Annual report 2014
Amlin Europe N.V.

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Management report

Business Development

In 2014, Amlin Europe N.V. (AE, or Amlin Europe) achieved a strong financial performance, with a solid underwriting result and an outstanding Combined Ratio (COR) of 90% (2013: 95%). In 2014 Fitch affirmed AE's rating of A+ (Stable) and S&P affirmed its A-rating.

Following review of its medium term strategy the Amlin Group decided to organise its client facing operations into three global strategic business units (SBU's) Marine & Aviation (M&A), Property & Casualty (P&C) and Reinsurance. This is in line with the goal to make client intimacy a key differentiator from competitors. The three SBU's for M&A, P&C and Reinsurance operate across regional and national boundaries to provide a global service.

During 2014 the acquisition of Amlin France SAS was finalised and subsequently the French business was transferred into a branch activity of AE. The French business continued diversifying its commercial client base and financial performance was in line with expectation for the financial year. As at the end of 2014 the French branch employs 80 FTE. In January 2014 AE has opened its office in Hamburg, Germany. The focus is on building a portfolio of specialised, commercial Small or Medium Enterprise (SME) P&C business as part of Amlin's long-term strategy to grow the profit of its Continental European insurance business. The German office operates as a branch of AE and staffing has increased to 13 FTE as at the end of 2014. The financial performance of 2014 exceeded expectations indicating that the German business is set to become a strong contributor of AE's business success in the future.

Achieving intimacy with clients is at the heart of our approach and differentiates us from our competitors. We will achieve it by building on our world-class customer service and expertise, underpinned by operational excellence. Our people's skills will also be crucial. We will continue investing in our people by proactively managing talent and performance, while creating an environment in which we can deploy people's skills more effectively.

Our focus on client service and intimacy resulted in an average retention ratio of 88% (2013: 90%) with new business of approximately €88 million achieved through a broad spread of brokers and intermediaries (2013: €57 million).

Amlin Group are planning a new corporate structure, including the position of AE, which will better position itself to focus on clients as indicated above.

Marine & Aviation

AE is a major insurer in the marine market. The marine division wrote €199 million of gross written premium in 2014 (2013: €223 million). AE writes a diverse range of products in Hull and Cargo through 8 classes of business and operate closely with our fixed premium P&I service company Raets Marine Insurance. In many classes we are leading the domestic markets in terms of either market share or expertise.

Since September 2014 we operate under the new Amlin structure as the Marine & Aviation Strategic Business Unit (SBU) with global Product Groups aimed at providing the best service and expertise to our clients. New combined product strategies taking into account the expertise in the M&A SBU have been developed and the product classes (e.g. Hull, Yachts and Cargo) are managed as one global Marine & Aviation operation irrespective of the legal entity.

The marine business is sourced mainly through brokers and other intermediaries. AE's offices in Continental Europe offer local knowledge and expertise to brokers in their local markets. In certain lines, business is sourced via lineslips and binding authorities. This involves delegating underwriting authority for certain types of risk to selected intermediaries and coverholders.

Marine market conditions and pricing during 2014 remained competitive in continental Europe, with some variations between classes.

AE is a leading marine hull insurer in the Benelux markets. It writes an international and domestic hull book balanced between large "bluewater" accounts and specialist risks, including dredging, lifting, salvage and inland craft. AE has a strong position as a global underwriter of marine construction and is the centre of excellence within M&A for Builder's Risks.

AE strategically refocused on the Belgian small and medium enterprise market, with an increased appetite for local business sourced through local producers and rebalancing the international commodities account underwritten in Antwerp with AE and Amlin London developed and aligned its construction proposition across the various markets, leveraging on the underwriting expertise AE has but also the marketing distribution capabilities in the Lloyd's market.

AE also writes a substantial global cargo portfolio. Major business areas include stock-throughput, storage, project cargo and capital equipment, manufactured goods, heavy-lift, oil and other commodities along with associated liability cover.

We have started to focus and grow our Paris Marine & Aviation operation during 2014 with the aim of increasing our footprint in France and with the new SBU structure we are now working closely together.

AE is also a leading underwriter of yacht business ranging from small pleasure boats to super yachts over 30 metres long. Specialist yacht cover is provided directly by AE and through experienced coverholders and leads a consortium of insurers of larger yachts.

Property & Casualty

The P&C strategic business unit wrote €329 million of gross written premium in 2014 (2013: €312 million). The development was driven by both accepting more clients into the portfolio as well as retaining a larger percentage of clients than in the year before. The overall trading environment for AE's P&C business operations remained highly competitive, with substantial capacity available in all major business lines. Overall, rates on AE's P&C business were flat with some increases obtained in niche classes.

AE is a leading provider of commercial property and liability insurance in the Netherlands and Belgium, where we also underwrite commercial motor fleet insurance. In France, AE writes a diverse portfolio of specialist, mainly property classes. Alongside its established and growing SME-focused French client portfolio, Amlin Europe has been successfully targeting selected larger corporate accounts in the French market. Amlin Europe benefits from long-standing relationships with major international brokers operating in Continental Europe, and a broad range of local brokers and intermediaries. In the Netherlands, AE is a major participant in the Beurs co-insurance market whilst in the balance of countries business is sourced from the direct broker market. Early 2014 Amlin Europe launched a P&C operation in Germany, which started trading as from 2014Q1. Amlin's brand has been exceptionally well received by the German market which resulted in the hiring of high quality staff in the course of the year.

In the Netherlands, AE built a regional market offering aimed at increasing market share among smaller, local brokers. AE also launched a new binder proposition in Belgium, capitalising on binder expertise in AE's Netherlands business as well as the knowledge from Amlin in London. Both propositions were well received by brokers and generated new business across all classes in 2014.

AE continues to provide further specialist products for multinational clients through the global INI network. The network is comprised of global and independent insurance carriers supporting their exporting clients. AE is a founding member of the INI network in 1979 and is strategically seeking to expand its client base within this segment.

Results and appropriation of results

AE produced an outstanding COR of 90% (2013: 95%), with the claims ratio decreasing to 53% (2013: 56%).

Gross written premium was €528 million (2013: €535 million).

Positive developments in the underwriting results were predominantly driven by improved profitability in the M&A division due to reserve releases and a current year claim development in line with expectations

P&C business in Netherlands outperformed expectations with low combined ratios on solid earned premium income. The P&C business in Belgium showed an increase in the COR from unfavourable claims development specifically from a June hail storm and large incurred claim in Fire & Engineering.

The underwriting expense ratio (including fee and commission expenses) decreased slightly to 38% (2013: 39%). The underwriting expense ratio (excluding fee and commission expenses) remained equal at 18%.

In 2014 total investment return was €32 million or 2.6% (2013: €52 million or 4.2%). AE does not require any external financing for its strategic investments.

The cumulative impact of the above is profit after taxation but before other comprehensive income of €53 million in 2014 (2013: €48 million). Pending the decision of the Annual General Meeting of Shareholders, net profit has been included in shareholder's equity as 'unappropriated result'.

Shareholder's equity and insurance liabilities

Shareholder's equity at year-end 2014, including unappropriated gains is €404 million (2013: €342 million). The increase in equity is driven by the 2014 profit after tax of €53 million as well as received share premium from Amlin Plc resulting from the acquisition of Amlin France of €25 million. These increases were partly off-set by a dividend payment to Amlin Plc of €10 million and the negative net impact on OCI of an increase in the defined benefit obligation of €7.5 million. At year-end 2014 liabilities arising from insurance contracts amounted to €1,163 million (2013: €1,276 million).

AE's Solvency I position is 405% (2013: 340%) of the minimum required qualifying capital according to DNB guidelines. AE's Solvency I position increased in 2014, mainly due to the positive underwriting and investment performance after a €10 million dividend payment to the shareholders in 2014 and a net increase of the defined benefit pension obligations. As in prior years, the intangible fixed assets including goodwill are not recognised as available capital component. Required capital decreased to €89 million due to lower premium and a slightly improved ratio between the gross and net claim costs. More detailed information on AE's solvency policy is presented in the Supervision and Solvency paragraph.

Risks and risk management

In 2014 efforts have been performed to further enhance the company's risk management practices which includes amongst others embedding the Risk Assessment Process in the German and French branch, and further strengthening of Project risk management by increased participation of the Risk team in projects. Own Risk and Solvency Assessment performed as business as usual. In addition an Annual ORSA was developed and submitted to the DNB to ensure the AE ORSA is more consistent with general market practices.

In 2014 a group wide analysis of the readiness for Solvency II was performed which resulted in a Solvency II program to facilitate the implementation of the final requirements by the end of 2015. Work is currently in process to ensure full compliance. At 31 December 2014, AE complied with external capital requirements. For trading purposes, AE holds capital in excess of the minimum required by the DNB.

Detailed information on AE's risks and risk management is presented in the Risk Management section. Further information on Solvency is provided in the Supervision and Solvency section.

Management Board, Supervisory Board, Audit Committee and staff

The Management Board consists of seven members. Managing Directors are appointed by the General Meeting of Shareholders. The composition of the management Board of AE changed with the appointment of Mrs R.M. van de Pas as Chief Risk Officer as of 29 September 2014.

The Supervisory Board (currently) consists of four members. Supervisory Directors are appointed by the General Meeting of Shareholders pursuant to a recommendation of the Supervisory Board. The Supervisory Board of AE did not change in 2014 but in January 2015 Mr C.E.L. Philipps and Mr R.A. Hextall resigned from the Supervisory Board and they were replaced by Mrs J. Styles. In 2014 one out of the (at that time) five members of the Supervisory Board was re-appointed for another period of four years. The Audit Committee did not change during the year, but in January 2015 Mr R.A. Hextall resigned and Mr J. Illingworth replaced him as member of the Audit Committee.

Management Board and Supervisory Board members are selected based on their proven experience and competence in the financial services industry. The members of the Management Board provide a good mix of specific insurance experience, experience with the private market, the various distribution channels (direct, broker) and disciplines such as Human Resources, Information Technology and Finance. All current Management Board and Supervisory Board members have been assessed positively by the Dutch regulatory authorities.

