confident that the 2009 underwriting year will produce better results and that the improved ratio of premium to exposure will remain for the foreseeable future.

EXECUTIVE BOARD REPORT

NATIONALE WAARBORG

After the acquisition of Nationale Waarborg in September 2008, we have moved to integrate the company into our group. When it comes to the commercial presence in the home purchase bond market, Nationale Waarborg remains the independent provider of such bonds to the market, selling bonds that are issued by Nationale Borg, but that are serviced by Nationale Waarborg itself.

Because home purchase bonds are accessory to home purchase contracts and the Dutch housing market has seen a dramatic decrease in the number of transactions since late 2008, the market for this product has shrunk by approximately 40% compared to its peak level in 2008. This impacts the turnover at Nationale Waarborg, but at the same time we see an increase in our share of the total market. This gives us confidence that we will be able to take full advantage of an upswing in the market when it occurs.

PREMIUM DEVELOPMENT

Total premium volume grew by almost 20% in 2009, including the negative effect of the sale and run-off of our Money and Fraud portfolio and the reduced demand for home purchase bonds. This growth occurred at relatively stable exposure levels, which implies that rate levels have increased significantly.

In the direct portfolio, these rate increases were justified by the default probabilities in the current circumstances being higher and by the anticipated capital requirements Solvency II will impose. Using a pricing model, we establish minimum rates for client based on their risk profile and the type of exposure.

While we ended our relationship with a number of clients who did not meet our minimum required exposure threshold, this attrition was compensated by the addition of new clients to the portfolios, resulting in a virtually unchanged number of clients.

In Reinsurance, actions by our cedants resulted in major rate increases, which more than compensated for the decline of exposure. The addition of several cedants to the book at the start of 2009 left exposures at stable levels, while premium grew beyond budgeted levels.

BOTH SATISFACTORY INSURANCE AND INVESTMENT RESULTS

Early in the year, we faced several insolvencies in our guarantee portfolio. One of these had a major impact on the overall loss level for the year, while others ended with minor to no impact on the bottom line. Our Risk Management department has spent a fair share of its time on claims mitigation and settlement. The settlement of outstanding losses from older underwriting years positively impacted the result, especially in our Belgian branch. Because of increased rate levels, we were able to release a premium deficiency reserve we had set up in the past.

In Reinsurance, loss ratios deteriorated sharply in comparison with the past few years. This deterioration was caused mainly by high losses on the business from the 2008 underwriting year with a heavy impact from a limited number of cedants in countries that are especially hard-hit by the crisis. Because we had anticipated this at year-end 2008, we had already increased reserve levels. Nevertheless, there was a major impact remaining in 2009.

Towards the end of 2008, we had eliminated our investment portfolio and moved into liquid assets almost completely, with the exception of a limited amount of government bonds and a small share portfolio. Early in 2009, we have expanded this share portfolio to € 6 million and during the year we have converted some of the liquid assets into government bonds. While most of the portfolio generated a very low return as a consequence of this low risk profile, the share portfolio almost doubled in value during the year, bringing the total investment income to a very acceptable level, given our overall risk profile.

Considering the unprecedented conditions in the financial markets and in the economy in general, we feel proud of the overall result achieved. Our staff has demonstrated its continued commitment to maintaining our customer service level while improving efficiency and keeping our focus on an adequate ratio between risk and return. We like to thank all our employees for this commitment and their hard work.

RISK MANAGEMENT

Managing risk is one of the key activities of our company and it is the reason why we continue to invest in our risk management. During 2009, we expanded the number of staff who evaluate clients and who are involved in dealing with threatening and pending claims cases. Also, we set up a Risk Management unit in our Antwerp office to handle the majority of the Belgian business, and we hired an actuary to strengthen the quantitative skills of the department and to prepare for the quantitative part of Solvency II. As mentioned above, we continued to screen our guarantee clients on a quarterly basis. In the meantime, we have documented all procedures in the company and prepared for the qualitative parts of Solvency II.

ANTILLIAANSE BORG MAATSCHAPPIJ

Antilliaanse Borg Maatschappij showed a stable premium turnover. The company experienced some claims in its direct operations on Curacao. Our cessions to Antilliaanse Borg Maatschappij continued to increase, as the share of underwriting years from 2008 weigh in more to the total premium volume. Starting from underwriting year 2008, we have increased our cessions to better reflect the company's share in the financial strength of our group. We thank the board and management of the company for their commitment to a continued prudent risk management in order to achieve good results.

OUTLOOK 2010

The world remains full of uncertainty as it enters into the third year of unprecedented instability. As a company, we depend to a large extent on the economic circumstances in the outside world, as these impact the risks to which our clients are exposed. To the extent that we can impact how our clients' risks affect us, we will definitely continue our efforts. We will do so by extensive and frequent risk reviews and taking necessary measures to mitigate risks, including adjusting rates to levels appropriate to the conditions of these times. We value their business and feel that relationships built on mutual trust and support are more valuable today than they were in the past.

We will continue to screen new opportunities and remain open to business opportunities that continue to arise in the current market conditions.

In last year's report, we said we felt certain that, more than ever, there is a raison d'être for our company and that we were in a good position to withstand adverse circumstances. We feel even more certain about this today.

Amsterdam, 9 April 2010
A.P.J.C. Kroon
P. Lanzillotta

2009

CONSOLIDATED FINANCIAL STATEMENTS

NATIONALE BORG

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009

Before appropriation of result

		2009		**2008**	
ASSETS					
Property, plant and equipment	*1*		**9,702**		6,438
Intangible assets	*2*		**3,819**		4,340
Financial assets	*3*		**45,052**		20,580
Reinsurance contracts	*4*		**28,182**		32,242
Receivables:	*5*				
• Accounts receivable on insurance and reinsurance business		**7,638**		5,240	
• Other accounts receivables		**983**		1,500	
			8,621		6,740
Other assets:	*6*				
• Deferred acquisition costs		**1,923**		2,767	
• Miscellaneous assets and accruals		**994**		5,605	
			2,917		8,372
Cash and cash equivalents	*7*				
• Cash		**88,387**		104,527	
• Cash received as collateral		**7,489**		8,708	
			95,876		113,235
TOTAL ASSETS			**194,169**		191,947

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009

		2009		2008	
EQUITY					
Capital and reserves attributable to the equity holders of the company	*8*		**82,429**		78,026
LIABILITIES					
Technical provisions	*9*		**85,226**		92,660
Payables:	*10*				
• Accounts payable on insurance and reinsurance business		**10,581**		10,027	
• Trade and other payables		**7,070**		2,065	
			17,651		12,092
Other liabilities:					
• Deposits received from reinsurers		**270**		248	
• Miscellaneous liabilities and accruals	*11*	**3,416**		3,166	
			3,686		3,414
Employee benefit liabilities	*12*		**668**		626
Deferred income tax liabilities	*13*		**3,248**		449
Current income tax liabilities	*14*		**1,261**		4,680
TOTAL LIABILITIES			**111,740**		113,921
TOTAL EQUITY AND LIABLITIES			**194,169**		191,947

CONSOLIDATED INCOME STATEMENT FOR THE YEAR 2009

		2009	2008
Insurance premium revenue		**73,571**	62,420
Insurance premium ceded to reinsurers		**(14,008)**	(12,444)
NET PREMIUMS EARNED	*15*	**59,563**	49,976
Service income		**1,084**	333
Reinsurance commission received		**4,458**	5,119
Reinsurance commission paid		**(1,111)**	(987)
Net income from investments	*16*	**6,160**	(6,716)
TOTAL INCOME AFTER REINSURANCE		**70,154**	47,725
Insurance claims and loss adjustment expenses		**(37,200)**	(28,616)
Insurance claims and loss adjustment expenses recovered from reinsurers		**7,303**	6,950
NET INSURANCE CLAIMS	*17*	**(29,897)**	(21,666)
Net operating expenses	*18*	**(29,517)**	(25,563)
Total expenses after reinsurance		**(59,414)**	(47,229)
Other Income	*19*	**0**	2,145
Profit before tax		**10,740**	2,641
Income tax expenses	*20*	**(3,126)**	(2,318)
PROFIT FOR THE YEAR FROM OPERATIONS		**7,614**	323
Attributable to:			
Equity holders of the company		**7,614**	323
Basis earnings per share from continuing operations (euros)	*21*	**9,48**	0,40

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR 2009

	2009	2008
Available for sale investments:		
Valuation gains/losses taken to equity	**2,330**	(827)
Transferred to profit and loss on sale	**850**	2,151
Exchange differences on translation of foreign operations	**109**	(112)
NET INCOME RECOGNIZED DIRECTLY IN EQUITY	**3,289**	1,212
Profit for the period	**7,614**	323
TOTAL RECOGNIZED INCOME AND EXPENSES FOR THE PERIOD	**10,903**	1,535
Attributable to:		
Equity holders of the company	**10,903**	1,535

CONSOLIDATED CHANGES IN EQUITY

Attributable to the equity holders of the company

	Subscribed capital	Capital reserve	Revaluation reserve	Currency translation reserve	Revenue reserve	Undistri-buted profits	Total
EQUITY AT 1 JANUARY 2008	4,019	824	1,922	(199)	26,580	46,345	79,491
Available for sale investments:							
• Valuation gains/losses taken to equity	–	–	(827)	–	–	–	(827)
• Transferred to profit or loss on realization of result	–	–	2,151	–	–	–	2,151
Exchange differences on translation of foreign operations	–	–	–	(112)	–	–	(112)
NET INCOME RECOGNIZED DIRECTLY IN EQUITY	–	–	1,324	(112)	–	–	1,212
Profit for the period	–	–	–	–	–	323	323
TOTAL RECOGNIZED INCOME AND EXPENSES FOR THE PERIOD	–	–	1,324	(112)	–	323	1,535
Dividends	–	–	–	–	(3,000)	–	(3,000)
EQUITY AS PER 31 DECEMBER 2008	4,019	824	3,246	(311)	23,580	46,668	78,026

	Subscribed capital	Capital reserve	Revaluation reserve	Currency translation reserve	Revenue reserve	Undistri-buted profits	Total
EQUITY AT 1 JANUARY 2009	4,019	824	3,246	(311)	23,580	46,668	78,026
Available for sale investments:							
• Valuation gains/losses taken to equity	–	–	2,330	–	–	–	2,330
• Transferred to profit or loss on realization of result	–	–	850	–	–	–	850
Exchange differences on translation of foreign operations	–	–	–	109	–	–	109
NET INCOME RECOGNIZED DIRECTLY IN EQUITY	–	–	3,180	109	–	–	3,289
Profit for the period	–	–	–	–	–	7,614	7,614
TOTAL RECOGNIZED INCOME AND EXPENSES FOR THE PERIOD	–	–	3,180	109	–	7,614	10,903
Dividends	–	–	–	–	(6,500)	–	(6,500)
EQUITY AS PER 31 DECEMBER 2009	4,019	824	6,426	(202)	17,080	54,282	82,429