The Management Board consists of five male and two female members. The Supervisory Board currently has one female member. This is not yet in line with the legal requirement for gender diversity in the Management Board and Supervisory Board but diversity has improved significantly by the appointment of a female to the Management and Supervisory Board. In filling future vacancies, gender diversity stays an objective alongside the preservation of requisite insurance experience.

At year-end 2014, 487 FTE were actually employed by the company (2013: 394) reflecting the French and German branches.

Corporate Governance

AE complies with the Governance Principles (Code) issued in 2010 and the latest amendments implemented on 1 July 2013, by the insurance association Verbond van Verzekeraars. Detailed information on compliance of AE with the code is presented in the Corporate Governance section.

Outlook

The combination of increasing price competition and the continued low interest environment makes the outlook more challenging. We are well positioned for this environment.

In 2015 we will continue to embed our new SBU structure into the organisation to become one stronger global Amlin with the focus on sustainable profitable growth. On the 28th of April 2015 AE filed a proposal at the Dutch Chamber of Commerce for a merger between AE and Amlin Insurance (UK) plc. Further improvement of our infrastructure and processes in streamlined

solutions will give AE an expectation to grow modestly in 2015 in the P&C business unit. For M&A we expect to have limited growth, due to the competitive environment.

Amlin Europe N.V.
Amstelveen, 7 May 2015

Original has been signed by The Management Board:

K. Hvirgel (Chief Executive Officer)

R. Groenveld

M.C. Hewett

H.P. Kreulen

A. Luberichs

R.M. van de Pas

L.R.R. Rath

Original has been signed by The Supervisory Board:

H.C. Hintzen (Chairman)

J. Styles

J.L. Illingworth

H.J.E.J. van Lent

Financial statements

Statement of financial position

At 31 December (before appropriation of result)

	Note	31 December 2014	31 December 2013
		€ 000	€ 000
Assets			
Cash and cash equivalents	1	16,743	14,698
Accrued interest and other assets	2	1,992	3,357
Investment securities			
- At fair value through profit and loss	3.1	1,195,037	1,246,882
- Available for sale	3.2	1,112	1,205
Reinsurance and other receivables	4	439,771	464,679
Deferred acquisition costs	5	30,676	27,619
Current tax assets	11	576	549
Deferred tax assets	11	4,231	3,918
Property, plant and equipment	6	2,591	3,175
Intangible assets	7	42,849	15,611
Total assets		**1,735,578**	**1,781,693**
Liabilities			
Other liabilities and accrued interest	8	115,831	133,538
Deposits from reinsurers	9	90	89
Liabilities arising from insurance contracts	10	1,163,170	1,275,583
Current tax liabilities	11	600	60
Deferred tax liabilities	11	13,047	2,729
Provision for post-employment and other employee benefits	12.1	39,267	27,913
Total liabilities		**1,332,005**	**1,439,912**
Shareholders' equity			
Share capital		11,400	11,300
Share premium reserve		159,263	134,076
Other reserves		168,801	135,658
Legal reserve for internally developed software		10,504	11,708
Revaluation reserve	13.1	963	872
Unappropriated result		52,642	48,167
Total shareholders' equity	13	**403,573**	**341,781**
Total liabilities and shareholders' equity		**1,735,578**	**1,781,693**

The attached notes form an integral part of these financial statements.

The financial statements were approved by the Management Board and authorised for issue on 7 May 2015.

Statement of comprehensive income

For the year ended 31 December

	Note	2014 € 000	2013 € 000
PROFIT OR LOSS			
Revenue			
Insurance premiums		519,047	538,333
Insurance premium ceded to reinsurers		(74,672)	(74,593)
Net premiums earned	14	**444,375**	**463,740**
Fee and commission income	14	2,033	4,315
Interest income	15	4,341	6,204
Dividend and other investment income	16	3,307	2,372
Realised gains (losses)	17	34,011	50,191
Unrealised gains (losses)	17	(9,251)	(6,883)
Other income	18	385	556
Total income		**479,201**	**520,495**
Expenses			
Insurance claims and benefits		(268,199)	(282,834)
Reinsurers' share in claims		30,866	14,906
Net insurance claims and benefits	19	**(237,333)**	**(267,928)**
Fee and commission expense	14	(96,836)	(104,496)
Depreciation of tangible fixed assets	6	(1,291)	(1,958)
Amortisation of intangible fixed assets	7	(2,660)	(1,694)
Staff expenses	20	(42,182)	(37,930)
Interest expense	21	(920)	(3,286)
Impairment of financial assets and change in provisions	22	1,934	(1,182)
Operating expenses	23	(33,499)	(38,694)
Total expenses		**(412,787)**	**(457,168)**
Result before taxation		**66,414**	**63,327**
Income tax result	24	(13,772)	(15,160)
Result for the year		**52,642**	**48,167**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Defined benefit pension fund actuarial gains/losses	12.1	(10,156)	8,981
Tax relating to components of other comprehensive income		2,605	(2,308)
		(7,551)	6,673
Items that may be subsequently reclassified to profit or loss			
Gains (losses) due to revaluation of investments available for sale	13.1	95	150
Other comprehensive income for the year, net of tax		**(7,456)**	**6,823**
Total comprehensive income for the year		**45,186**	**54,990**

The total comprehensive income for the year is totally attributable to the parent company.
The attached notes form an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December

	Share Capital €000	Share premium reserve €000	Other reserves €000	Legal reserve €000	Revaluation reserve €000	Unappropriated result €000	Total €000
Balance at 1 January 2013	**11,300**	**134,076**	**88,689**	**11,954**	**749**	**39,631**	**286,399**
Result for the year						48,167	48,167
Adjustment legal reserve due to amortisation			246	(246)			-
Other comprehensive income due to revaluation of investments					150		150
Other comprehensive income due to defined benefit pension fund actuarial losses			8,981				8,981
Tax relating to components of other comprehensive income			(2,281)		(27)		(2,308)
Total other comprehensive income for the year	-	-	6,946	(246)	123		6,823
Total comprehensive income for the year			6,946	(246)	123	48,167	54,990
Result for the prior year			39,631			(39,631)	-
Capitalisation subordinated liabilities			(494)				(494)
Share-based payment reserves			886				886
Balance at 31 December 2013	**11,300**	**134,076**	**135,658**	**11,708**	**872**	**48,167**	**341,781**
Result for the year						52,642	52,642
Adjustment legal reserve due to amortisation			1,204	(1,204)			-
Other comprehensive income due to revaluation of investments			-		95		95
Other comprehensive income due to defined benefit pension fund actuarial losses			(10,156)		-		(10,156)
Tax relating to components of other comprehensive income			2,609		(4)		2,605
Total other comprehensive income for the year	-	-	(6,343)	(1,204)	91		(7,456)
Total comprehensive income for the year			(6,343)	(1,204)	91	52,642	45,186
Share issue	100						100
Result for the prior year			48,167			(48,167)	-
Capital contribution from Amlin France acquisition		25,187					25,187
Dividend paid to Amlin Overseas Holding Ltd (AOHL)			(10,000)				(10,000)
Share-based payment reserves			1,319				1,319
Balance at 31 December 2014	**11,400**	**159,263**	**168,801**	**10,504**	**963**	**52,642**	**403,573**

For information on shareholder's equity, refer to note 13.

The attached notes form an integral part of these financial statements.

Cash flow statement

For the year ended 31 December

	Note	2014 €000	2013 €000
Result on ordinary activities before taxation		**66,414**	**63,327**
Adjustments:			
Depreciation of tangible fixed assets	6	1,291	1,958
Amortisation of intangible fixed assets	7	2,660	1,694
Interest received on investments		5,705	5,214
Dividends received on investments		3,307	2,372
Interest income	15	(4,341)	(6,204)
Dividend income	16	(3,307)	(2,372)
(Gains)/losses on investments (unrealised)	17	9,251	6,883
Interest expense	21	920	3,286
Impairment of financial assets	22	(1,934)	1,182
Write off withholding tax	11	-	(1,151)
Amlin plc purchase of shares for AE management		-	(494)
Share based payment expense	13	1,319	886
Adjusted result on ordinary activities before taxation		**81,285**	**76,581**
(Increase)/decrease in accrued interest and other assets	2	1	1,871
(Increase)/decrease in investments securities	3	42,592	(9,172)
(Increase)/decrease in reinsurance and other receivables	4	26,842	59,495
(Increase)/decrease in deferred acquisition costs	5	(3,057)	1,220
Increase/(decrease) in other liabilities and accrued interest	8	(23,991)	6,194
Increase/(decrease) in deposits from reinsurers	9	1	(45)
Increase/(decrease) in liabilities arising from insurance contracts	10	(112,413)	(157,795)
(Increase)/decrease in tax assets and liabilities (current)	11	513	938
Increase/(decrease) in provision for post-employment and other employee benefits (as far as not included in OCI)	12.1	1,198	323
Other non-cash movements		12	(7)
Cash generated from operating activities		**12,983**	**(20,397)**
Income taxes received		-	7
Net cash flows from operating activities		**12,983**	**(20,390)**
Cash flows from investing activities			
Additions to tangible fixed assets	6	(390)	(1,165)
Additions to intangible assets	7	(648)	(1,366)
(Increase)/decrease in property, plant and equipment	6	-	(12)
Net cash flows from investing activities		**(1,038)**	**(2,543)**
Net cash flows from investing activities (transfer)		**(1,038)**	**(2,543)**

	Note	2014	2013
		€000	€000
Net cash flows from investing activities (transfer)		**(1,038)**	**(2,543)**
Cash flows from financing activities			
Issue of share capital		100	-
Paid dividend to Amlin Plc		(10,000)	-
Net cash flows from financing activities		**(9,900)**	**-**
Total		**2,045**	**(22,933)**
Cash and cash equivalents - Balance at 1 January		14,698	37,631
Changes in cash and cash equivalents		2,045	(22,933)
Cash and cash equivalents - Balance at 31 December	*1*	16,743	14,698

The attached notes form an integral part of these financial statements.

Accounting policies

A. General information

Operations

Amlin Europe N.V. (also "AE") is a leading independent provider of Corporate Insurance in Western Europe. It has offices in the Netherlands, Belgium, Germany and France. In the Netherlands it has offices in Amstelveen and Rotterdam, in Belgium in Brussels and Antwerp. For Germany and France the offices are located in Hamburg and Paris.

Amlin Europe N.V. is a member of the Amlin Group ("Amlin"). Amlin is one of the foremost specialist insurers and underwrites more than 30 classes of business through three underwriting platforms: Syndicate 2001 at Lloyd's, Amlin AG, Switzerland and Amlin Europe. Amlin's business is organised around three Strategic Business Units Reinsurance, Marine & Aviation (M&A) and Property & Casualty (P&C). The sheer diversity in its portfolio means Amlin is able to withstand major loss events, pay valid claims and continue to underwrite business. Amlin is financially robust and strong results over many years have earned Amlin an excellent reputation in the Lloyd's market. Amlin is one of the 150 largest companies listed on the London Stock Exchange.

AE underwrites business in both its domestic as well as foreign markets, with the countries of the European Union forming the most important markets.

The company is domiciled in the Netherlands. The address of its registered office is:
Van Heuven Goedhartlaan 939
1181 LD Amstelveen
The Netherlands

Group structure

Amlin Europe N.V. is a 100% subsidiary of Amlin (Overseas Holdings) Limited. The ultimate parent company of this group is Amlin Plc, London (UK). The financial statements of Amlin Europe N.V. are included in the consolidated financial statements of Amlin Plc. The group consolidated financial statements have been authorised for issue by the Board of Directors on 27 February 2015. Copies of the consolidated financial statements of Amlin Plc are available online (www.amlin.com/investors) and printed versions are available at cost price from the offices of Amlin Europe N.V.

The financial statements of Amlin Europe N.V. are compiled by the Management Board, reviewed by the Supervisory Board and are to be adopted by the Annual General Meeting of Shareholders.

Basis of presentation

The financial statements of AE are prepared in accordance with paragraph 9 section 362 of Book 2 of the Dutch Civil Code, the International Financial Reporting Standards (IFRS), as defined in IAS 1, effective from annual periods starting 1 January 2014 and as adopted within the European Union and the International Financial Reporting Interpretation Committee (IFRIC) interpretations. They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss.

In accordance with IFRS 4, 'Insurance contracts' AE has applied existing accounting practices for insurance contracts to comply with the IFRS framework and applicable standards.

AE classifies assets and liabilities based on the business purpose of entering into these transactions. In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or current value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The statement of financial position, statement of comprehensive income and cash flow statement include references to the notes.

Except where otherwise stated, all figures included in the financial statements are presented in thousands of Euro's.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

Changes in accounting standards and presentation

Adoption of new and revised Standards

Standards, amendments to published standards and interpretations effective on or after 1 January 2014

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRSs and IFRS Interpretations Committee (ex IFRIC) effective as of 1 January 2014:

- IAS 32 (amended), 'Financial instruments: Presentation – Assets and Liability offsetting'
- IAS 36 (amended), 'Impairment of assets – Recoverable amount disclosures for non-financial assets'
- IAS 39 (amended), 'Financial instruments: Recognition and measurement – Novation of derivatives'
- Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities

The endorsement by the EU of new standards has an impact on their final application date.

The effects of these changes are as follows:

IAS 32 (amended), 'Financial instruments: Presentation – Assets and Liability offsetting'

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have an effect on AE's financial statements.

IAS 36 (amended), 'Impairment of assets – Recoverable amount disclosures for non-financial assets'

The amendments remove the requirement to disclose the recoverable amount when a cash generating unit contains goodwill or indefinite life intangible assets but there has been no impairment recognised. However, the amendments require additional information about fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. There has been no impact on the financial statements of AE.

IAS 39 (amended), 'Financial instruments: recognition and measurement'

The amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. There has been no impact on the financial statements of AE.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not relevant to the financial statements of AE.

Standards, amendments to published standards and interpretations early adopted by AE

In 2014, AE did not early adopt any new, revised or amended standards.

Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by AE

Standards issued but not yet effective up to the date of issuance of AE's financial statements are listed below. AE intends to adopt these standards when they become effective.

IFRS 9, "Financial instruments"

In July 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement' and all previous versions of IFRS 9. The final standard has a mandatory effective date of 1 January 2018 with early adoption permitted.
The adoption of IFRS 9 will have an effect on the classification and measurement and impairment model applied to AE's financial instruments. Work is ongoing to quantify the impact of these changes. Consideration will also be given to the interaction with emerging requirements and expected timetable of the IASB's insurance contracts project in addressing AE's classification and measurement approach for financial instruments.

IFRS 15, 'Revenue from Contracts with Customers'

IFRS 15 replaces IAS18 and IAS11. In May 2014 the IASB and FASB issued a converged standard on the recognition of revenue from contracts with customers, applicable for periods beginning on or after 1 January 2017, with early adoption permitted.
The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services, based on the satisfaction of performance objectives.
Adoption of this standard replaces the existing revenue recognition guidance applied by AE, IAS 18 'Revenue'. It is not expected to have a material impact on AE.

IAS 19 (amended), 'Employee benefits – Defined benefit plans: employee contributions'

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective for annual periods beginning on or after 1 July 2014 and are not expected to have a material impact on the financial statements of AE.

Annual improvements to IFRSs 2010-2012, 2011-2013 and 2012-2014

The IASB uses the annual improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of a major project.
The amendments clarify existing guidance and do not give rise to significant changes in existing accounting practice. The improvements are not expected to significantly impact AE's financial statements.
The annual improvements are applicable for periods beginning on or after 1 July 2014 (improvements from the 2010-2012 and 2011-2013 cycles) and 1 January 2016 (improvements from the 2012-2014 cycle).

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on AE's financial statements.

Related-party transactions

The Amlin Group companies are related parties. Related parties to AE also include AE Supervisory Board members, Executive Managers, being the Chief Executive Officer and the members of the Executive Committee, close relatives of any individual referred to above, entities controlled or significantly influenced by any individual referred to above and other related entities. Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information disclosed has been prepared, in all material respects, in line with the requirements of IFRS.

Notes to the Cash Flow Statement

AE reports cash flows from operating activities using the indirect method, whereby the profit on ordinary activities before taxation is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Interest received and interests paid are presented as cash flows from operating activities in the cash flow statement. Dividend income is classified as cash flows from operating activities. AE classifies cash flows from purchase and disposal of financial assets in its operating cash flows as these transactions are generated by the cash flows associated with the origination and settlement of insurance contract liabilities or capital requirements to support underwriting.

Accounting estimates

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying these accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates and judgemental decisions. If necessary for the purposes of providing the view required under IFRS the nature of these estimates and inherent judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

- Measurement of liabilities for insurance contracts. The most significant estimate made in the financial statements relates to unpaid insurance claims reserves and related loss adjustment expenses. The estimated provision for the total level of claims incurred changes as more information becomes known about the actual losses for which the initial provisions were set up. The change in claim costs for prior period insurance claims represents the claims development of earlier reported years incurred in the current accounting period. The carrying value of AE's net outstanding claims reserves at 31 December 2014 is €841 million (2013: €926 million). In 2014, there has been a net positive development of €84.6 million (2013: €62.6 million positive) for AE, reflecting favourable experience in the 2013 and prior reported years. For further information refer to the sections insurance liabilities and sensitivity analysis in the Risk Management paragraph.
- AE tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation, which requires the use of estimates. The calculation and estimates are disclosed in note on Intangible assets
- Estimation of current obligations resulting from past events in the measurement of provisions. For further information, refer to the Provisions paragraph in the accounting policies and the note on Provisions for other liabilities and charges.

- Estimation of premium income and premium earnings. For further information we refer to the accounting policy on insurance premiums.
- Determination of insurance bad debt provisions and reinsurance bad debt provisions. For further information we refer to the accounting policy on Measurement of impaired assets.
- Estimation of triggering events for impairment and recoverable amount of impaired assets. For further information we refer to the paragraph Measurement of impaired assets.
- Determination of the useful life and the possible residual value of property, plant and equipment and intangible assets. For further information we refer to the Property, plant and equipment and Intangible assets paragraphs in the accounting policies and the notes.
- (Actuarial) assumptions related to the measurement of pension obligations or schemes. For further information we refer to the notes Post-employment benefits and Other long-term service benefits.
- Determination of fair values of non-quoted financial instruments. For further information we refer to the Fair value of financial instruments paragraph in the accounting policies and the analysis of market risk in the Risk management paragraph.
- AE is subject to income taxes in several jurisdictions (The Netherlands, Belgium, Germany and France). There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.
- Determination of realisation of carry forward income tax losses, based on present fiscal law. Management assesses the likelihood that fiscal compensable losses will be recoverable within fiscal terms (based on business plan 2015-2020) and takes that into account with the valuation of deferred tax assets.
- AE recognises a liability and expense for certain staff incentive plans. Where estimates change, related staff incentive plan liabilities may also change. The carrying value at the reporting date of the liability for the staff incentive plan is €5.6 million (2013: €7.1 million).

B. Accounting policies for the balance sheet

Offsetting

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. Assets are recorded net of any provision for impairment loss. In the case where significant financial assets and liabilities have been offset the gross balance is disclosed in the relevant notes to the Financial Position.

Foreign currency

Functional and presentation currency

AE's functional and presentation currency is Euro. The financial statements are presented in thousands of Euro's unless stated otherwise.

Transactions, receivables and debt

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. 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 recognised in the statement of comprehensive income (profit and loss).

Translation differences on non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions (or the approximated rates). The resulting exchange differences are recorded in the statement of comprehensive income (profit and loss) as foreign currency gains (losses).

Translation differences on financial assets and financial liabilities held at fair value through profit or loss are recognised in profit and loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the statement of comprehensive income (profit and loss).

Multiple foreign currencies are used, the major part of foreign currency balances are in USD and GBP.

	rate as at year end	
	2014	*2013*
1 Euro =		
Pound sterling	0,78	0,83
US dollar	1,21	1,38

Financial assets

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at fair value. For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand, deposits held on call with banks (with maturities of less than 12 months) and other short-term, highly liquid financial instruments which are believed to be subject to insignificant risk of change in fair value.