CONSOLIDATED CASH FLOW FOR THE YEAR 2009

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period after tax	**7,614**	323
Adjustments for:		
• Realized capital (gains) and losses on investments	**(929)**	1,212
• Share in income from investments in associates	**-**	-
• Depreciation and amortization	**1,025**	554
Changes in operational assets and liabilities:		
• Underwriting provisions, gross	**(7,434)**	8,972
• Reinsurance assets, net	**4,082**	(2,608)
• Deferred acquisition costs	**844**	(42)
• Accounts receivable and payable on insurance and reinsurance business	**(1,844)**	(657)
Other operating assets and liabilities:		
• Cash (used in)/generated by operating activities	**10,420**	(9,317)
Income taxes paid	**(3,928)**	1,633
NET CASH (USED IN)/GENERATED BY OPERATING ACTIVITIES	**9,850**	70
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Investments and acquisition (cash outflows):		
• Financial investments available for sale and through profit and loss	**(25,499)**	(13,702)
• Property, plant and equipment and intangible fixed assets	**(610)**	(4,934)
Divestments, redemptions and disposals (cash inflows);		
• Financial investments available for sale and through profit and loss	**5,400**	121,394
• Property, plant and equipment and intangible fixed assets	**–**	–
NET CASH (USED IN)/GENERATED BY INVESTMENT ACTIVITIES	**(20,709)**	102,758
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	**(6,500)**	(3,000)
Interest paid	**–**	–
Redemptions of debt instruments	**–**	–
Payments on outstanding debt	**–**	–
NET CASH (USED IN)/GENERATED BY FINANCING ACTIVITIES	**(6,500)**	(3,000)
CHANGES IN CASH AND CASH EQUIVALENTS	**(17,359)**	99,828
Cash and cash equivalents at the end of the preceding year	**113,235**	13,407
Cash and cash equivalents at the end of the financial year	**95,876**	113,235

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULT

ACTIVITIES OF NATIONALE BORG

Nationale Borg is an insurance company, active in guarantees in its domestic markets (the Netherlands, Belgium and Dutch Antilles). All of these risks are partly reinsured in the international reinsurance market.
In addition, the company reinsures risks similar to the ones it underwrites in its domestic markets, as well as risk emanating from credit insurance. Reinsurance clients are mainly companies which have their business in other markets.
Nationale Borg is owned by HAL Investments and Egeria Capital 2, via Nationale Borg Beheer B.V. Apart from the shares owned by management, both companies have an equal stake in the company. HAL and Egeria have both invested with the intention to remain involved in Nationale Borg for the medium to long term.

BASIS OF PRESENTATION

Nationale Borg applies International Financial Reporting Standards (IFRS) as adopted by the European Union ('EU'). Nationale Borg's accounting policies under International Financial Reporting Standards as adopted by the EU and its decision on the options available are set out in the section 'Principles of valuation and determination of results' below.

All amounts in these statements are in thousands of euros, unless specified otherwise.

(a) Standards, amendments to published standards and interpretations effective on or after 1 January 2009

Standard/ Interpretation	**Content**	**Applicable for financial years beginning on/after**
IAS 39	Amendments to IAS 39 and IFRS 7 – Reclassification of financial assets	1 July 2008
IFRS 7	Improving disclosures about financial instruments	1 January 2009
IFRS 8	Operating segments	1 January 2009
IAS 1	Presentation of financial statements	1 January 2009

- IAS 39 and IFRS 7, 'Reclassification of financial assets' (amendment), permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through income by the entity upon initial recognition) out of the fair value through income category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The group has no reclassified any financial assets.
- IFRS 7, 'Financial instruments – Disclosures' (amendment), requires enhanced disclosures about fair value measurement and liquidity risk. The group adopted the amendment to IFRS 7 with effect from 1 January 2009. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:
  - Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The adoption of the amendment results in additional disclosures, there is no impact on earnings per share

- IAS 1 (revised), 'Presentation of financial statements', effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. . Reference is made to the statement of comprehensive income included in the group and company's financial statements.

(b) Standards, amendments to published standards and interpretations early adopted by the group

In 2009, the group did not early adopt any new, revised or amended standards

(c) Standards and interpretations effective in 2009 but not relevant to the group's operations

Standard/ Interpretation	**Content**	**Applicable for financial years beginning on/after**
IAS 23	Borrowing costs	1 January 2009
IAS 16	Property, plant and equipment (and consequential amendment to IAS 7)	1 January 2009
IAS 20	Accounting for government grants and disclosure of government assistance (amendment)	1 January 2009
IAS 29	Financial reporting in hyperinflationary economies	1 January 2009
IAS 31	Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7)	1 January 2009
IAS 32 and IAS 1	Puttable financial instruments and obligations arising on liquidation	1 January 2009
IAS 38	Intangible assets	1 January 2009
IAS 41	Agriculture	1 January 2009
IAS 40	Investment property (and consequential amendments to IAS 16)	1 January 2009
IFRS 2	Share-based payments – Vesting conditions and cancellations	1 January 2009
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 15	Agreements for the construction of real estate	1 January 2009
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2008

(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2010 or later periods, but the group has not early adopted them:

Standard/ Interpretation	Content	Applicable for financial years beginning on/after
IAS 1	Presentation of financial statements (amendment)	1 July 2009
IAS 24	Related party disclosures (amendment)	1 January 2011
IAS 38	Intangible assets (amendment)	1 July 2009
IFRS 3	Business combinations (revised)	1 July 2009
IFRS 5	Measurement of non-current assets (or disposal groups) classified as held for sale (amendment)	1 July 2009
IFRS 9	Financial instruments	1 January 2013

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The group and company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the group or company's financial statements.
- IAS 24 (amendment), 'Related party disclosures'. The amendment relaxes the disclosures of transactions between government-related entities and clarifies related-party definition. The amendment is not expected to have an impact on the group or company's financial statements.
- IAS 38 (amendment), 'Intangible assets'. The amendment is part of the IASB's annual improvements project published in April 2009. The group and company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the group or company's financial statements.
- IFRS 3 (revised), 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair vale or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5, 'Non-current assets held for sale and discontinued operations', specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly IAS 1 paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty). The group and company will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the group or company's financial statements.
- IFRS 9, 'Financial instruments'. IFRS 9 addresses classification and measurement • of financial assets and is available for early adoption immediately. IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. IFRS 9 represents the first milestone in the IASB's planned replacement of IAS 39. IFRS 9 is expected to have a significant impact on the group's financial statements.

CONSOLIDATION

The consolidated financial statements of Nationale Borg comprise the accounts of N.V. Nationale Borg-Maatschappij and each of those entities in which it either owns, directly or indirectly, more than half of the voting power or over which it has control of their operating and financial policies through situations. The group in 2009 (and 2008) included the following entities: N.V. Nationale Borg-Maatschappij, including its Antwerp branch, N.V. Beleggings- en beheersmaatschappij "Keizersgracht" and Antilliaanse Borg Maatschappij. As from September 16, 2008, Nationale Waarborg B.V. is consolidated as well.

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date on which control ceases.

The group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets, given equity instruments issued, liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Intra-group transactions, balances and unrealized gains on intra-group transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policy adopted by the group.

The reporting dates of subsidiaries are the same as the reporting date of Nationale Borg. There are no material restrictions on subsidiaries to transfer funds to Nationale Borg.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULT

USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated 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.

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the company's functional and presentation currency.

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

Translation differences on non-monetary items, measured at fair value through profit and loss, are reported as part of the fair value gain or loss. Non-monetary items are retranslated at the date fair value is determined. Translation differences on non-monetary items measured at fair value through the revaluation reserve are included in the revaluation reserve in equity.

The most relevant currencies for the group are presented below:

Currency	End rate in €		Average rate in €	
	2009	2008	**2009**	2008
USD	**0,695**	0,705	**0,700**	0,680
CAD	**0,667**	0,580	**0,624**	0,641
GBP	**1,111**	1,033	**1,072**	1,256
AUD	**0,620**	0,487	**0,554**	0,574

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 group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULT

INTANGIBLE ASSETS

GOODWILL

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assts, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. It is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

PROPERTY, PLANT AND EQUIPMENT

PROPERTY IN OWN USE

Land and buildings held for own use are stated at fair value at the balance sheet date. Increases in the carrying amount arising on revaluation of land and buildings held for own use are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Increases that reverse a revaluation decrease on the same asset previously recognized in net profit are recognized in the profit and loss account. Depreciation is recognized based on the fair value and the estimated useful life. Depreciation is calculated on a straight-line basis. On disposal the related revaluation reserve is transferred to retained earnings.

COMPUTER SOFTWARE

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

EQUIPMENT

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

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

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULT

Asset category:	Years
Property in own use	40
Computer software	3
Computer hardware	2 to 5
Fixtures and fittings	4 to 10

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

INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

Investments in equity and other non-fixed-interest-bearing certificates are valued at net asset value. The net asset value of non-listed companies is derived from the financial statements of these companies, according to IFRS accounting policies. Realized gains on these investments are reported in the profit and loss account. Unrealized value changes are accounted for in the revaluation reserves. In case of negative revaluations, impairment tests are carried out to determine if a loss has to be taken in the result.

FINANCIAL ASSETS

The group 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 group's key management personnel. The group'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 group 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 recognised on trade-date – the date on which the group commits to purchase or sell the asset.

Financial assets are initially recognised 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 recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the group 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 amortised 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 recognised in the income statement as part of other income when the group's right to receive payments is established.

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

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

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the group'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 group 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 group uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity like options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable.

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

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group 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 group 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 group 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 group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULT

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 group 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 group 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 group, including:
  – adverse changes in the payment status of issuers or debtors in the group; or
  – national or local economic conditions that correlate with defaults on the assets in the group.

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

iii) Impairment of other non-financial assets

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

DEFERRED ACQUISITION COSTS

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

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULT

OFFSETTING FINANCIAL INSTRUMENTS

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

CASH AND CASH EQUIVALENTS

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

CAPITAL AND RESERVES ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

EQUITY

The share capital of Nationale Borg consists of 803.760 shares with a nominal value of € 5, 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 real estate in own use and the securities available-for-sale after the deduction of deferred taxes.
Reversals of impairment losses in shares and other variable yield securities are also credited directly to this revaluation reserve. For debt instruments and other fixed income securities, any reversals of impairments above the original cost are included in the revaluation reserve.

REVENUE RESERVE

Revenue reserve is the accumulated amount of profits and losses at balance sheet date, which have not been distributed to shareholders (i.e. retained earnings). The distribution of retained earnings is restricted by the requirements imposed by the Wet op het Financieel Toezicht (law on financial supervision). The required and available solvency margin is disclosed under Risk Management on page 44.

INSURANCE CONTRACTS

The group 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.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULT

Nationale Borg's insurance contracts can be classified in two categories:
• Guarantee / bonding contracts.
• Reinsurance contracts.
The contracts issued by Nationale Borg qualify for Dutch regulatory purposes as insurance contracts and have been accounted for as such under IFRS.

PROVISIONS

PROVISION FOR UNEARNED PREMIUMS

For guarantees and money and fraud insurance, premiums are recognized as earned premium proportionally to the insurance risk of the contract. The provision for unearned premiums represents the unearned share of premiums for own account, for both guarantee businesses and money and fraud insurance.
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 group has taken up to balance sheet date. The group does not discount its liabilities given the cycle of the group's business. The claims provision is calculated either on a case-by-case basis (guarantees, money and fraud insurance) or by approximation on the basis of experience (reinsurance). When appropriate, deductions are made for salvage, subrogation and other expected recoveries from third parties. Provisions have also been made for claims incurred but not reported (IBNR) and for future claims handling expenses.
The adequacy of the claims provision is evaluated each year using standard techniques. In addition, 'IBNR' reserves are set to recognize the estimated cost of losses that have occurred but which have not yet been notified to the group.

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 group remains liable to its policyholders for the portion reinsured. Consequently, provisions will be made, if necessary, for receivables on reinsurance contracts which are deemed uncollectible.

LIABILITY ADEQUACY TEST

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

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULT

REINSURERS' SHARE OF UNDERWRITING PROVISIONS

The benefits to which the group 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 group assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the income statement. The group 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.

The group has profit commission arrangements with its reinsurance companies that are based on the loss ratio per underwriting year. The group accounts for these commissions based on detailed assessments of the expected loss ratios.

INCOME FROM REINSURANCE CONTRACTS

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

RECEIVABLES AND PAYABLES RELATED TO INSURANCE CONTRACTS

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

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the income statement. The group 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 group to sell goods acquired to settle a claim (i.e. salvage). The group 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.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULT

DEPOSITS RECEIVED FROM REINSURERS

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

EMPLOYEE BENEFIT LIABILITIES

PENSION OBLIGATIONS

Nationale Borg operates two pension schemes. Both are defined contribution schemes that are funded through payments to insurance companies, determined by periodic actuarial calculations.
For these plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognized as staff expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.
The pension obligations from the period when the group was part of ING are insured by ING. Consequently, no obligations or future claims for this period have to be provided for by Nationale Borg.

PROFIT SHARING AND BONUS PLANS

The group recognizes a liability and an expense for bonuses and profit sharing based on a formula that takes into consideration, amongst others, individual targets and the profit attributable to the company's shareholders after certain adjustments. The group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

TAX LIABILITIES

Income tax on the net profit for the year comprises current and deferred tax.

DEFERRED INCOME TAX LIABILITIES

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets and liabilities are not discounted.
Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognized in the profit and loss account together with the deferred gain or loss.
Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULT

CURRENT INCOME TAX LIABILITIES

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

INCOME

Revenue comprises the fair value for services, net of value added tax, after eliminating revenue within the group.
Revenue is recognized as follows:

NET PREMIUMS EARNED

Written premiums include both direct and assumed insurance business and are defined as all premiums invoiced to third parties and the premium assumed, excluding tax, in respect to:

- Guarantees
- Money and Fraud insurance; and
- Reinsurance

Written premiums include an estimate of not yet invoiced premium for which the group is at risk. Accruals for premium refunds are charged against premiums written. Premiums earned include an adjustment for the unearned share of premiums, matching risks and rewards.
Part of the insurance premium is ceded to reinsurers to diversify risk and to reduce the risk of catastrophic loss on insurance assumed. Amounts recoverable for ceded unearned premiums under cession agreements are reported as assets in the accompanying consolidated balance sheet.
Regular fees charged to the customer periodically (monthly, quarterly or annually) and billed in advance are recognized on a straight-line basis over the billing period, which is deemed to be equivalent to the period over which the service is rendered. Fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

NET INCOME FROM INVESTMENTS

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

EXPENSES

NET INSURANCE CLAIMS

Claims charges include paid claims, the change in claims provisions net of recoveries, and the claims handling expenses.
Claims ceded under cession contracts are recorded as reductions of gross claims.

NET OPERATING EXPENSES

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

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULT

INCOME TAX

The total sum of income tax expense recognized in the income statement is the sum of current tax expense (or recovery) plus the change in deferred tax liabilities and assets during the period, net of tax amounts recognized directly in equity or arising from a business combination.

CASH FLOW STATEMENT

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

- Cash comprises cash on hand and demand deposits.
- Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- Cash flows are inflows and outflows of cash and cash equivalents.
- Operating activities are the principal revenue-producing activities of the group 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 group.

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

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

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

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

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

ESTIMATION TECHNIQUES

Nationale Borg 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. The most important estimates are elaborated below.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULT

LOSS RESERVES

The following overview outlines the loss reserve estimation process.

Guarantee Insurance	A strict procedure for setting up reserves is followed, taking into account various factors, such as type of bonds, duration, counter indemnities and collateral. The objective is to reserve adequately. The company usually sets up reserves before the client becomes insolvent, estimating the risk of claiming in the light of the specific guarantees issued. Reserves may exist for a significant time before being utilised or released.
Credit and Surety Reinsurance	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. Given the time lag in reporting by cedants to insurers, the company aims to reserve the estimated losses one year after the end of any underwriting year. 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.
Money and Fraud Insurance	Each eligible claim is reserved, The reserve is used for payment of the claim or is released 6 months after its rejection, unless the insured appeals the (partial) rejection decision. Most reserves are short-term with losses settled within a few months. In some cases reserves remain in existence for a longer period. This holds, for example, when claims are rejected or when a large investigation is followed by a legal procedure.

Based on the assumption that actual default rates may exceed the default rates that were used to set premium rates, the provision for claims in Guarantees included a provision for unexpired risk of 4,091 at year-end 2008. At year-end 2009, this provision was nil, based on a premium deficiency test.

INCURRED BUT NOT REPORTED (IBNR) RESERVE

Nationale Borg maintains IBNR reserves for Reinsurance and Money and Fraud Insurance:

REINSURANCE

The IBNR reserve is set at 5% of total loss reserves for each individual contract, in line with international practice.

MONEY AND FRAUD INSURANCE

The IBNR reserve is based on booked premiums and actual loss experience. There is a general reserve pool available for any contract or claim.
As per year-end 2009 the IBNR reserves amounted to € 2,521 (2008: € 2,591).

RISK MANAGEMENT

As an insurance company, Nationale Borg by definition assumes risk against a premium. The risk Nationale Borg incurs, can be broken down into several categories:
• Insurance risk: the risk we run on a professional basis as an insurance company, which is the risk that the premiums, which were calculated on the basis of expected risk, do not adequately cover the actual risk incurred. We distinguish from a risk perspective between guarantees, money & fraud insurance, and assumed reinsurance.
• Financial risks: the risk associated with investments, including credit risk, market risk and liquidity risk.
• Operational risk: the risks associated with people, processes and systems. The risk we run as a company in general, which we control via a control framework.

INSURANCE RISK

GUARANTEES

OBJECTIVES, POLICIES AND PROCESS
The insurance risk accepted in the guarantee business is controlled through a multi-layer control structure. First of all, a relationship manager writes a proposal to take an exposure on a perspective client. The relationship manager must convince himself of the soundness of the risk before submitting his proposal to the manager of the guarantee department. He must consider the credit risk involved as well as the risk associated with the specific obligations insured by the bond types needed. The relationship manager's team principal and the department manager in turn must support the submission of the proposal to the risk committee of the company. The composition of this committee depends on the size and type of risk and can include risk management staff, the manager of the risk department and members of the executive board. The risk management department is not only involved in guarantee underwriting decisions; it also manages intensive care and claim cases. This way, commercial activities are controlled by strict risk management procedures. Intensive care and claim cases are discussed in the risk committee on a regular basis. The committee also discusses general policy with respect to risk limitation and claims settlement and recovery.

TYPE OF RISK
The main factor in the underwriting process is the creditworthiness of the client. It determines whether Nationale Borg is willing to take on any exposure and if yes, how much. In addition, exposure limits are then determined by factors like the tenor of the guarantees, the number of guarantees per client (risk spread), specific conditions such as collateral or group guarantees, and by the type of guarantees to be issued. Nationale Borg assures the beneficiaries of its bonds that its clients will perform according to contract conditions, such as timely delivery of goods and delivery of goods according to specifications. Contract conditions can also mean the timely payment of import, export or excise duties or the fulfilment of conditions that will void this obligation. Payment of a claim under a guarantee by Nationale Borg automatically gives the company a claim of the same amount against its client. In most cases this recourse offsets the claim completely or at least reduces it materially.

MONEY AND FRAUD INSURANCE

OBJECTIVES, POLICIES AND PROCESS
The acceptance of insurance risk for money and fraud is based on the long-time experience of Nationale Borg with this risk. Based on its history Nationale Borg has an extensive loss history for each of the separate risk

types that can be included in a policy. The company has a reputation for being conservative in its underwriting and acceptance of a risk is often conditional on the implementation of strict prevention measures. Non-adherence to these conditions voids the policy.
Risk is managed by assigning underwriting limits per risk type and per policy to each underwriter. Above certain limits the executive board needs to approve underwriting decisions. As per January 1, 2009, Nationale Borg no longer underwrites this type of insurance

TYPE OF RISK
Nationale Borg insures its policyholders against the loss and theft of cash money or securities, while in a safe, during transport, or at named locations. The risk of accepting counterfeit money can also be insured. Fraud coverage offers protection against losses arising from fraud, embezzlement or other acts of dishonesty committed by administrative staff of the insured.

REINSURANCE

OBJECTIVES, POLICIES AND PROCESS
As a reinsurer Nationale Borg assumes risks similar to the ones it takes in its direct business – risks from guarantees – as well as risk from money and fraud insurance and credit insurance. The specific competence accumulated in the fields of guarantees can be applied to evaluate the underwriting performance of cedants of this business. Nationale Borg has set up a framework to monitor the operational and financial performance of prospective reinsurance clients. Regular visits are made to asses the cedant and its business. The opportunities are assessed by an underwriter together with his colleagues. All underwriting decisions are subject to approval by the executive board. By nature of the activity, the spread of risk is very broad. Not only does Nationale Borg participate for a small share in all underlying risks in the cedants' portfolios, but also the geographic spread of the cedants and contracts provides additional diversification.

RISK EXPOSURE
Nationale Borg only participates in the reinsurance for guarantee, money and fraud insurance and credit insurance.
Contracts can be separated into treaty, excess of loss and facultative contracts. In treaty business Nationale Borg participates for a certain fixed percentage in all business risks underwritten by the cedant within the limits of the treaty. In excess of loss contracts Nationale Borg provides a fixed percentage of losses in excess of a hurdle amount up to a contract limit. Depending on contract conditions the cover can have one or more reinstatements.
Underwriting of treaty and excess of loss business is based on the evaluation of the ceding company.
Facultative contracts provide coverage for a fixed share of a named risk. Generally, such coverage is provided for limited risks in case a company has exhausted its treaty capacity. Underwriting of facultative business is based on the individual merits of the underlying risk.

RISK EXPOSURE

GUARANTEES
The ten largest clients account for approximately 14.5 % of premium income, while the twenty largest clients together account for approximately 23.5 % of premium income. This demonstrates that Nationale Borg has a diverse client base and that there is no significant concentration exposure.
To give an impression of the overall risk, the following table shows the nominal amounts of outstanding guarantees per year-end and the number of guarantees outstanding.

Guarantees:

	2009 Exposure	2009 Number	2009 Average exposure per guarantee	2008 Exposure	2008 Number	2008 Average exposure per guarantee
	€ '000		**€**	€ '000		€
Belgium						
• Construction	**977,724**	**9,342**	**104,659**	1,029,000	9,991	102,993
• Other types	**237,238**	**538**	**440,963**	243,593	578	421,441
Netherlands:						
• Construction	**1,644,673**	**7,094**	**231,840**	1,524,125	6,169	247,062
• Other types*	**1,457,693**	**6,280**	**231,117**	1,449,027	7,564	191,569
Total	**4,317,328**	**23,254**	**185,660**	4,245,745	24,302	174,708

* Other types includes House Purchase Bonds

The gross premium income from Guarantees can be further specified as follows:

€ '000	**2009**	2008
Belgium		
• Construction	**6,286**	4,979
• Other types	**1,822**	1,210
Netherlands		
• Construction	**9,576**	10,402
• Other types	**9,428**	5,695
Netherlands Antilles		
• Construction	**151**	114
Total Premium from Guarantees	**27,263**	22,400

REINSURANCE

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

	2009	2008
Treaty		
• Number of countries	**51**	47
• Number of cedants	**98**	96
• Total amount (PML basis, in € millions)*	**4,910**	5,734
• Approximate number of risks (in thousands)	**4,686**	5,655
• Average amount per risk (in € thousands)	**1,048**	1,014

	2009	2008
Facultative:		
• Number of countries	**18**	18
• Number of guarantees	**53**	46
• Total nominal amount (in € thousands)	**81,900**	76,887
• Average amount per guarantee (in € thousands)	**1,545**	1,671

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

CLAIM DEVELOPMENT

GUARANTEES AND MONEY AND FRAUD INSURANCE

In its direct business, Nationale Borg keeps track of its claims on an individual basis. Each case is unique and is considered individually. Guarantee claims are evaluated by the risk management department and after discussion in the risk committee the claim provision is set, taking into account all relevant information. Periodically, these provisions are evaluated based on new information and estimation of the likelihood of recovery. For money and fraud insurance, a similar process takes place, involving underwriters and executive board. The magnitude of claim cases during the last five years for Guarantees and Money and Fraud Insurance are shown in the following table.
The net losses incurred for Guarantees and Money and Fraud were as follows:

€ '000	**2009**	**2008**	**2006**	**2005**	**2004**
Business line/year					
Guarantee	**2.999**	-2.062	2,565	369	2,461
Money and Fraud	**39**	4.095	212	395	378

At the end of 2009 Nationale Borg had earmarked 79 (2008: 46) guarantee risks as cases that require special attention from Risk Management.
Of these risks 6 (2008: 3) cases have a nominal exposure in excess of € 5 million. In the highly unlikely event that all bonds currently outstanding to these parties would lead to full claims, such claims would have an impact on the net result of Nationale Borg of € 20 million (2008: € 11 million). By comparison the company anticipates to collect more than this amount in net premiums from in-force exposures, of which € 15 million will be collected in 2010 alone.