Investment securities

AE classifies its investment securities either as fair value through profit or loss (FV) or available for sale (AFS). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investment securities at initial recognition. Once an asset has been designated it cannot be transferred to a different category.
Financial assets are accounted for at trade date. Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and AE has also transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit and loss 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 or 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. Derivatives are also classified as held for trading unless they are designated as hedges.

A financial asset is classified into the “available for sale financial assets” category at inception if Investment securities are expected to be held for an indefinite period of time and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Financial assets at fair value through profit or loss

Financial assets designated as at fair value through profit or loss are initially recorded at fair value and are subsequently re-measured to fair value at each reporting date with unrealised gains or losses from fair value changes reported through statement of comprehensive income (profit or loss). Newly acquired investments are designated at fair value through profit or loss.

Available for sale financial assets

Investment securities 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, are classified as available for sale. Available for sale investment securities are held at fair value. Changes in the fair value are recognised directly in other comprehensive income until the asset is sold. If available for sale investments are derecognised by means of sale, gains or losses are included in the profit and loss. If an investment is determined to be impaired, the impairment is recognised in the statement of comprehensive income (profit and loss).

For impaired available for sale investments, unrealised losses previously recognised in other comprehensive income are transferred to the statement of comprehensive income (profit and loss) when the impairment occurs.

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 was recognised in the statement of comprehensive income (profit and loss), the impairment is reversed, with the amount of the reversal recognised in the statement of comprehensive income (profit and loss). Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss.

Derivative financial instruments

Trading derivatives are classified as a current asset or liability. The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedges is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

Loans and receivables

Loans and receivables are initially recognised at fair value (including transaction costs), and subsequently measured at amortised cost using an effective interest rate, with the periodic amortisation recorded in the statement of comprehensive income (profit or loss). When there is evidence that an asset should be impaired, appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income (profit and loss). These are reversed when the triggering event that caused the impairment is reversed.

Other assets

Other assets are valued at amortised cost.

Measurement of impaired assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 of disposal and value in use.

In case of an impairment the carrying amount of impaired assets is reduced to its estimated recoverable amount and the amount of the change in the current year provision is recognised in the statement of comprehensive income (profit and loss). The recoverable amount is the higher of value in use or fair value less cost to sell.

If in a subsequent period, the amount of the impairment on assets, other than goodwill and available for sale equity instruments decreases, due to an event occurring after the write-down, the amount is reversed by adjusting the impairment and is recognised in the statement of comprehensive income (profit and loss). For reinsurance and other receivables information, related to payment performances, ratings from external agencies and information from trade journals are taken into account in the decision to make an impairment or not.

Investment securities

A financial asset (or group of financial assets) is impaired if there is objective evidence for a triggering event for an impairment as a result of one or more events that occurred after the initial recognition of the asset. 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.
The amount of an impairment loss incurred on financial assets stated at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

For the larger part of the investments, the bond portfolio, AE uses the following four levels of concern for its impairment review:

Level of concern 0: There are no doubts on future expected cash flows of a debt security.

Level of concern 1: There are no doubts on future expected cash flows of a debt security, but there are reasons to assume that doubts may rise.

Level of concern 2: There is observable data that indicate there is a chance on measurable decrease of future expected cash flows of a debt security.

Level of concern 3: In the opinion of AE there are observable elements that indicate a possible and measurable decrease of future expected cash flows of a debt security. This chance of decrease is more than 50%. In this case, one or more impairment indicators of IAS 39.59 are met in combination with either an own analysis of the debtor which indicates that the organisation has got problems or negative press articles concerning the debtor.

Depending on the type of financial asset, the recoverable amount can be estimated as follows:

- the fair value using an observable market price;
- present value of expected future cash flows discounted at the instrument's original effective interest rate; or
- based on the fair value of the collateral.

Impairments to available for sale equity instruments cannot be reversed through the statement of comprehensive income (Other comprehensive income) in subsequent periods.

Financial assets measured at amortised cost

AE considers of impairment for these assets at both an individual asset and collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, AE uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit and loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of an impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Reinsurance and other receivables

Reinsurance

AE cedes reinsurance in the normal course of business. Reinsurance receivables principally include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts recoverable from or due to reinsurers are estimated in a manner consistent with the amounts associated with the reinsured policies and in accordance with the reinsurance contract.

Contracts that transfer significant insurance risk are classified as reinsurance contracts. Investment contracts are those contracts that transfer financial risk without transferring significant insurance risk.

A reinsurance financial asset or liability is recognised based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the reinsured.

Other receivables

Other receivables arising from the normal course of business and originated by AE are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method, less impairments. When a receivable is uncollectible, it is written off against the allowance account for receivables.

Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are recognised to provide for temporary differences between the tax bases of assets and liabilities, and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates 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 realised or the deferred income tax liability is settled.

Deferred income tax assets regard deductible temporary differences and available fiscal losses that are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences and fiscal losses can be utilised.

Deferred income tax liabilities are provided on temporary differences arising from investments except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income taxes are recognised at face value.

Deferred acquisition costs

The costs of acquiring new and renewed insurance business, principally brokers, which are directly related to the production of new business, are deferred and amortised. Deferred acquisition costs ('DAC') are periodically reviewed to ensure they are recoverable based on estimates of future profits of the underlying contracts.

DAC is amortised over the life of the underlying contracts and in line with earning patterns of the related premiums written. In general, DAC fall due in less than one year except for the builder's risk, engineering and binder business.

Property, plant and equipment

All fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Generally, depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives.

The residual value and the useful life of property, plant and equipment is reviewed at each year end and adjusted if appropriate. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstance indicate that the carrying value may be impaired. If any such condition exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment and the difference is charged to the statement of comprehensive income (profit and loss). An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. For details on how to determine whether an intangible asset is impaired, please refer to Note 'Measurement of impaired assets' above.

The following depreciation rates are used:

- Software: 20%-33%
- IT hardware: 20%-33%
- Furniture and fittings: 20%

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income (profit and loss) in the depreciation expenses.

Repairs and maintenance expenses are charged to the statement of comprehensive income (profit and loss) when the expenditure is incurred.

Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU's. Goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill is not amortised and impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Business combinations under common control

Business combinations under common control (BCUCC) are accounted for using the predecessor method of accounting. Assets or liabilities are not restated to their fair values but predecessor carrying values are incorporated. These are the carrying values that are related to the acquired entity which includes Goodwill recorded at a consolidated level. No Goodwill beyond that recorded by the controlling party in relation to the acquiree is accounted for. Comparative information is not restated.

Internally developed software

AE capitalises development costs for software as an asset. Development costs that are directly attributable to the design and testing of identifiable and unique software products are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software products;
- It can be demonstrated how the software product will generate future economic benefits;
- The future economic benefits are restricted of others;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include external software development costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Internal developed software is stated at historical cost less amortisation which is calculated based on the level of use and impairment losses. Software development costs recognised as assets are amortised over their useful lives, which does not exceed ten years. Allowance is made for any impairment losses expected; a loss qualifies as an impairment loss if the carrying amount of the asset exceeds its recoverable amount.

Deposits from reinsurers

Liabilities relating to ceded reinsurance business that does not transfer significant insurance risk may be considered to be financial liabilities and the liabilities are accounted for in the same way as other financial liabilities. The accounting requirements for liabilities related to accepted reinsurance contracts with significant insurance risk are the same as those that apply to direct written insurance contracts. Deposits from reinsurers under ceded reinsurance that transfers significant insurance risk equal the amount due at the balance sheet date.

Liabilities arising from insurance contracts

In accordance with IFRS 4, "Insurance contracts" AE has applied existing accounting practices for insurance contracts to comply with IFRS framework and applicable standards. Claims and claim adjustment expenses are charged to the statement of comprehensive income (profit and loss) as incurred. Unpaid claims and claim adjustment expenses include estimates for reported claims and provisions for claims incurred but not reported. Estimates of claims incurred but not reported are developed using statistical analyses of past experience, current claim trends and the prevailing social, economic and legal environments. Liabilities for unpaid claims are not discounted.

The liability for non-life insurance claims and claim adjustment expenses is based on estimates of expected losses (after taking into account reimbursements, recoveries, salvage and subrogation) and takes into consideration management's judgement on anticipated levels of inflation, claim handling costs, legal risks and the trends in claims.

The adequacy of the liability is tested quarterly by actuarial reserving calculation. If the liabilities are not adequate to provide for future contractual cash flows, including cash flows such as maintenance costs, as well as cash flows resulting from embedded options and guarantees and amortisation of the deferred acquisition costs ('DAC') as well as investment income from the assets backing such liabilities, the DAC is written off and/or additional liabilities are established based on best-estimate assumptions. Any recognised deficiency is immediately recorded in the statement of comprehensive income (profit and loss). Any DAC written off as a result of this test cannot subsequently be reinstated.

Refer to section '*Insurance premiums*' for further explanation on the liability for unearned premiums.

Employee benefits

Pension obligations

AE operates both defined-benefit and defined-contribution plans.

A defined-benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age and years of service.

At least annually independent qualified actuaries calculate the pension assets and liabilities for defined-benefit schemes.

For defined-benefit plans, the pension costs and related pension asset or liability are estimated using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final liability. Under this method, the cost of providing these benefits is charged to the statement of comprehensive income (profit and loss) to spread the pension cost over the service lives of employees. The pension liability is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields on high-quality corporate bonds that have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from the recognition and funding of AE's pension obligations are recognised in other comprehensive income during the period in which they arise.

Past-service costs are recognised immediately in the statement of comprehensive income (profit and loss), unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period).

The assets, which support the pension liabilities of an entity, must meet certain criteria in order to be classified as 'qualifying pension plan assets'. These criteria relate to the plan's assets that should be legally separated from AE or its creditors. If these criteria are not met, then the assets will be included in the relevant caption on the balance sheet (such as investments, property, plant and equipment, etc.). If the assets meet the criteria, they are netted against the pension liability. The netting also applies to the statement of comprehensive income. If the pension assets qualify, then AE shows reduced income from assets (such as interests, dividends, etc.) and reduced employee pension costs. As the plan assets of AE qualify the netted positions are reflected in the company's financial statements.