REINSURANCE

The development of reinsurance contracts provides a measure of the ability of Nationale Borg 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 Nationale Borg's reinsurance contracts. A change in loss ratio of 1% (up or down) has an impact of 471 on our loss expenses. The gross figures are equal to net, because there is no external reinsurance on these contracts:

	Accounting year						
U/W year 2003	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Premium	13,119	30,412	34,136	35,610	36,944	37,762	38,262
Losses paid	954	5,718	10,817	13,029	14,446	15,875	16,510
Recoveries	7	213	546	932	1,358	1,581	1,780
Loss reserves	2,484	6,947	5,641	5,151	6,136	5,570	5,818
Loss incurred	3,431	12,452	15,912	17,248	19,224	19,864	20,176
Loss ratio	26%	41%	47%	48%	52%	53%	54%
U/W year 2004		**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Premium		12,266	27,741	30,412	31,689	32,674	33,311
Losses paid		653	4,021	8,089	9,326	10,332	11,265
Recoveries		3	83	332	575	830	1,042
Loss reserves		5,654	7,298	4,765	3,260	3,011	2,859
Loss incurred		6,304	11,236	12,522	12,011	12,513	12,698
Loss ratio		51%	41%	41%	38%	38%	39%
U/W year 2005			**2005**	**2006**	**2007**	**2008**	**2009**
Premium			14,131	30,822	33,768	35,236	36,268
Losses paid			718	5,448	9,237	10,788	11,796
Recoveries			7	133	462	746	881
Loss reserves			3,574	7,258	4,774	3,602	3,280
Loss incurred			4,285	12,573	13,549	13,644	14,352
Loss ratio			30%	41%	40%	39%	39%
U/W year 2006				**2006**	**2007**	**2008**	**2009**
Premium				13,727	31,206	33,341	34,641
Losses paid				509	4,608	8,779	10,780
Recoveries				23	177	505	637
Loss reserves				3,355	7,042	4,981	3,890
Loss incurred				3,841	11,473	13,255	14,133
Loss ratio				28%	37%	40%	41%
U/W year 2007					**2007**	**2008**	**2009**
Premium					12.876	28,011	30,128
Losses paid					514	4,860	9,850
Recoveries					7	214	612
Loss reserves					2.997	6,803	4,641
Loss incurred					3.504	11,449	12,714
Loss ratio					27%	41%	46%
U/W year 2008						**2008**	**2009**
Premium						17,149	34,862
Losses paid						1,199	11,878
Recoveries						15	297
Loss reserves						6,076	12,229
Loss incurred						7,260	24,871
Loss ratio						42%	68%
U/W year 2009							**2009**
Premium							19,116
Losses paid							657
Recoveries							19
Loss reserves							5,450
Loss incurred							5,179
Loss ratio							32%

RISK MANAGEMENT

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.

GENERAL REINSURANCE AGREEMENT

Nationale Borg has a General Reinsurance Agreement ('GRA') with a panel of reinsurers that allows the company to transfer to these reinsurers part of the risk from its direct business with the exception of home purchase bonds, as well as from facultative acceptance of reinsurance risk. This allows Nationale Borg to take on larger exposures than would be justified by its own net equity position.

The General Reinsurance Agreement is a fixed quota share treaty with a retention at 50%, in combination with an excess of loss treaty on the retention, which limits the retention of Nationale Borg to € 5 million per risk in guarantees. As from 2009, the treaty no longer applied to direct money and fraud insurance risks.

The 2009 limit of the quota share treaty was € 60 million, while special limits of € 100 million were subject to approval by the treaty leader. The excess of loss cover insured losses over € 5 million up to an amount of € 35 million.

REINSURERS PANEL

In 2009, Nationale Borg made no material changes to its panel of reinsurers. In general the panel for the different underwriting years consists of 15 to 20 members.

The quality of the panel is very high, with a mix of general reinsurers and specialist reinsurers. Virtually all reinsurers have an S&P rating of A^- or better. Reinsurers with a rating below that level are required to provide additional comfort, such as a letter of credit.

The share of the largest reinsurer, which is a AA^- rated company, is well below 20% . There is only one other reinsurer with a share between 10 and 15%. The share of all others is below 10%.

FRONTING

In order to service customers for whom bonds need to be issued to beneficiaries who do not accept Nationale Borg as a guarantor, the company has fronting arrangements with several parties. Common reasons for non-acceptance are requirements by the beneficiary that the bond must be issued by a party that is incorporated or regulated locally or simply by a bank. Outside the Netherlands, Belgium and Curacao, Nationale Borg may not always be a familiar name to beneficiaries. In these cases the ultimate guarantee is issued by a correspondent who meets the beneficiary's requirements. The correspondent receives a back-to-back guarantee from Nationale Borg. Total exposure from such guarantees, is € 219 million, divided among guarantee insurance companies and banks on the basis of bilateral agreements. This exposure includes € 72 million of guarantees issued through a committed facility with a limit of € 150 million, provided by a syndicate of five banks. Because this facility was no longer available for new guarantees as from June 1, 2009, we have negotiated several new facilities with individual members of the previous syndicate.

FINANCIAL RISKS

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

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

RISK MANAGEMENT

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

MARKET RISK

Market risk is the risk of economic losses triggered by changes in market prices. In 2009, Nationale Borg was exposed to currency, interest and equity price risk. Given the turmoil in the markets during 2008 and the downside potential, Nationale Borg had eliminated market risk as much as practically possible, by liquidating most of its investment portfolio during the second half of 2008. The portfolio that remained at year-end consisted of relatively small bond and share positions (10,400 and 4,100 respectively) and investments in real estate. During 2009, we have invested an additional 1,900 in shares and some 22,500 in index-linked French and German government bonds. By keeping the remainder of our investment portfolio liquid and spread across multiple banks, we reduced our market risk at a time when the insurance risk continued to be higher than normal.

LIQUIDITY RISK

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

Nationale Borg would be exposed to liquidity risk if there is insufficient cash available to pay its (insurance) obligations.

This could be the case if there were to be an unanticipated large outflow of cash as the result of claims. On average, the liabilities resulting from provisions have a tenor of more than a year.

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

In addition, the reinsurance treaties of Nationale Borg include simultaneous settlement clauses, so Nationale Borg can request payment from its reinsurers of their share in any large claims prior to effecting the claims to beneficiaries or policyholders.

Moreover, Nationale Borg has a small committed credit line of € 500.000, which has not been used for many years.

CREDIT RISK

In our lines of business, credit risk is the main insurance risk we assume and evaluating credit risk is a critical skill. The insurance risk section above describes how Nationale Borg deals with the credit risk component in its products.

There is also credit risk incorporated in our investment portfolio. The management of the risks associated with this portfolio has been described in the respective paragraph.

RISK MANAGEMENT

This leaves the credit risk we incur in the ordinary course of business with regard to premium income from insurance policies. We use ageing analyses of the outstanding to monitor the risk on outstanding and the associated credit risk.
For guarantees, we cannot mitigate this risk by suspending coverage if premiums are not paid in time, because the beneficiary of the policy is not the party responsible for premium payment. If customers are late with premium payments we cease to issue new guarantees. Furthermore, in case of continuous guarantees, we can recall the guarantee at relatively short notice. Monitoring outstanding closely and taking effective measures in case of non-payment have led to low losses and write-offs of bad debt.

The following table gives insight in the credit ratios of the portfolio.

	2009				2008	
	Purchases	**Gains**	**Total**	%	**Total**	%
Government bonds (AAA sovereign) - fixed rate	**(5.400)**	**62**	**5.422**	16%	10.760	65%
Government bonds (AAA sovereign) - indexed rate	**22.396**	**354**	**22.750**	68%	–	–
Real Estate Fund units	**–**	**(676)**	**5.150**	15%	5.826	35%
Total - Available for Sale	**16.996**	**(260)**	**33.322**	100%	16.586	100%
Equity and Preferred shares	**3.103**	**4.497**	**11.729**	100%	4.129	100%
Total - To / From P&L	**3.103**	**4.497**	**11.729**	100%	4.129	100%
Total - All Financial Securities	**20.099**	**4.237**	**45.051**		20.715	

Duration and Maturity profile of the financial investment portfolio:

	2009		2008	
Years	**amount**	%	amount	%
0 - 1	**–**	**–**	5.429	51%
1 - 3	**7.916**	**28%**	–	–
3 - 5	**2.505**	**9%**	5.317	49%
5 - 10	**10.125**	**36%**		–
10+	**7.626**	**27%**		–
Total	**28.172**	**100%**	10.746	100%

	2009	2008
Duration	**6,18 years**	1,79 years
Average Maturity	**7,12 years**	1,98 years

CLIENT DEPOSITS

Nationale Borg normally starts doing business with its clients without asking for collateral. During the course of business it occasionally happens that the creditworthiness of client deteriorates and Nationale Borg has to ask for extra security to be willing to extend the issuing of guarantees. In this case Nationale Borg receives cash collateral, that is put on direct callable deposits, as the money will be returned to customers as the guarantee is received back, or as the client creditworthiness improves again. Interest received on these separated deposits is transferred to the respective clients.

OPERATIONAL RISKS

CUSTOMER DUE DILIGENCE AND CHECKS ON BENEFICIARIES

All customers have been checked and future customers / beneficiaries will be checked on the basis of local regulatory and legal requirements (i.e. in line with the Dutch 'Wet Financiële Dienstverlening'.)
The processes in operation within Nationale Borg have been laid down in procedures. These procedures have been refined based on previous experiences and assessment. Via our operational audits management certify that these procedures are upheld. All claims and complaints are analyzed. Structural part of this analysis is the question if procedures have to be further strengthened. Furthermore we use all publicly reported operational issues in the market to test our systems, effectively by asking ourselves, if such issues could occur in our group. This analyses is discussed by the management.

BUSINESS CONTINUITY

Nationale Borg has set itself as standard that after a major disaster, the core business has to be up and running again within 24 hours. All necessary measures have been taken to achieve this standard. Data is backed up and stored off site. Furthermore in personnel planning it is made sure that at least multiple members are capable and knowledgeable in every field of experience utilized. Basis for the business continuity is the fact that we try to reduce the chance of ever having to use the disaster recovery site. By doing so we enlarge the up-time of systems and operations and prevent the costs and hassle of really moving out to the recovery site.
The contracted disaster recovery site is tested twice a year with representatives from all departments. Results of the test are reviewed and if necessary changes are made.
Furthermore business is analyzed for changes and their impact on business continuity. If the inherent risks rise we look for measures to reduce them

CAPITAL MANAGEMENT

Nationale Borg considers it its ultimate goal to preserve enough capital to meet all claims of the beneficiaries. To be able to meet this standard it is important to have a strong capital base. Nationale Borg preserves this capital base by prudent underwriting and prudent investment policies, which have been elaborated on in the risk management paragraphs of this report.

The minimum standards to be met are the capital requirements of the regulators of our insurance entities. In addition, Nationale Borg wants to preserve a rating from independent rating agencies in the A range.
The capital needed for our business according to the standards of the regulator is € 9.6 million and the available capital according to this measurement is € 57.7 million on consolidated basis. In addition, Nationale Borg aims to preserve an S&P rating in the A range. The minimum capital needed for such an external rating is approximately € 47.6 million. Nationale Borg preserves a solid safety margin above this standard, so it can meet the standard even in extremely adverse conditions. Given the current uncertain economic conditions, which increases the downside risk in our insurance portfolio by nature of the risks we insure against, we have opted to keep the risk in our investment portfolio at a low level.

RISK MANAGEMENT

The current capital of € 74.1 million (after the payment of dividend) far exceeds the capital level required to maintain standards under current conditions.

FAIR VALUE HIERARCHY

At 31 December 2009, investments classified as Level 1 comprised approximately 88,6 % 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.

At 31 December 2009, investments classified as Level 2 comprised the remaining part of 11,4% of the financial assets measured at fair value on a recurring basis. This relates to investments in units of a real estate fund. A market quote for this fund is not readily available or accessible. The fair value of this investment is based on the net asset value of the fund. This valuation methodology has been evaluated by the company and the resulting prices were determined to be representative of exit values.

For the accounting policies regarding the determination of the fair values of financial assets and financial liabilities, see "Principles of valuation and determination of result"

The following table presents the group's assets measured at fair value at 31 December 2009. There are no financial liabilities.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
• Shares and other variable yield securities	-	5,150	-	**5,150**
• Bonds and other fixed income securities	28,173	-	-	**28,173**
Financial assets at fair value through P&L				
• Shares and other variable yield securities	11,729	-	-	**11,729**
• Bonds and other fixed income securities	-	-	-	**-**
Total assets	**39,902**	**5,150**	-	**45,052**

The comparative figures for 2008 are:

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
• Shares and other variable yield securities	-	5,826	-	**5,826**
• Bonds and other fixed income securities	10,760	-	-	**10,760**
Financial assets at fair value through P&L				
• Shares and other variable yield securities	3,994	-	-	**3,994**
• Bonds and other fixed income securities	-	-	-	**-**
Total assets	**14,754**	**5,826**	-	**20,580**

During 2009 there were no transfers of financial assets between the Level 1, 2 and 3 fair value hierarchy classifications. As all financial assets and liabilities are classified in the Level 1 or 2 fair value hierarchy, the fair value of these assets and liabilities are not sensitive to possible favorable or unfavorable changes in the assumptions used to determine the fair value (for example, discount rate, credit rating assumptions).

1. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Recon- structions	Fixtures and fittings	IT hardware	Total
At cost as at 1 January 2008	5,640	1,082	547	1,249	8,518
Additions	141	100	110	242	495
At cost as at 31 December 2008	5,640	1,182	657	1,491	8,972
Accumulated depreciation and impairments at 1 January 2008	–	837	340	1,131	2,308
Depreciation charge for the year	141	106	43	75	365
Accumulated depreciation and impairments at 31 December 2008	141	943	383	1,206	2,763
Book value as at 1 January 2008	5,640	245	207	118	6,210
Book value as at 31 December 2008	5,640	239	274	286	6,438
At cost as at 1 January 2009	5,640	1,182	657	1,491	8,970
Additions/disposals		280	46	60	386
Revaluations	3,157				3,157
At cost as at 31 December 2009	8,797	1,462	703	1,551	12,513
Accumulated depreciation and impairments at 1 January 2009	141	943	383	1,206	2,5831
Depreciation charge for the year	175	111	57	112	455
Accumulated depreciation and impairments at 31 December 2009	316	1,054	440	1,317	2,986
Book value as at 1 January 2009	5,640	239	274	286	6,438
Book value as at 31 December 2009	8,797	408	263	234	9,702

Land and buildings relate only to property for own use. Depreciation expense on land and buildings for property for own use of 175 (2008: 141) has been charged to the net operating expenses.
The market value of land and buildings for own use is 8,797 as at 31 December, 2009 and the historical cost price was 1,061 in 2009 and 2008.

REAL ESTATE IN OWN USE

This property is owned directly by Nationale Borg for own (future) use.

2. INTANGIBLE ASSETS

Intangible assets refer to the brand name of Nationale Waarborg, goodwill paid on acquisition on the acquisition of Nationale Waarborg and software:

	Brand name Nationale Waarborg	Goodwill	Software	Total
At cost as at 1 January 2008	–	–	–	
Additions	1,456	2,809	264	4,529
At cost as at 31 December 2008	1,456	2,809	264	4,529
Accumulated depreciation and impairments at 1 January 2008	–	–	–	–
Depreciation charge for the year	121	–	68	189
Accumulated depreciation and impairments at 31 December 2008	121	–	68	189
Book value as at 1 January 2008	–	–	–	–
Book value as at 31 December 2008	1,335	2,809	196	4,340
At cost as at 1 January 2009	1,456	2,809	264	4,529
Additions	–	–	49	49
At cost as at 31 December 2009	1,456	2,809	313	4,578
Accumulated depreciation and impairments at 1 January 2009	121	–	68	189
Depreciation charge for the year	485	–	85	570
Accumulated depreciation and impairments at 31 December 2009	606	–	153	759
Book value as at 1 January 2009	1,335	2,809	196	4,340
Book value as at 31 December 2009	850	2,809	160	3,819

The purchase price partly consists of a deferred consideration, which has been included in other liabilities.

3. FINANCIAL ASSETS

Financial assets classified by type and nature 2009 and 2008:

2009	**Available for sale**	**Asset at Fair Value Through P&L**	**Total**
Shares and other variable yield securities	5,150	11,729	16,879
Bonds and other fixed income securities	28,173		28,173
	33,323	11,729	45,052

2008	**Available for sale**	**Asset at Fair Value Through P&L**	**Total**
Shares and other variable yield securities	5,826	3,994	9,820
Bonds and other fixed income securities	10,760		10,760
	16,586	3,994	20,580

Movements in available-for-sale assets:

	2009	**2008**
Book value at 1 January	**16.586**	128.272
Additions	**22.397**	10.964
Disposals / Maturity	**(5.400)**	(121.394)
Revaluations	**(260)**	(1.256)
Effects of movements in foreign exchange	**–**	–
Book value at 31 December	**33.323**	16.586

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

	2009	**2008**
Book value at 1 January	**3,994**	
Additions	**3,103**	3,722
Disposals	**-**	
Revaluations	**4,632**	272
Effects of movements in foreign exchange	**-**	-
Book value at 31 December	**11,729**	3,994

An impairment of 1,457 on the available-for-sale portfolio has been accounted for during 2009.
The total carrying amount of the financial assets that have been pledged as collateral for liabilities at 31 December 2009 was 10,400 (2008: 10,400). The estimated fair values of these financial assets are comparable with the carrying amount due to the short term nature of the balance. These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the bank acts as intermediary.

4. REINSURANCE CONTRACTS

	2009	2008
Deposits at insurers	**10,896**	9,587
Reinsurers' share of insurance liabilities:		
• Provisions for unearned premiums	**4,911**	4,717
• Claims and loss adjustment expenses	**12,375**	17,938
	28,182	32,242

5. RECEIVABLES

	2009	2008
Accounts receivable on insurance and reinsurance business:		
• Amounts owed by policy holders and direct insurance operations	**5,154**	3,548
• Receivables arising out of reinsurance	**2.484**	1,692
• Other accounts receivable	**983**	1,500
Total receivables	**8,621**	6,740

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

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

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

	2009	2008
Balance as at 1 January	**298**	**157**
Provision for receivables impairment	**173**	**141**
Receivables written off during the year as uncollectible	**–**	**–**
Unused amounts reversed	**–**	**–**
Balance as at 31 December	**471**	**298**

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

6. OTHER ASSETS

	2009	2008
Accrued interest	**176**	-
Accrued acquisition costs	**1,923**	2,767
Other	**818**	5,605
	2,917	8,372

The miscellaneous assets and accruals are substantially all current and consequently their fair values do not materially differ from their book value.

Movements on the deferred acquisition costs are as follows:

	2009	2008
Balance as at 1 January	**2,767**	2,725
Change in deferred acquisition costs	**(844)**	42
Balance as at 31 December	**1,923**	2,767

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

7. CASH AND CASH EQUIVALENTS

	2009	2008
Cash at banks and in hand	**3,094**	6,517
Cash investment accounts	**85,293**	98,010
Cash received as collateral	**7,489**	8,708
Total cash and cash equivalents	**95,876**	113,235

8. CAPITAL AND RESERVES

The Capital and Reserves are further disclosed in note 10 to the company financial statements on page 79.

9. TECHNICAL PROVISIONS

	2009	2008
Total		
Provision for unearned premium	**18,023**	21,443
Provision for claims	**64,682**	68,626
Claims incurred but not reported	**2,521**	2,591
Total underwriting provisions at 31 December	**85,226**	92,660

Guarantees		
Provision for unearned premium	**8,589**	7,069
Provision for claims	**9,410**	12,259
Claims incurred but not reported	**-**	-
Total technical provisions at 31 December	**17,999**	19,328
Money and Fraud Insurance*		
Provision for unearned premium	**-**	901
Provision for claims	**6,626**	13,255
Claims incurred but not reported	**225**	375
Total technical provisions at 31 December	**6,851**	14,531
Reinsurance		
Provision for unearned premium	**9,434**	13,473
Provision for claims	**48,646**	43,112
Claims incurred but not reported	**2,296**	2,216
Total technical provisions at 31 December	**60,376**	58,801

* Part of these reserves are held to settle claims on policies that were transferred to Delta Lloyd towards the end of 2008.

The movement schedule of technical provisions:

	Gross	Reinsured	Net
Total			
Opening provision for claims	71,217	17,937	53,280
Change in provision	(4,302)	(5,563)	1,261
Effects of changes in foreign exchange	288		288
Ending provision for claims	67,203	12,374	54,829
Provision for unearned premium	21,443	4,718	16,725
Change in provision	(3,420)	172	(3,592)
Ending provision for unearned premium	18,023	4,890	13,133
Guarantees			
Opening provision for claims	12,259	4,965	7,294
Change in provision	(2,850)	(184)	(2,666)
Ending provision for claims	9,409	4,781	4,628
Provision for unearned premium	7,070	3,646	3,424
Change in provision	1,519	805	714
Ending provision for unearned premium	8,589	4,451	4,138

Money and Fraud Insurance			
Opening provision for claims	13,630	10,895	2,735
Change in provision	(6,779)	(5,421)	(1,358)
Ending provision for claims	6,851	5,474	1,377
Provision for unearned premium	901	471	430
Change in provision	(500)	(450)	(50)
Effect of portfolio sold to Delta Lloyd	(401)	(21)	(380)
Ending provision for unearned premium	0	0	0
Reinsurance			
Opening provision for claims	45,328	2,077	43,251
Change in provision	5,327	42	5,285
Effects of changes in foreign exchange	288		288
Ending provision for claims	50,943	2,119	48,824
Provision for unearned premium	13,472	601	12,871
Change in provision	(4,038)	(162)	(3,876)
Ending provision for unearned premium	9,434	439	8,995

10. PAYABLES

	2009	2008
Accounts payable on insurance and reinsurance business		
Payables arising out of reinsurance operations	**3,092**	1,319
Amounts due to policy holders*	**7,489**	8,708
	10,581	10,027
Trade and other accounts payable		
Accounts payable	**205**	1,563
Other accounts payable**	**6,865**	502
	7,070	2,065
Total accounts payable	**17,651**	12,092

*Amounts due to policy holders includes bank deposits from policy holders.