When the fair value of the plan assets is netted against the present value of the obligation of a defined-benefit plan, the resulting amount could be negative (an asset). In this case, the recognised asset cannot exceed the total of any cumulative unrecognised net actuarial losses and past-service costs, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. In respect of the defined benefit scheme in the Netherlands the fair value of the plan assets reflects the benefits that accrue to AE under the insurance policy taken out to meet its obligations.

For defined contribution plans, AE pays contributions to administered pension plans. Once the contributions have been paid, AE as employer, has no further payment obligations. AE's contributions are charged to the statement of comprehensive income (profit and loss).

Other post-employment obligations

AE provides post-retirement healthcare benefits to their retirees in Belgium. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the expected average remaining working lives of the related employees.

Jubilee obligations

Employees who have a continuous service with AE of 12.5, 25 and 40 years are granted with a jubilee gratuity. The years of service with the former legal owner of AE are also taken into account with respect to continuous service. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to the defined-benefit pension plans methodology.

Termination obligations

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. AE recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Incentive plans

AE recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to AE's shareholders after certain adjustments. AE recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.
Where awards have been granted to staff under an incentive plan which requires them to complete a period of service, the expenses of the plan are spread over the service period.

Employee entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Contingencies

Contingencies are those uncertainties where an amount cannot be reasonably estimated or when it is not probable that payment will be required to settle the obligation.

Share capital

Shares are 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.

Revaluation reserve

The revaluation reserve is adjusted for the realised revaluations for available for sale investments recognised at fair value, corrected for related tax. Adjustments are recorded through the statement of comprehensive income (Other Comprehensive Income). Related tax is recorded through the tax result.

Dividend distribution

Dividend distribution to AE's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by AE's shareholders.

Leases

AE as a lessee

AE enters into operating leases for the rental of equipment, land and buildings. Payments made under such leases are typically charged to the statement of comprehensive income (profit and loss) on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Any incentives received from the lessor in relation to operating leases are recognised as a reduction of rental expense over the lease term on a straight-line basis.

If the lease agreement transfers substantially all the risk and rewards incident to ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalised. At inception, the asset is recorded at the lower of the present value of the minimum lease payments and fair value of the leased asset. The leased asset is depreciated over the shorter of its estimated useful life and the lease term. The corresponding lease obligation, net of finance charges, is recorded as borrowings. The interest element of the finance cost is charged to the statement of comprehensive income (profit and loss) over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each period.

Financial liabilities

Financial liabilities are classified as other financial liabilities. They are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Financial instruments

Securities included in financial and current assets are stated at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction (i.e. quoted in an active market). If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, making allowance for entity-specific inputs.

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 these criteria are not met, the market is regarded as being inactive. The fair value of a financial instrument is determined based on quoted market prices in active markets or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, FTSE, NYSE, LSE).

When quoted prices in active markets are not available, valuation techniques are used. Valuation techniques make maximum use of market inputs but are affected by the assumptions used, including discount rates and estimates of future cash flows. For further information we refer to the valuation levels in the Risk management paragraph.

C. Accounting policies for the statement of comprehensive income

General information

Profit or loss is determined as the difference between the realisable value of the services rendered and the costs and other charges for the year. Revenues on transactions are recognised in the year in which they are realised.

Technical result

AE also analyses its results from insurance activities based on branches and products. Operating segments are reported in a manner consistent with the internal reporting provided to the operating decision-makers. These include insurance contracts with coverage for the risks in our main segments Marine & Aviation and Property & Casualty.

For the analysis of the results, the concept of technical result is used. For the technical results, the costs and revenues are allocated to the various products. The financial income, net of the related investment management costs, is allocated based on the investment portfolio covering the insurance liability of the product as at the beginning of the financial period.

Claims handling costs are allocated to claims paid.

The realised and unrealised gains and losses on the investment portfolio covering the insurance liability of the branch are allocated to the technical result. Allocation is carried out with the use of fixed allocation ratios. The allocation ratios are based on the actual direct costs per branch.

Insurance premiums

Gross written premiums comprises premium on insurance contracts incepting during the financial year excluding insurance premium taxes collected on behalf of third parties. The estimated premium income is deemed to be written in full at the inception of the contract. Estimates are included for premium receivable after the period end but not yet notified, as well as adjustments made in the year to premium written in prior accounting periods.

The proportion of gross written premium, gross of commission payable, attributable to periods after the balance sheet date is deferred as a provision for unearned premium. The change in this provision is taken to the statement of comprehensive income (profit and loss) in order that revenue is recognised over the period of the risk.

Premium is earned over the policy contract period. The earned element is calculated separately for each class of business on a 365 day basis where the premium is apportioned over the period of risk. Construction all risk and binder business are assumed to be earned in a period of more than one year. The calculation is based on earned premium from underwriting systems and best estimates for premium receivable after the period but not yet notified.

Fee and commission income and expense

Fee and commission income and expense comprise (reinsurance) brokerage incurred on insurance contracts written during the financial year. They are recognised on the same basis as the earned proportions of the premium they relate to.

Interest income and expense

Interest income and interest expense are recognised in the statement of comprehensive income (profit and loss) for all interest-bearing instruments on an accrual basis using the effective interest method based on the actual purchase price including direct transaction costs. Interest income includes coupons earned on fixed and floating-rate income instruments and the accretion or amortisation of the discount or premium. Interest expense includes borrowing costs.

Once a financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the effective interest rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Dividend and other investment income

Dividend income for equity securities and other investment income are recognised when the right to receive payment is established.

Realised and unrealised gains and losses

For financial instruments classified as available for sale and as fair value through profit or loss, realised gains or losses on sales and divestments represent the difference between the proceeds received and the initial book value of the asset or liability sold, minus any impairment losses recognised in the statement of comprehensive income (profit and loss). Realised gains and losses on sales are included in the statement of comprehensive income in the captions 'Realised gains (losses)' and 'Unrealised gains (losses)'.

Previously recognised unrealised gains and losses recorded directly into other comprehensive income are transferred to the statement of comprehensive income upon derecognition or upon the financial asset becoming impaired.

For investments designated as fair value through profit or loss changes in the fair value are recognised directly in the statement of comprehensive income (profit and loss) as unrealised gains or losses.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful lives as from the inception of their use. Future depreciation is adjusted if there is a change in estimated future useful life.

Gains and losses on sales of property, plant and equipment are disclosed as part of depreciation expenses.

Staff expenses

Salaries, wages and social security contributions are taken to the statement of comprehensive income (profit and loss) based on the terms of employment, where they are due to employees.

Equity compensation plans

Amlin Plc, as the parent company, operates equity compensation plans on behalf of AE. Amlin Plc operates a number of executive and employee share schemes. Options issued are accounted for using the fair value method where the cost for providing equity compensation is based on the fair value of the share option or award at the date of the grant. The fair value is calculated using an option pricing model and the corresponding expense is recognised in the income statement over the vesting period. Expenses related to equity compensation plans are recharged by Amlin Plc and recognised in AE's equity.

Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income (profit and loss), except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise. Tax losses carried forward are recognised as a deferred tax asset if it is likely that future taxable profit will be available against which those losses can be utilised.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Business combinations

Acquisition of subsidiary – Amlin France SAS

On January 2, 2014, AE entered into an agreement to acquire 100% of the share capital and voting rights in Amlin France Holdings SAS from Amlin Overseas Holding Ltd ("AOHL"). Amlin France Holdings owned 100% of the share capital of Amlin France SAS ("AF"). Amlin Group, of which AOHL forms part, wished to restructure its business operations in France so that French Business may be conducted through a French branch of AE. AF SAS is drawing its strength from a large network of brokers across France. AF is able to offer a wide range of insurance products designed to respond to the needs of both individuals and small to medium-sized corporate clients. AF's business is situated mainly in France. It writes a diverse book of business including property, cargo, professional liability and specie through a network of more than 1,300 independent retail brokers.

Consideration transferred

Before AE acquired the share capital and voting rights of Amlin France Holdings, the company was already wholly owned by the Amlin Group. AE purchased the shares of Amlin France Holdings via a contribution in kind transaction within the Amlin Group and the issue of shares with a par value of €100.000.

Recognised amounts of identifiable assets and liabilities assumed

The transaction qualifies as a Business Combination under Common Control (BCUCC). In line with AE's accounting policy we have applied predecessor accounting wherein the predecessor carrying value of assets and liabilities have been recorded, including any Goodwill previously recognized on a Amlin Plc consolidated level. The comparative numbers have not been adjusted.

The balance sheet of the purchased company at the date of the acquisition is detailed below:

	31 December 2013
	€000
Assets	
Cash and cash equivalents	9,118
Accrued interest and other assets	2,179
Investment securities	
- At fair value through profit and loss	191
Reinsurance and other receivables	22,334
Current tax assets	372
Deferred tax assets	257
Property, plant and equipment	318
Goodwill	6,205
Other intangible assets	309
Total assets	**41,283**
Liabilities	
Other liabilities and accrued interest	36,468
Liabilities arising from insurance contracts	1,579
Provisions for other liabilities and charges	562
Total liabilities	**38,609**
Shareholders' equity	
Share capital	1,260
Share premium reserve	754
Other reserves	660
Total shareholders' equity	**2,674**
Total liabilities and shareholders' equity	**41,283**

The net consolidated carrying amount of assets and liabilities of Amlin France Holdings recorded in the Amlin Plc consolidation at the moment of acquisition amounted to €25.3 million including attributed Goodwill of €28.9 million. Of the total Goodwill allocated to the French underwriting business €6.2 million was recognised in AF and €22.7million was recognised at an Amlin Plc consolidated level. The difference between the consideration given of €0.1 million in shares and the aggregate book value of assets and liabilities of AF as of the date of the transaction has been included in equity in share premium. As a result of the acquisition all allocated Goodwill of €28.9 million was transferred to AE.

No significant acquisition related expenses were incurred as a result of the transaction.

Transfer of AF into an AE branch

On 27 March 2014 Amlin France Holdings was merged into AF through a reverse merger with AF remaining as the surviving entity. Subsequently, on 4 December 2014 the activities of AF were legally transferred into a branch activity when the assets and liabilities of the company were transferred to Amlin Europe N.V. and AF was winded up without liquidation and ceased to exist as a company. As predecessor accounting was applied on the acquisition of 2 January 2014 and is applied to the above mergers, there was no additional accounting impact to AE's financial statements as a result of these mergers.

Impact on 2014 financial performance

As the written insurance business of AF (Service Company) was already insured by Amlin Europe the acquisition, and subsequent merger, of AF did not result in a significant increase in revenue, or profit or loss.

Risk management

This section provides a general description of AE's risk management framework, followed by detailed disclosures by risk type.

General

AE's risk management policy clearly articulates the importance given to create a risk aware culture across the organisation to drive active management of risks. AE's operating model recognises that, as an insurer, it actively seeks and accepts risk, but manages risks within acceptable bounds and provides clarity surrounding risk to our stakeholders. Risk categories are clearly identified, risk management standards are documented and risk tolerances are set out for each category. Risk taken will continue to be regularly assessed against those tolerances. Advanced and comprehensive risk management is a prerequisite for achieving sustainable, profitable growth. AE recognises this and considers its risk management practice to be one of its core competencies.

During 2014 the Amlin Group conducted a reorganisation which included the formation of three Strategic Business Units for the management of underwriting operations and strategy, and the creation of group wide support and oversight functions. Therefore the Amlin Europe risk team has become a part of a wider group organisation which will lead to greater consistency of processes with other Amlin Group companies. However this risk team continues to serve the requirements of Amlin Europe (and its Board and Risk Committees) in operating the risk framework and associated processes such as risk assessment and Own Risk and Solvency Assessment (ORSA) reporting.

2014 Highlights

- Due to consideration being undertaken of a more efficient corporate structure at Amlin Group the decision was taken to withdraw AE from the Internal Model Approval Process and confirm that the chosen method of capital calculation under Solvency II will be the adoption of the Standard Formula.
- Own Risk and Solvency Assessment performed as business as usual. In addition an annual ORSA was developed and submitted to the DNB to ensure the AE ORSA is more consistent with general market practices.
- Further strengthening of Project risk management by increased participation of the Risk team in projects of strategic importance, most particularly the project to start a German branch.
- Risk Assessment Process was embedded in the new branch in Germany and in the French business that became a branch of AE in 2014.
- Initiation of a project to review of Amlin's Risk culture (Amlin global initiative).

Setting Risk Strategy

AE aims to deliver an attractive cross-cycle return on capital through the maintenance of a diversified portfolio of business combined with excellent capital management. AE's values drive the organisation to retain a sustainable business model, founded on a measured approach in AE's acceptance and management of risk, to secure the long-term viability of the business. AE also uses risk-adjusted capital metrics to measure and track the performance of the business.

The Amlin Risk framework is embedded within AE to deliver effective risk management. Effective risk management and governance are fundamental to the regulatory regime which will be implemented under the Solvency II Directive. During 2014 we made further progress towards meeting these requirements.

Embedding Own Risk & Solvency Assessment (ORSA)

The ORSA is a key business process required under Solvency II. Amlin operates an internal model which captures the key economic and risk factors that could impact the performance of Amlin, including AE. Due to the expectation of a new corporate structure at Amlin, the decision was taken to withdraw Amlin Europe from the Internal Model Approval Process (IMAP) with the DNB and confirm that the chosen method for regulatory capital calculation under Solvency II will be the adoption of the Standard Formula. Amlin Group continues its application for Internal Model approval with the Prudential Regulation Authority (PRA).

In 2014 AE used the Standard Formula to perform the forward looking assessments of AE's risks and its solvency position in addition to the use of the Amlin Internal Model. In 2015 the analysis with the Standard Formula will be developed further. AE will continue to use the Internal Model in the ORSA under the risk management requirements of the Amlin Group.

The ORSA reports address forward looking solvency and profit and loss forecasts and it details the states of all major risks against tolerances and the effectiveness of controls. The reports include output from stress testing, validation and event or near miss reporting. The ORSA links with business planning and ensures that the Internal Model is used in key decision making.

The ORSA brings a coordinated view of risk and solvency together for management and Boards. This information helps to ensure that risk and capital implications are recognised in the decision making process and that appropriate control plans are developed to support the successful delivery of business strategies and priorities. For example, the ORSA summarises realistic disaster scenarios for catastrophe events and also provides an aggregate risk assessment for multiple catastrophes in any one year. This information is compared with specific risk tolerances. The AE Risk Committees and Supervisory Board receive quarterly ORSA reports produced through consistent risk assessment and reporting processes across underwriting divisions and other corporate functions.

Risk assessment

AE's Risk Assessment Process includes use of the Amlin Plc Risk Management system ('ARM') used for reporting on all significant identified risks to the achievement of AE's objectives, the nature and effectiveness of the controls and other management processes to manage these risks. Risk tolerances are set for key risk categories, for example catastrophe-, reserving-, investment- and operational risk. This risk management framework encompasses self-assessment of controls by risk owners throughout the business coupled with independent challenge of these assertions by the risk department. The risks and controls identified by risk owners within the risk management framework are regularly reviewed by Amlin's internal audit function to assess the effectiveness of the controls put in place and their operation. The ORSA brings together key metrics of AE's risk and solvency performance.

Modelling and exposure management

As mentioned above, the decision was taken to withdraw AE from IMAP. AE will adopt the Standard Formula as the method of capital calculation under Solvency II. The Standard Formula model will be used as the model to perform forward looking analysis.

Supportive to the analyses made using the Standard Formula model, AE will continue to use the Internal Model and therefore continue to participate in the development of the Internal Model by Amlin Group.

Amlin uses its Internal Model, the tool for analysing the range of possible outcomes in terms of expected profitability, consequently the modelling provides the principal support for assessment of our economic and regulatory capital requirements

and is supporting our preparations for Solvency II. Amlin's internal model is integrated into the Risk Management Framework which supports the determination and assessment of risk. The modelling captures the distinct risk profile of AE; including the potential aggregation of catastrophe risk, class diversification and reinsurance protection. It must always be remembered that financial risk modelling is not an exact science, yet ongoing use and engagement with the wider business provides a catalyst for refining the model's accuracy. While this actuarial modelling provides a critical ingredient to our risk management approach, it is ultimately used to inform underwriters and management, on whose judgement and experience we ultimately rely.

During 2014 we have continued to focus on strengthening the use of the model within key business processes such as business planning, assessment of reinsurance purchase, risk reporting and strategic business decisions.

Insurance risk

Insurance risk refers to a major (negative) deviation in relation to expectations with regard to:

- Underwriting risk
- Claims frequency, claim size, risk concentration and inflation
- Development period
- Jurisprudence
- Reserving risk

Underwriting risk

In underwriting insurance or reinsurance policies, the AE's underwriters use their skill and knowledge to assess each risk. Exposure information and data on past claims experience is used to evaluate the likely claims cost and therefore the premium that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and to produce an acceptable profit. However, due to the nature of insurance risk, there is no guarantee that the premium charged will be sufficient to cover claims costs. This shortfall may originate either from insufficient premium being calculated and charged or may result from an unexpected, or unprecedented, high level of claims.

A number of controls are deployed to control the amount of insurance exposure underwritten. Each year a business plan is prepared and agreed by the Management Board. This plan is used to monitor the amount of premium income, and exposure, written in total and for each class of business. Progress against this plan is monitored during the year.

Apart from motor liability portfolios, which have unlimited liability, all policies have a per loss limit which caps the size of any individual claim. For larger sum insured risks, reinsurance coverage may be purchased. AE operates line guides that determine the maximum liability per policy that can be written for each class (on a gross or net of facultative reinsurance basis) by each underwriter. These limits can be exceeded in exceptional circumstances with the approval of senior management. AE is also exposed to catastrophe losses which may impact many risks in a single event. Reinsurance is purchased to limit the impact of loss aggregation from such events.

Insurance policies are written through individual risk acceptances, reinsurance treaties or through facilities whereby AE is bound by other underwriting entities. Facility arrangements delegate underwriting authority to other underwriters, or to agents acting as coverholders, that use their judgement to write risks on AE's behalf under clear authority levels.

The insurance policies underwritten by AE are reviewed on an individual risk or contract basis and through review of portfolio performance. Claims arising are reserved upon notification. Each quarter the entire portfolio is subject to a reserving process whereby levels of paid and outstanding claims are reviewed. Potential future claims are assessed with a provision for incurred

but not reported (IBNR) claims being made. Whilst a detailed and disciplined exercise is carried out to provide for claims notified, it is possible that known claims could develop and exceed the reserves carried.

Furthermore, there is increased uncertainty in establishing an accurate provision for IBNR claims and there is a possibility that claims may arise which, in aggregate, exceed the reserve provision established. This is partly mitigated by the reserving policy adopted by the Amlin which is to carry reserves in excess of the strict 50:50 actuarial best estimate.

The review of claims arising may result in underwriters adjusting pricing levels to cater for an unexpectedly higher trend of claims advices or payments. However, this may not be possible in a competitive market and underwriters may respond either by accepting business with lower expected profit margins or declining to renew policies and thus reducing income. Also, there is a portfolio of risks already underwritten which cannot be re-priced until renewal at the end of the policy period.
AE is exposed to the impact of catastrophe events such as windstorms or earthquakes. Exposure to such events is controlled and measured through loss modelling. It is possible that a catastrophe event could exceed the maximum expected event loss. This is particularly the case for the direct property proportion of the loss exposure, where models are used to calculate a damage factor representing the amount of damage expected to exposed aggregate insured values from a particular scenario. Errors, or incorrect assumptions in the damage factor calculation, can result in incurred catastrophe event claims higher, or lower, than predicted due to unforeseen circumstances, or inadequacies in data, or the models used. AE operates with a maximum tolerance level for a natural disaster scenario of €40 million after reinsurance taking reinstatement into account.

Reinsurance is purchased to protect against the impact of any individual or series of severe catastrophes. However, the price and availability of such cover is variable and the amount of loss retained by AE may therefore also increase or reduce. AE will alter its insurance and reinsurance exposures to take account of changes in reinsurance availability and cost, capital levels and profitability in order to remain within the risk appetite guidelines. AE purchases a comprehensive programme for each class of business. Specific cover is placed for engineering, personal accident, motor, liability and marine exposures. The property account is protected by both per risk and catastrophe excess of loss programmes, with the latter additionally protecting European property business written by Amlin UK.