** Other accounts payable mainly consist of reinsurance commission reserve.

The payables due are substantially all current.

11. MISCELLANEOUS LIABILITIES AND ACCRUALS

	2009	2008
Payroll and other accruals	**1,293**	1,168
Sundry creditors	**2,123**	1,998
Balance as at 31 December	**3,416**	3,166

All other liabilities are current liabilities and payable within one year.

12. EMPLOYEE BENEFIT LIABILITIES

	2009	2008
Retirement benefits	**668**	626
Other long-term employee benefits	**-**	-
	668	626

13. DEFERRED INCOME TAX LIABILITIES

	2009	2008
Deferred income tax assets	**(642)**	(662)
Deferred income tax liabilities	**3,890**	1,111
	3,248	449

The movement on the deferred income taxes is as follows:

	2009	2008
Balance as at 1 January	**449**	(94)
Charge/(credit) to equity for the year	**1,282**	(215)
Charge/(credit) to the income statement for the year	**1,517**	758
Balance as at 31 December	**3,248**	449

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

i. Deferred tax assets

	Technical provisions	Total
Balance as at 1 January 2008	(1,618)	**(1,618)**
Charge/(credit) to equity for the year	–	**–**
Charge/(credit) to the income statement for the year	956	**956**
Balance as at 31 December 2008	(662)	**(662)**

Balance as at 1 January 2009	(662)	**(662)**
Charge/(credit) to equity for the year	–	**–**
Charge/(credit) to the income statement for the year	20	**20**
Balance as at 31 December 2009	(642)	**(642)**

ii. Deferred tax liabilities

	First time adoption	Unrealized appreciation of investment property	Unrealized appreciation of other investments	Equalization reserve	Deferred acquisition cost	**Total**
Balance as at 1 January 2008	408	1,326	(210)	–	–	**1,524**
Charge/(credit) to equity for the year		36	(251)	–	–	**(215)**
Charge/(credit) to the income statement for the year	(408)	–	210	–	–	**(198)**
Balance as at 31 December 2008	–	1,362	(251)	–	–	**1,111**
Balance as at 1 January 2009	–	1,362	(251)	–	–	**1,111**
Charge/(credit) to equity for the year	–	771	511	–	–	**1,282**
Charge/(credit) to the income statement for the year	–	43	(142)	1,106	490	**1,497**
Balance as at 31 December 2009	–	2,176	120	1,106	490	**3,890**

The deferred income tax charged or credited to equity at the end of year is as follows:

	2009	2008
Reserves in shareholders' equity:		
Revaluation reserve	**1,282**	(215)

14. CURRENT INCOME TAX LIABILITIES

	2009	**2008**
Current income tax liabilities	**1,261**	4,680

The current income tax liabilities consist of income and other local taxes payable.

15. NET PREMIUM EARNED

	2009			2008		
	Gross	**Reinsurers' share**	**Net**	**Gross**	**Reinsurers' share**	**Net**
Guarantees						
Written premium	**27,263**	**13.859**	**13,404**	22,400	10,852	11,548
Change in provision for unearned premium	**(1.518)**	**(805)**	**(713)**	(1,303)	27	(1,330)
Earned premium	**25,745**	**13,054**	**12,691**	21,097	10,879	10,218
Insurance						
Written premium	**221**	**109**	**112**	4,060	2,170	1,890
Change in provision for unearned premium	**500**	**450**	**50**	173	175	(2)
Earned premium	**721**	**559**	**162**	4,233	2,345	1,888
Reinsurance						
Written premium	**43,066**	**234**	**42,832**	38,767	453	38,314
Change in provision for unearned premium	**4,039**	**162**	**3,877**	(1,677)	1,233	(444)
Earned premium	**47,105**	**396**	**46,709**	37,090	(780)	37,870
Total earned premium	**73.571**	**14,008**	**59,563**	62,420	12,444	49,976

16. NET INVESTMENT INCOME

NET INVESTMENT INCOME BY TYPE OF INVESTMENT

	2009	**2008**
Income/expense from:		
• Property	**262**	231
• Bonds and other fixed rate securities	**1,650**	4,115
• Shares and other variable yield securities	**4,248**	(11,062)
Net income/(expense) from investments	**6,160**	(6,716)

NET INVESTMENT INCOME BY NATURE OF INCOME/(EXPENSE)

	2009	**2008**
Income/(expense) from:		
Interest	**1,650**	3,465
Dividends	**–**	–
Realized gains	**118**	(10,762)
Unrealized gains	**4,130**	311
Rental income from property	**262**	270
Net income/(expense) from investments	**6,160**	(6,716)

The majority of the interest income and expenses reported above is related to financial assets available-for-sale. This net income is derived from government and corporate bonds.

17. NET INSURANCE CLAIMS

	2009			**2008**		
	Gross	**Re-insurers' share**	**Net**	**Gross**	**Re-insurers' share**	**Net**
Total						
Claims paid in the year	**40,031**	**12,866**	**27,165**	17,135	1,147	18,988
Change in provision for outstanding claims	**(4,302)**	**(5,563)**	**1,261**	9,608	5,803	3,805
Claims handling expenses	**1,471**	**-**	**1,471**	1,873	-	1,873
Total insurance claims and loss adjustment expenses	**37,200**	**7,303**	**29,897**	28,616	6,950	21,666
Guarantees						
Claims paid in the year	**11,685**	**5,827**	**5,858**	853	162	691
Change in provision for outstanding claims	**(2,850)**	**(184)**	**(2,666)**	(2,876)	(122)	(2,754)
Claims handling expenses	**715**	**-**	**715**	1,225	-	1,225
Total insurance claims and loss adjustment expenses	**9,550**	**5,643**	**3,907**	(798)	40	(838)
Money/Fraud Insurance						
Claims paid in the year	**8,283**	**7,027**	**1,256**	1,300	569	731
Change in provision for outstanding claims	**(6,779)**	**(5,421)**	**(1,358)**	9,693	6,328	3,365
Claims handling expenses	**511**	**-**	**511**	388	-	388
Total insurance claims and loss adjustment expenses	**2,015**	**1,606**	**409**	11,381	6,897	4,484

Reinsurance						
Claims paid in the year	**20,063**	**12**	**20,051**	14,982	416	14,566
Change in provision for outstanding claims	**5,327**	**42**	**5,285**	2,791	(403)	3,194
Claims handling expenses	**245**	**-**	**245**	260	-	260
Total insurance claims and loss adjustment expenses	**25,635**	**54**	**25,581**	18,033	13	18,020

18. NET OPERATING EXPENSES

	2009	2008
Staff expenses	**8,886**	8,012
Depreciation	**1,024**	554
Other expenses	**1,923**	2,998
Total administrative expenses	**11,833**	11,564
Gross acquisition costs	**15,489**	14,702
Gross change in deferred acquisition costs	**844**	(42)
Total acquisition costs	**16,333**	14,660
Other	**1,351**	(661)
Net operating expenses	**29,517**	25,563

19. OTHER INCOME

In 2008, Other Income consisted mainly of the proceeds from the sale of the Dutch money and fraud insurance portfolio.

20. INCOME TAX EXPENSES

	2009	2008
Current tax	**1,609**	1,560
Deferred tax	**1,517**	758
	3,126	2,318

Tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2009	2008
Profit before tax	**10,740**	2,641
Tax calculated at domestic tax rates applicable to profits in the respective countries	**3,596**	643
Tax exempt income and other permanent differences	**(470)**	1,675
Tax charge for the year	**3,126**	2,318

The weighted average applicable tax rate is 29% (2008: 59%). The 2008 rate was high mainly due to the tax regime in the Antilles, where a loss was incurred but taxes were based on total premiums received. In Belgium, taxable income was taxed at 33%. The applicable tax rate in The Netherlands is 25,5%

21. EARNINGS AND DIVIDENDS PER SHARE

BASIS EARNINGS PER SHARE

	2009	2008
Continuing operations:		
Profit attributable to the company's equity holders (in thousands of euros)	**7,614**	323
Number of ordinary shares issued as per 31 December	**803,760**	803,760
Earnings per share (in euros)	**9,48**	0.40

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

DIVIDEND PER SHARE

The dividend paid in 2009 amounted to 6,500 (2008: 3,000).

22. CONTINGENCIES

The group, like all other insurers, is subject to litigation in the normal course of business. The group does not believe that such litigation will have a material effect on its profit or loss and financial condition.

23. CAPITAL COMMITMENTS

None.

24. PERSONNEL

The number of employees working for the group:	2009	2008
Total average number of employees (full-time equivalent)	**84,3**	69,6
Total year-end number of employees (full-time equivalent)	**86,2**	78,7
Total year-end number of employees	**89**	83

25. REMUNERATION MANAGEMENT BOARD AND SUPERVISORY BOARD

The following table provides details regarding the remuneration of the Management Board and Supervisory Board.

The Management Board consists of 2 members (2008: 2 members). The Supervisory Board consists of 3 members (2008: 3 members).

	2009	2008
Short-term employee benefits	**412**	473
Bonus payments	**73**	198
Termination benefits	**-**	400
Total compensation paid to the Management Board	**485**	1,071
Short-term benefits	**6**	11
Total compensation paid to the Supervisory Board	**6**	11

26. EVENTS AFTER THE BALANCE SHEET DATE

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

27. AUDITOR FEES

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

	2009	2008
Financial statement audit	**157**	54
Other assurance services	**-**	-
Other non-assurance services	**-**	-
Tax advise	**-**	-
Total fees paid to KPMG Accountants N.V. during the year	**157**	54

ADDITIONAL INFORMATION

TAX OBLIGATIONS

N.V. Nationale Borg-Maatschappij together with N.V. Beleggings- en Beheersmaatschappij Keizersgracht, Nationale Borg Beheer B.V. and Nationale Waarborg B.V. form a fiscal unity for company tax purposes. Therefore, all direct payable tax amounts of this group are recorded in the accounts of N.V. Nationale Borg Maatschappij.

All four corporate entities are fully liable for the full amount of the payable company income tax.