There is no guarantee that reinsurance coverage will be available to meet all potential loss circumstances as, for very severe catastrophe losses, it is possible that the full extent of the cover bought is not sufficient. Any loss amount which exceeds the programme would be retained by AE. It is also possible that a dispute could arise with a reinsurer which reduces the recovery made. The reinsurance programme is bought to cover the expected claims arising on the original portfolio. However, it is possible for there to be a mismatch, or a gap in cover, which would result in a higher than expected retained loss.

Many parts of the programme also have limited reinstatements and therefore the number of claims which may be recovered from second or subsequent major losses is limited. It is possible for the programme to be exhausted by a series of losses in one annual period and it may not be possible to purchase additional reinsurance at all or for an acceptable price. This would result in AE bearing higher losses from further events occurring. It should also be noted that the renewal date of the reinsurance programmes does not necessarily correspond to that of the business written. Where business is not protected by risk attaching reinsurance (which provides coverage for the duration of all the policies written) this reinsurance protection could expire resulting in an increase in possible loss retained by AE if renewal of the programme is not achieved.

Claims frequency, claim size, risk concentration and inflation
In order to limit the risk of claims, the insurance business applies a selection and acceptance policy based on claims history and risk models. At the same time when accepting the business the knowledge and expectations regarding the future development of the frequency, size and inflation of claims is taken into account. The risk of unexpectedly large claims for damages is restricted by means of policy limits, management of concentration risk and reinsurance.

AE writes its business via two main segments Property & Casualty and Marine & Aviation, mainly for commercial clients locally. Exposures are predominantly in Belgium, the Netherlands, France and Germany apart from marine transportation risks or where an insured has exposures abroad.

Captive business is written in Belgium as fronting for captive reinsurers of large industrial companies. AE retain a small part of these risks but receive a fronting fee. Careful analysis is carried out on captives to minimise potential credit risk.

Development period

The time that is necessary for the identification and settlement of a claim is an important factor of uncertainty. The settlement of claims with a long development period, as in the case of bodily injury or liability, may take several years. In the actuarial reserving process, actuarial methods are applied to estimate the IBNR and the total best estimate on the balance sheet. The process takes into account, i.e. comparable cases and historic trends, such as the pattern of provisions, the growth of the risk exposure and legal judgements and economic circumstances.

Jurisprudence

As it is not fully clear in advance what impact future legal rulings will have on the size and number of claims, such as asbestos-related claims, there is uncertainty regarding liabilities. In order to mitigate the uncertainty regarding claims AE has to a substantial extent changed for the business liability portfolio in the Netherlands to claims-made conditions instead of loss occurrence. For the Belgian liability portfolio, loss occurrence remains the market standard.

Reserving risk

Actuarial analysis is an important ingredient in AE's overall risk framework used to inform underwriters and management, on whose judgement and experience AE ultimately rely and who remain accountable for exercising prudent judgement. AE adopts a rigorous process in the calculation of an adequate provision for insurance claim liabilities. The overriding aim is to establish reserves which are expected to be at least adequate and that there is consistency from year to year. Therefore, the level of reserves is set at a level above actuarial 'best estimate' position. However, there is a risk that, due to unforeseen circumstances, the reserves carried are not sufficient to meet insurance claim liabilities reported in future years on policy periods which have expired.

The reserving process commences with the proper recording and reporting of claims information by brokers and policyholders which consist of paid and notified or outstanding claims. For notified or outstanding claims, a case reserve is established based on the views of claims managers and underwriting management, using external legal or expert advice where appropriate. This reserve is expected to be sufficient to meet the claim payment when it is finally determined. The estimation of the IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of claims already notified. This is particularly the case in liability classes where, contrary to property and other short tail classes, claims notification and settlement may take many years. Also for reinsurance outstanding recoveries and IBNR is calculated. The allocation of IBNR to the reinsurance programme is an uncertain exercise as there is limited knowledge of the size or number of future claims advices. The assumption over future reinsurance recoveries may be incorrect and unforeseen disputes could arise which would reduce recoveries made.

Insurance liabilities are tested quarterly by actuaries. They produce an independent best estimate by class using actuarial software and methods (such as chain-ladder techniques and the Bornhuetter-Ferguson method) as appropriate.

Uncertainties and difficulties in achieving accurate reserving results

There are a large number of uncertainties and difficulties in achieving accurate results from the reserving model. Some of the key issues are:

- The model is based on a best estimate view of business volumes and rate expectations, which may not be borne out in practice;
- A significant change in the portfolio of business could result in the past not being a reliable guide to the future;
- Changing external environmental factors may not be assessed accurately;
- Model risk may be significant in such a complex and developing discipline;
- Key assumptions over levels of correlation between classes may over time prove to be incorrect; and
- Catastrophe model inputs, which estimate the severity and frequency of large catastrophes on the portfolio, may be incorrect.

Sensitivity analysis and prudency

The insurance liabilities established are a point estimate and subject to volatility. The level of reserve established for the aggregated claims can be insufficient when final claim settlement takes place compared to the of IBNR reserve foreseen. The level of uncertainty varies by class, and is a characteristic of commercial lines insurance markets, where claims can be subject to long settlement periods and legal proceedings.

Given this uncertainty, AE follows a policy of prudency, by setting the level of overall insurance liabilities higher than the best estimate actuarial level. The additional amount carried is referred to as the prudency margin. AE has set this prudency margin at €63 million at the end of 2014 (2013: €70 million). The following elements were taken into consideration in setting this level of prudency:

- Statistical testing indicates that this margin ensures AE's reserves are prudent at a level of the 75th to the 80th percentile level. This means that total reserves held are simulated to be above the final amount due in more than 75 to 80 percent of cases. This level is above Amlin Group's tolerance level of 65% prudency. It is important to note that this statistical testing, using an actuarial technique known as bootstrapping, is subject to uncertainty and is only indicative in nature.
- In addition to the statistical testing described above, AE also takes into account the assessed exposure to selected individual significant claims. For these large claims individual assessments are made in which a best estimate is set on each individual claim. The exposure to adverse development on these large claims, taking into account analysis on the maximum claim net of reinsurance, is integrated into the assessment of prudency margin described above using scenario based analysis.

As an indication on the sensitivity of the above described approach, one should note that the impact on profit before tax of a +/- 1% variation in the total net claims liabilities would be +/- €8.1 million.

Overview of claims development estimates

The tables below illustrate the development of gross and net estimates of ultimate cumulative claims on an accident year basis.

Overview of claims development estimates

Gross basis	**2004 & prior**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**Total**
		€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	
At the end of the claim year		310.1	352.8	392.1	630.9	502.4	499.5	501.7	338.6	340.2	315.3	
2006		429.0										
2007		411.6	369.3									
2008		392.0	369.9	408.2								
2009		381.6	353.6	438.0	618.7							
2010		373.0	351.0	425.0	608.0	515.4						
2011		370.8	348.4	412.1	609.8	516.1	588.1					
2012		370.0	345.5	409.8	587.9	537.2	538.0	519.3				
2013		370.8	340.1	405.8	579.9	521.1	500.8	485.9	365.6			
2014		362.3	329.8	386.6	568.7	480.7	577.1	463.0	372.1	349		
Total ultimate claims at 31 December 2014		362.3	329.8	386.6	568.7	480.7	577.1	463.0	372.1	349.3	315.3	
Cumulative gross claims payments at 31 December 2014		347.8	317.6	367.1	525.3	414.8	473.3	365.7	268.4	215.2	84.7	
Gross claims reserve at 31 December 2014 (incl. IBNR)	140.3	14.5	12.2	19.5	43.4	65.9	103.8	97.3	103.7	134.1	230.6	965.3
Total claims liabilities, gross												**965.3**

Net basis	**2004 & prior**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**Total**
		€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	
At the end of the claim year		252.2	288.4	345.5	484.9	467.5	458.5	447.1	312.2	320.9	303.4	
2006		271.5										
2007		251.6	305.4									
2008		235.2	298.1	345.2								
2009		231.9	291.3	358.1	481.4							
2010		221.2	283.9	339.3	475.0	483.7						
2011		216.5	280.2	315.9	456.8	488.5	514.5					
2012		217.9	275.3	328.9	437.0	466.8	467.1	473.1				
2013		218.4	275.9	321.8	431.1	450.1	452.1	441.1	309.1			
2014		216.0	274.3	312.7	426.5	411.7	473.7	413.5	296.4	324		
Total ultimate claims at 31 December 2014		216.0	274.3	312.7	426.5	411.7	473.7	413.5	296.4	324	303	
Cumulative net claims payments at 31 December 2014		199.8	260.2	293.7	403.8	362.8	396.8	332.4	214.4	200	81	
Net claims reserve at 31 December 2014 (incl. IBNR)	134.1	16.2	14.1	19.0	22.7	48.9	76.9	81.1	82.0	123.9	222.4	841.3
Total claims liabilities, net *)												**841.3**

*) The difference between gross and net is the reinsurers' share of outstanding claims which is explained in detail in the Credit risk section of the Risk management patragrapgh.

For insurance liabilities further reference is made to the disclosure note of the insurance liabilities in note 10 in the financial statements.

Financial risk

AE is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. AE has two main categories of assets:

- Underwriting assets – premium received and held to meet future insurance claims
- Capital assets – capital required by the regulators to support the underwriting business plus working capital and surplus funds. Apart from outstanding borrowings, these assets do not have specific current liabilities attached to them.

AE manages its investments in accordance with investment frameworks that are set by the Management Board of Amlin Plc and the Management Board of AE. These frameworks determine investment governance and the investment risk tolerance. They are reviewed on a regular basis to ensure that the AE Management Boards' fiduciary and regulatory responsibilities are being met. The AE Management Board is advised by the Chief Investment Officer of Amlin Plc.

The investment process is driven from the risk tolerance which is determined by reference to factors such as the underwriting cycle and the requirements of the capital providers. In a hard underwriting market capital preservation is paramount in order to support the insurance business and, therefore, the risk tolerance for the capital assets will be low. Conversely, the risk tolerance for the underwriting assets under these circumstances will be relatively high due to strong cash flow. In a soft underwriting market the opposite applies.