2009

COMPANY FINANCIAL STATEMENTS

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2009

Before appropriation of result

	Note	**2009**		2008	
ASSETS					
Property, plant and equipment	*1*		**9,597**		6,357
Investments in associated companies and joint ventures	*2*		**38,452**		35,353
Intangible assets	*3*		**3,819**		4,340
Financial assets:	*4*		**18,180**		16,586
Reinsurance contracts	*5*		**42,772**		40,939
Receivables:	*6*				
• Accounts receivable on insurance and reinsurance business		**5,166**		1,732	
• Other accounts receivables		**613**		1,500	
			5,779		3,232
Other assets:					
• Deferred acquisition costs	*7*	**1,923**		2,767	
• Miscellaneous assets and accruals	*8*	**12,689**		5,592	
			14,612		8,359
Cash and cash equivalents:	*9*				
• Cash		**65,433**		80,818	
• Cash received as collateral		**7,489**		8,708	
			72,922		89,526
TOTAL ASSETS			**206,133**		204,692

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	2009	2009	2008	2008
EQUITY					
Subscribed capital			**4,019**		4,019
Capital reserve			**824**		824
Revaluation reserve			**6,426**		3,246
Revenue reserve (including currency)			**63,546**		69,614
Undistributed profits			**7,614**		323
Capital and reserves attributable to the equity holders of the company	*10*		**82,429**		78,026
TOTAL EQUITY			**82,429**		78,026
LIABILITIES					
Technical provisions	*11*		**85,208**		92,641
Payables:	*12*				
• Accounts payable on insurance and reinsurance business		**10,581**		10,026	
• Trade and other payables		**15,670**		10,548	
			26,251		20,574
Other liabilities:					
• Deposits received from reinsurers		**1,891**		1,116	
• Miscellaneous liabilities and accruals	*13*	**5,897**		6,964	
			7,788		8,080
Employee benefit liabilities	*14*		**623**		634
Deferred income tax liabilities	*15*		**3,192**		449
Current income tax liabilities	*16*		**642**		4,288
TOTAL LIABILITIES			**123,704**		126,666
TOTAL EQUITY AND LIABILITIES			**206,133**		204,692

COMPANY INCOME STATEMENT FOR THE YEAR 2009

	2009	2008
Share of income from group companies	**2,939**	(2,974)
Other income and expense	**7,154**	5,243
PROFIT BEFORE TAX	**10,093**	2,269
Income tax expenses	**2,476**	1,946
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**7,614**	323

COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR 2009

	2009	2008
Available for sale investments:		
• Valuation gains/losses taken to equity	**2,330**	(827)
• Transferred to profit and loss on sale	**850**	2,151
Exchange differences on translation of foreign operations	**109**	(112)
NET INCOME DIRECTLY RECOGNIZED IN EQUITY	**3,289**	1,212
Profit for the period	**7,614**	323
TOTAL RECOGNIZED INCOME AND EXPENSES FOR THE PERIOD	**10,903**	1,535

COMPANY CHANGES IN EQUITY

Attributable to the equity holders of the company

	Subscribed capital	Capital reserve	Revaluation reserve	Currency translation reserve	Revenue reserve	Undistri-buted profits	Total
EQUITY AT 1 JANUARY 2008	4,019	824	1,922	(199)	26,580	46,345	79,491
Available for sale investments:							
• Valuation gains/losses taken to equity	–	–	(827)	–	–	–	(827)
• Transferred to profit or loss on realization of result	–	–	2,151	–	–	–	2,151
Exchange differences on translation of foreign operations	–	–	–	(112)	–	–	(112)
NET INCOME RECOGNIZED DIRECTLY IN EQUITY	–	–	1,324	(112)	–	–	1,212
Profit for the period	–	–	–	–	–	323	323
TOTAL RECOGNIZED INCOME AND EXPENSES FOR THE PERIOD	–	–	1,324	(112)	–	323	1,535
Dividends	–	–	–	–	(3,000)	–	(3,000)
EQUITY AS PER 31 DECEMBER 2008	4,019	824	3,246	(311)	23,580	46,668	78,026
EQUITY AT 1 JANUARY 2009	4,019	824	3,246	(311)	23,580	46,668	78,026
Available for sale investments:							
• Valuation gains/losses taken to equity	–	–	2,330	–	–	–	2,330
• Transferred to profit or loss on realization of result	–	–	850	–	–	–	850
Exchange differences on translation of foreign operations	–	–	–	109	–	–	109
NET INCOME RECOGNIZED DIRECTLY IN EQUITY	–	–	3,180	109	–	–	3,289
Profit for the period	–	–	–	–	–	7,614	7,614
TOTAL RECOGNIZED INCOME AND EXPENSES FOR THE PERIOD	–	–	3,180	109	–	7,614	10,903
Dividends	–	–	–	–	(6,500)	–	(6,500)
EQUITY AS PER 31 DECEMBER 2009	4,019	824	6,426	(202)	17,080	54,282	82,429

COMPANY CASH FLOW FOR THE YEAR 2009

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period after tax	**7,614**	3232
Adjustments for:		
• Realized capital (gains) and losses on investments	**(929)**	1,212
• Share in income from investments in associates	**(3,099)**	1,997
• Depreciation and amortization	**993**	549
Changes in operational assets and liabilities:		
• Underwriting provisions, gross	**(7,433)**	12,084
• Reinsurance assets, net	**(1,058)**	(10,771)
• Deferred acquisition costs	**844**	(42)
• Accounts receivable and payable on insurance and reinsurance business	**(2,879)**	2,850
Other operating assets and liabilities:		
• Cash (used in)/generated by operating activities	**1,988**	(10,024)
Income taxes paid	**(3,524)**	1,240
NET CASH (USED IN)/GENERATED BY OPERATING ACTIVITIES	**(7,483)**	(650)
CASH FLOWS FROM INVESTMENT ACTIVITES		
Investments and acquisition (cash outflows):		
• Financial investments available for sale	**(7,467)**	(9,713)
• Property, plant and equipment and intangible fixed assets	**(555)**	(4,849)
Divestments, redemptions and disposals (cash inflows):		
• Financial investments available for sale	**5,400**	94,654
• Property, plant and equipment and intangible fixed assets	**–**	–
NET CASH (USED IN)/GENERATED BY INVESTMENT ACTIVITIES	**(5,061)**	80,161
CASH FLOWS FROM FINANCING ACTIVITIES		
• Dividend paid	**(6,500)**	(3,000)
NET CASH (USED IN)/GENERATED BY FINANCING ACTIVITIES	**(6,500)**	(3,000)
CHANGES IN CASH AND CASH EQUIVALENTS	**(16,604)**	76,510
Cash and cash equivalents at the end of the preceding year	**89,526**	13,016
Cash and cash equivalents at the end of the financial year	**72,922**	89,526

GENERAL INFORMATION

N.V. Nationale Borg-Maatschappij, based in Amsterdam (the Netherlands) is the parent company of Nationale Borg group. The company statements are part of the 2009 financial statements, which also include the consolidated annual accounts. The company statement has been rendered in abbreviated form pursuant to Book 2, section 402 of the Netherlands Civil Code.

ACCOUNTING PRINCIPLES

The company annual accounts have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code.
In the preparation of the company annual accounts, the provisions of Article 362, subsection 8 of Book 2 of the Netherlands Civil Code have been applied.
The accounting principles for the company financial statements are the same as for the consolidated financial statement. Therefore we refer to Chapter 13.

SUBSIDIARIES

Subsidiaries are valued at net asset value, Subsidiaries have the same accounting principles and reporting period as N.V. Nationale Borg-Maatschappij.

TRANSACTIONS WITH RELATED PARTIES

Nationale Borg has a reinsurance relation with its subsidiary Antilliaanse Borg-Maatschappij. As one of Nationale Borg's reinsurers, Antilliaanse Borg Maatschappij in 2009 17,348 in premiums from Nationale Borg. Reversely in 2009 Nationale Borg booked premiums of 111 as reinsurer of the direct business generated by Antilliaanse Borg Maatschappij.

1. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Recon-structions	Fixtures and fittings	IT hardware	Total
At cost as at 1 January 2008	5,640	1,082	547	1,229	8,498
Additions	141	100	103	162	506
At cost as at 31 December 2008	5640	1,182	651	1,391	8,863
Accumulated depreciation and impairments at 1 January 2008	–	837	340	1,111	2,288
Depreciation charge for the year	141	106	43	69	359
Accumulated depreciation and impairments at 31 December 2008	–	943	383	1,288	2,288
Book value as at 1 January 2008	5,640	245	207	118	6,210
Book value as at 31 December 2008	5,640	239	267	211	6,357
At cost as at 1 January 2009	5,640	1,182	651	1,391	8,863
Additions/disposals		271	13	46	330
Revaluations	3,157				3,157
At cost as at 31 December 2009	8,797	1,453	664	1,437	12,350
Accumulated depreciation and impairments at 1 January 2009	141	943	383	1,180	2,506
Depreciation charge for the year	175	109	50	90	423
Accumulated depreciation and impairments at 31 December 2009	316	1,052	433	1,270	2,930
Book value as at 1 January 2009	5,640	239	267	211	9,513
Book value as at 31 December 2009	8,797	401	231	168	9,597

2. INVESTMENTS IN ASSOCIATED COMPANIES

The following table shows the changes in investments in associated companies valued at equity:

	2009	2008
Balance as at 1 January	**35,353**	37,350
Share of (loss)/profit	**2,939**	(3,174)
Additions	**–**	1,177
Disposal	**–**	–
Revaluations	**160**	–
Effect of movements in foreign exchange	**–**	–
Balance as at 31 December	**38,452**	35,353

2008	Country of incorporation	Assets	Liabilities	Revenues	Shares of profit/(loss)	Interest held %
Antilliaanse Borg-Maatschappij N.V.	Dutch Antilles, Curaçao	34,822	9,108	7,682	(2,929)	100.00
N.V. Beleggings- en beheermaatschappij "Keizersgracht"	The Netherlands, The Amsterdam	8,667	–	–	–	100.00
Nationale Waarborg B.V.	The Netherlands, Nieuwegein	1,619	642	333	(200)	100.00
Total at the end of 2008		45,108	9,750	8,015	(3,129)	

2009	Country of incorporation	Assets	Liabilities	Revenues	Shares of profit/(loss)	Interest held %
Antilliaanse Borg-Maatschappij N.V.	Dutch Antilles, Curaçao	57,605	28,566	16,222	3,170	100.00
N.V. Beleggings- en beheermaatschappij "Keizersgracht"	The Netherlands, The Amsterdam	8,667	–	–	–	100.00
Nationale Waarborg B.V.	The Netherlands, Nieuwegein	1,355	500	1,372	(231)	100.00
Total at the end of 2009		67,627	29,066	17,594	2,939	

3. INTANGIBLE ASSETS

Intangible assets refer to the brand name of Nationale Waarborg, goodwill paid on acquisition on the acquisition of Nationale Waarborg and software:

	Brand name Nationale Waarborg	Goodwill	Software	Total
At cost as at 1 January 2008	–	–	–	
Additions	1,456	2,809	264	4,529
At cost as at 31 December 2008	1,456	2,809	264	4,529
Accumulated depreciation and impairments at 1 January 2008	–	–	–	–
Depreciation charge for the year	121	–	68	189
Accumulated depreciation and impairments at 31 December 2008	121	–	68	189
Book value as at 1 January 2008	–	–	–	–
Book value as at 31 December 2008	1,335	2,809	196	4,340
At cost as at 1 January 2009	1,456	2,809	264	4,529
Additions	–	–	49	49
At cost as at 31 December 2009	1,456	2,809	313	4,578
Accumulated depreciation and impairments at 1 January 2009	121	–	68	189
Depreciation charge for the year	485	–	85	570
Accumulated depreciation and impairments at 31 December 2009	606	–	153	759
Book value as at 1 January 2009	1,335	2,809	196	4,340
Book value as at 31 December 2009	850	2,809	160	3,819

4. FINANCIAL ASSETS

Financial assets classified by type and nature 2009:

	Available for sale	Total
Shares and other variable yield securities	5,150	5,150
Bonds and other fixed income securities	13,030	13,030
	18,180	18,180
Listed	18,180	18,180

Financial assets classified by type and nature 2008:

	Available for sale	Total
Shares and other variable yield securities	5,826	5,826
Bonds and other fixed income securities	10,760	10,760
	16,586	16,586
Listed	16,586	16,586

MOVEMENT IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009	**2008**
Book value at 1 January	**16,586**	101,527
Additions	**7,467**	10,964
Disposals	**(5,400)**	(94,654)
Amortization charge for the year	**-**	-
Revaluations	**(473)**	(1,251)
Effects of movements in foreign exchange	**-**	-
Book value at 31 December	**18,180**	16,586

An impairment of 1,457 on the available-for-sale portfolio has been accounted for during 2009.
The total carrying amount of the financial assets that have been pledged as collateral for liabilities at 31 December 2009, was 10,400 (2008: 10,400). The estimate fair values of these financial assets are comparable with the carrying amount due to the short-term nature of the balance. These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the bank acts as intermediary.

SHARES AND OTHER VARIABLE YIELD SECURITIES

	2009	2008
Shares	**–**	–
Investment funds	**5,150**	5,826
	5,150	5,826

BONDS AND OTHER FIXED INCOME SECURITIES

	2009	2008
Government bonds	**13,030**	10,760
Corporate bonds	**-**	-
	13,030	10,760

5. REINSURANCE CONTRACTS

	2009	2008
Deposits at insurers	**10,896**	9,587
Reinsurers' share of insurance liabilities:		
Provisions for unearned premiums	**10,366**	8,893
Claims and loss adjustment expenses	**21,510**	22,459
	42,772	40,939

Amounts due from reinsurers in respect of claims already paid by the company on the contracts that are reinsured are included in receivables.

6. RECEIVABLES

	2009	2008
Accounts receivable on insurance and reinsurance business:		
Amounts owed by policy holders and direct insurance operations	**4,439**	40
Receivables arising out of reinsurance	**727**	1,692
Other accounts receivable	**613**	1,500
Total receivables	**5,779**	3,232

The outstanding receivables are substantially all current and consequently their fair values do not materially differ from its book value.
There is no concentration of credit risk with respect to receivables as the group has a large number of internationally dispersed debtors.
All receivables are considered on an individual basis for impairment testing. As of 31 December 2009, receivables of 1,212 were considered to be partially impaired. In this balance it has been taken into account

that a portion of the impaired receivables will be recovered. The company does not hold any collateral over these balances.

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

	2009	2008
Balance as at 1 January	**298**	157
Provision for receivables impairment	**173**	141
Balance as at 31 December	**471**	298

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 recovering.

7. DEFERRED ACQUISITION COSTS

	2009	2008
Balance as at 1 January	**2,767**	2,725
Change in deferred acquisition costs	**(844)**	42
Balance as at 31 December	**1,923**	2,767

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

8. MISCELLANEOUS ASSETS AND ACCRUALS

	2009	2008
Accrued interest	**176**	-
Other	**12,513**	5,592
	14,689	5,592

The miscellaneous assets and accruals are substantially all current and consequently their fair values do no materially defer from their book value.

9. CASH AND CASH EQUIVALENTS

	2009	2008
Cash at bank and in hand	**3,094**	6,517
Cash investment accounts	**62,339**	**74,301**
Cash received as collateral	**7,489**	**8,708**
Total cash and cash equivalents	**72,922**	89,526

10. CAPITAL AND RESERVES

SUBSCRIBED CAPITAL

	2009	2008
Balance as at 31 December	**4,019**	4,019

The total authorised share capital is € 11,000 million (2008: € 11,000 million).
The share capital of € 4,019 million (2008: € 4,019 million) is divided into 803,760 fully paid ordinary shares of € 5. The fully paid shares carry one vote per share and carry the rights to dividends.

CAPITAL RESERVE

	2009	2008
Balance as at 31 December	**824**	824

REVALUATION RESERVE

	2009	2008
Balance as at 1 January	**3,246**	1,922
Change in revaluation reserve – gross	**3,321**	(1,110)
Change in revaluation reserve – tax	**(991)**	283
Net gains transferred to net profit on disposal – gross	**1,141**	1,603
Net gains transferred to net profit on disposal – tax	**(291)**	548
Balance as at 31 December	**6,426**	3,246

The revaluation reserve consists of € 6.226 (2008: € 3.979) for real estate and € 200 (2008: (€ 733)) for financial fixed assets (all net of tax).

CURRENCY TRANSLATION RESERVE

	2009	2008
Balance as at 1 January	**(311)**	**(199)**
Currency translation	**109**	**(112)**
Balance as at 31 December	**(202)**	**(311)**

The company's significant foreign currencies and its sensitivity to fluctuations is set out in the notes to the consolidated balance sheet.

REVENUE RESERVE

	2009	2008
Balance as at 1 January	**70,248**	72,925
Currency translation	**–**	–
Dividends	**(6,500)**	(3,000)
Profit for the year	**7,614**	323
Balance as at 31 December	**71,362**	70,248

DIVIDEND DISTRUTION

The group's dividend distribution is based on the company financial statements. The company and its subsidiaries are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's shareholders' equity and reserves required by law. Additionally, certain subsidiaries are subject to restrictions on the amount of funds they may transfer in the form of dividends or otherwise to the company.

11. TECHNICAL PROVISIONS

	2009	2008
Total		
Provision for unearned premium	18,004	21,424
Provision for claims	66,979	68,726
Claims incurred but not reported	225	2,491
Total technical provisions at 31 December	85,208	92,641
Guarantees		
Provision for unearned premium	8,570	7,050
Provision for claims	9,410	12,259
Claims incurred but not reported	-	-
Total technical provisions at 31 December	17,980	19,309
Money and Fraud Insurance		
Provision for unearned premium	-	901
Provision for claims	6.626	13,255
Claims incurred but not reported	225	375
Total technical provisions at 31 December	6,851	14,531
Reinsurance		
Provision for unearned premium	9,434	13,473
Provision for claims	50,943	43,212
Claims incurred but not reported	-	2,116
Total technical provisions at 31 December	60,377	58,801

The movement schedule of technical provisions:

	Gross	Reinsured	Net
Total			
Opening provision for claims	71,217	22,459	48,758
Change in provision	(4,302)	(952)	(3,350)
Effects of changes in foreign exchange	288		288
Ending provision for claims	67,203	21,507	45,696
Provision for unearned premium	21,423	8,893	12,530
Change in provision	(3,418)	1,472	(4,890)
Ending provision for unearned premium	18,005	10,365	7,640
Guarantees			
Opening provision for claims	12,259	5,665	6,594
Change in provision	(2,850)	384	(3,234)
Ending provision for claims	9,409	6,049	3,360
Provision for unearned premium	7,049	4,607	2,442
Change in provision	1,521	1,081	440
Ending provision for unearned premium	8,570	5,688	2,882
Money and Fraud Insurance			
Opening provision for claims	13,630	11,359	2,271
Change in provision	(6,779)	(5,577)	(1,202)
Ending provision for claims	6,851	5,782	1,069
Provision for unearned premium	901	609	292
Change in provision	(500)	(588)	88
Effect of portfolio sold to Delta Lloyd	(401)	(21)	(380)
Ending provision for unearned premium	0	0	0
Reinsurance			
Opening provision for claims	45,328	5,435	39,893
Change in provision	5,327	4,241	1,086
Effects of changes in foreign exchange	288		288
Ending provision for claims	50,943	9,676	41,267
Provision for unearned premium	13,473	3,677	9,796
Change in provision	(4,038)	1,000	(5,038)
Ending provision for unearned premium	9,435	4,677	4,758

12. PAYABLES

	2009	2008
Accounts payable on insurance and reinsurance business		
Payables arising out of reinsurance operations	**3,092**	1,318
Amounts due to policy holders	**7,489**	8,708
	10,581	10,026
Trade and other accounts payable		
Accounts payable	**170**	1,542
Other accounts payables	**15,500**	9,006
	15,670	10,548
Balance as at 31 December	**26,251**	20,574

The payables due are substantially all current.

13. MISCELLANEOUS LIABILITIES AND ACCRUALS

	2009	2008
Bond purchase	**-**	-
Payroll and other accruals	**1,296**	1,109
Sundry creditors	**4,601**	5,855
Balance as at 31 December	**5,897**	6,964

All other liabilities are current liabilities and payable within 1 year.

14. EMPLOYEE BENEFIT LIABILITIES

	2009	2008
Retirement benefits	**623**	634
Other long-term employee benefits	**-**	-
	623	634

15. DEFERRED INCOME TAX LIABILITES

	2009	2008
Deferred income tax assets	**(642)**	(662)
Deferred income tax liabilities	**3,834**	1,111
	3,192	449

The movement on the deferred income taxes is as follows:

	2009	2008
Balance as at 1 January	**449**	(94)
Charge/(credit) to equity for the year	**1,227**	(215)
Charge/(credit) to the income statement for the year	**1,516**	758
Balance as at 31 December	**3,192**	449

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

i. Deferred tax assets

	Technical provisions	Total
Balance as at 1 January 2008	(1,618)	**(1,618)**
Charge/(credit) to equity for the year	–	**–**
Charge/(credit) to the income statement for the year	956	**956**
Balance as at 31 December 2008	(662)	**(662)**
Balance as at 1 January 2009	(662)	**(662)**
Charge/(credit) to equity for the year	–	**–**
Charge/(credit) to the income statement for the year	20	**20**
Balance as at 31 December 2009	(642)	**(642)**

ii. Deferred tax liabilities

	First time adoption	Unrealized appreciation of investment property	Unrealized appreciation of other investments	Equalization reserve	Deferred acquisition cost	**Total**
Balance as at 1 January 2008	408	1,326	(210)	–	–	**1,524**
Charge/(credit) to equity for the year		36	(251)	–	–	**(215)**
Charge/(credit) to the income statement for the year	(408)	–	210	–	–	**(198)**
Balance as at 31 December 2008	–	1,362	(251)	–	–	**1,111**
Balance as at 1 January 2009	–	1,362	(251)	–	–	**1,111**
Charge/(credit) to equity for the year	–	771	511	–	–	**1,282**
Charge/(credit) to the income statement for the year	–	43	(198)	1,106	490	**1,441**
Balance as at 31 December 2009	–	2,176	62	1,106	490	**3,834**

The deferred income tax charged or credited to equity at the end of year is as follows:

	2009	2008
Reserves in shareholders' equity:		
Revaluation reserve	**1.282**	(215)

16. CURRENT INCOME TAXES

	2009	**2008**
Current income tax liabilities	**642**	4,288

The current income tax liabilities consist of income and other local income taxes payable.

OTHER INFORMATION

AUDITOR'S REPORT

To the Board of Directors of N.V. Nationale Borg-Maatschappij Amsterdam

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements 2009 of N.V. Nationale Borg-Maatschappij, Amsterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2009, the consolidated income statement, consolidated statement of comprehensive income, consolidated changes in equity, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2009, the company profit and loss account for the year then ended and the notes.

MANAGEMENT'S RESPONSIBILITY

Management of N.V. Nationale Borg-Maatschappij is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OTHER INFORMATION

OPINION WITH RESPECT TO THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position of N.V. Nationale Borg-Maatschappij as at 31 December 2009, 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.

OPINION WITH RESPECT TO THE COMPANY FINANCIAL STATEMENTS

In our opinion, the company financial statements give a true and fair view of the financial position of N.V. Nationale Borg-Maatschappij as at 31 December 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 9 April 2010

KPMG ACCOUNTANTS N.V.

F.M. van den Wildenberg RA

OTHER INFORMATION

PROFIT APPROPRIATION

The profit is appropriated according to Article 21 of the articles of Association of N.V. Nationale Borg-Maatschappij, the relevant stipulations of which state:
"The profit may not be distributed until after adoption of the Annual Accounts showing that the shareholders' equity of the company exceeds the amount of the paid and called-up portion of the capital, plus the reserves which must be maintained pursuant to law."
The Executive Board proposes to the annual shareholders' meeting to declare a dividend of € 9.000.000.

PROPOSED PROFIT APPROPRIATION

Net profit	7.614
Transfer from reserves	1,386
Dividend to shareholders	9,000

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