The investments are run on a multi-asset, multi manager basis. Exposure to the asset classes is achieved using physical or derivative instruments and may be managed by Amlin Group Investments or by outsourced managers, on a segregated, pooled or commingled basis. The manager selection is based on a range of criteria that leads to the expectation that they will add value to the funds over the medium to long-term. The managers' performance, compliance and risk are monitored on an ongoing basis.

Investment risk is independently monitored by Amlin's Corporate Centre Risk department using a bespoke investment risk model.

Financial risk comprises three main risks:

- Market risk: the risk that fair value or cash flows of a financial instrument will fluctuate, because of changes in market prices;
- Credit risk: the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge an obligation;
- Liquidity risk: the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Market risk

The market risk can subsequently be split into the following sub-risks:

1. *Valuation risk*: the risk that the fair value of investments is not recorded properly.
2. *Interest rate risk*: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.
3. *Currency risk*: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Valuation risk

Where possible, AE's assets are measured at bid prices. Prices are supplied by AE's custodian whose pricing processes are covered by their published annual controls report. In accordance with their pricing policies, prices are sourced from market recognised pricing vendor sources.

Market risk is managed by means of an independent framework and measured on the basis of consistent methods (such as real value calculations, stress tests and worst-case sensitivities). Asset Liability Management studies provide the basis for establishing the limits and guidelines that form the basis for management of the investment portfolio.

IFRS 7 requires that transparency is given into the fair value hierarchy of all financial instruments which are valued at fair value. This fair value hierarchy consists of three levels and grades the trustworthiness of the underlying information which is used to define this fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide readily and regularly available quoted prices.

Level 2: Inputs to a valuation model other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs to a valuation model for the asset that are not based on observable market data (unobservable inputs) and are significant to the overall fair value measurement. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models). As such, it is considered that unobservable inputs reflect the assumptions that market participants would use in pricing the asset.

More than 99.9% of our investments have the highest level (Level 1) valuation according to the fair value hierarchy of IFRS 7. The table below outlines the IFRS fair value hierarchy.

	Level 1	Level 2	Level 3	Total
	€ 000	*€ 000*	*€ 000*	*€ 000*
Financial assets designated at fair value through income	1,195,037	-	-	1,195,037
Financial assets available for sale	-	1,112	-	1,112
Total	**1,195,037**	**1,112**	**-**	**1,196,149**

As AE aligns its investment portfolio with Amlin Group policies, the portfolio was rearranged from available for sale to fair value through profit and loss. The rearrangement implies that fair value movements are stated directly into the statement of comprehensive income. Market developments did not lead to impairment on available for sale investments in 2014.

The valuation of investments is sensitive to equity risk. An increase or fall in share prices of 10% will have an effect before tax on investments and/or shareholder's equity of €17.1 million at 31 December 2014 (2013: €13.7 million).

Interest rate risk

Investors' expectations for interest rates will impact bond yields. Therefore, the value of AE bond holdings is subject to fluctuation as bond yields rise and fall. If yields fall the capital value will rise, and vice versa. The sensitivity of the price of a bond is indicated by its duration. The greater the duration of a security, the greater its possible price volatility. Typically, the longer the maturity of a bond the greater its duration. The duration of underwriting assets is set with reference to the duration of the underlying liabilities. The maturity of AE's bond holdings are shown in note 3.

The valuation of investments is sensitive to interest rate risk. An increase in market interest rates of 100bps will have a negative effect before tax on investments and/or shareholder's equity of €2.3 million at 31 December 2014 (2013: €2.0 million). A decrease in market interest rates of 100bps will have a positive effect before tax on investments and/or shareholder's equity of €2.2 million at 31 December 2014 (2013: €0.8 million negative).

Currency risk

Foreign exchange translation risk arises when business is written in non-functional currencies. These transactions are translated into the functional currency of AE at the prevailing spot rate at the inception date of the premium. Consequently, there is exposure to currency movements between the inception date and the date premium is received. Claims incurred in non-functional currencies are recorded at the prevailing spot rate on the date of the loss event and then translated back from the functional currency at the time a claim is to be settled; therefore AE is exposed to exchange rate risk between the date the claim is made and the date of settlement.

This risk is managed by hedging the currency risk, in so far as it is material. This is performed by aiming to achieve a situation in which monetary assets and liabilities are equal for each foreign currency (asset/liability matching). If a liability in a currency other than the functional currency of EUR is considered to be sufficiently large following a major event, that currency will be bought and held as a base currency to cover the potential liability. Residual currency risks are mitigated by foreign exchange forwards. Financial derivatives are only held for hedging purposes, not for trading purposes. The USD is the single major foreign currency to which AE is exposed. At year-end 2014, monetary assets in USD (amounting to USD 219.3 million) were below monetary liabilities (amounting to USD 252.1 million). If the USD/EUR exchange rate would increase with 10%, the USD exposure at balance sheet date would lead to a positive foreign exchange result of €2.7 million in the statement of comprehensive income at 31 December 2014 (2013: €5.9 million negative).

Credit risk

Credit risk is the risk that AE becomes exposed to a loss if a specific counterparty fails to perform its contractual obligations in a timely manner impacting AE's ability to meet its claims as they fall due. Credit risk can also arise from the underlying causes that have an impact upon the creditworthiness of all counterparties of a particular description or geographical location. AE's credit risk is mitigated by the collateral received from counterparties. AE is exposed to credit risk in its investment portfolio and with its premium and reinsurance receivables. In accordance with the established investment policy, exposure per debtor depends on the credit rating, for which a limit is set. The table below outlines the credit quality of government bonds, corporate debt securities and investment funds.

Investments included in the balance sheet have the following rating	*Percentage*	*Balance sheet value*	*Percentage*	*Balance sheet value*
		2014		*2013*
		€ 000		*€ 000*
AAA	7%	69,043	29%	313,411
AA	23%	223,185	23%	250,951
A	65%	625,877	42%	453,707
BBB	5%	44,544	3%	30,538
BB	0%	540	0%	1,832
B	0%	-	0%	746
CCC	0%	-	0%	-
Unrated	0%	-	2%	17,068
Total government bonds, corporate debt and investment funds	100%	963,189	100%	1,068,253
Other investments		232,960		179,834
Total investment securities		1,196,149		1,248,087

In the above table the Standard & Poor's (S&P) rating has been used. Where an S&P rating is not available we use other rating agencies such as Moody's and Fitch. Within AE, no use is currently made of financial derivatives in order to hedge credit risks. During 2014, in accordance with AE's and Amlin Group's Investment frameworks, AE has decided to invest relatively more in A-rated investments after evaluating the relative additional risk involved and determining it is within acceptable tolerances.

The reinsurance policy is to place treaty and facultative reinsurance with A or higher rated reinsurers. Up to accident year 2008 AE has placed (part of) its reinsurance treaty with non-rated Fortis Re, Fortis's reinsurance captive company. Also, AE enters into captive fronting operations. In this case generally no external rating is available and an internal credit risk analysis is performed. The table below splits the reinsurance positions by rating category:

Reinsurance 31 December 2014	*Premium reserve*	*Claims reserve*	*Receivables*	*Liabilities*	*Deposits received*
	€ 000	*€ 000*	*€ 000*	*€ 000*	*€ 000*
AAA	-	-	-	-	-
AA	11,289	79,865	32,823	12,275	-
A	6,892	31,655	28,959	7,446	-
BBB	88	422	(91)	96	-
BB	-	-	-	-	-
B	128	(84)	822	140	-
C	-	-	1	-	-
Unrated	896	12,235	732	27,356	90
Total	19,293	124,093	63,246	47,313	90

Reinsurance 31 December 2013	*Premium reserve*	*Claims reserve*	*Receivables*	*Liabilities*	*Deposits received*
	€ 000	*€ 000*	*€ 000*	*€ 000*	*€ 000*
AAA	52	-	8	161	-
AA	3,349	90,588	19,314	10,321	-
A	1,758	48,270	9,600	5,373	-
BBB	197	1,831	1,403	609	-
BB	-	-	-	-	-
B	-	239	(109)	(34)	-
C	-	-	1	-	-
Unrated	6,307	19,701	26,050	26,733	89
Total	11,663	160,629	56,267	43,163	89

If a debtor's rating changes, the newly arisen situation is evaluated. The current account positions of brokers are continuously observed and, where necessary, action is taken. This occurs amongst other things on the basis of payment performance and development of the current account balance.

A breakdown of AE's exposure to sovereign debt is set out below:

Government Bond Exposure	
AE Sovereign Debt Exposure as at 31 December 2014	
Country	**€m**
Italy	24.2
Spain	17.7
Netherlands	9.8
France	8.0
Ireland	4.9
Austria	4.4
Germany	4.3
Peru	2.8
Belgium	2.6
United Kingdom	2.0
United States	1.3
Poland	0.5
Slovenia	0.2
Slovakia	0.2
	82.9

AE does not have direct investments in companies or indirect investments in pooled vehicles in PIIGS-countries and therefore exposure in these countries is limited to the exposure on government bonds (refer to table above).

As at 31 December 2014, the ageing of trade and other receivables that were not impaired was as follows:

	2014
	€ 000
Neither past due nor impaired	183,943
Past due 0-3 months	52,891
Past due 3-6 months	9,085
Past due 6-12 months	14,043
Past due over 12 months	17,498
Total Receivables	277,460
Receivables from intermediaries	206,021
Receivables from policyholders	8,193
Receivables from reinsurance operations	63,246
Total Receivables	277,460

Liquidity risk

In the insurance business the liquidity risk is inherent to the business. It is important that AE can pay its obligations as they fall due. Levels of cash are therefore managed on a daily basis and buffers of liquid assets are held in excess of the immediate requirements. This is to reduce the risk of being forced sellers of any of AE's assets, which may result in realising prices below fair value, especially in periods of below normal investment market liquidity. Payments from and to policyholders are predictable. An unanticipated demand for payments without suffering acceptable losses on liquidation of investments has not yet occurred.

The following table indicates the contractual timing of cash flows arising from assets and liabilities for management of insurance contracts as of 31 December 2014:

As at 31 December 2014 Financial assets	No stated maturity (*) € m	Contractual cash flows (undiscounted) 0-1 yr € m	1-3 yrs € m	3-5 yrs € m	>5 yrs € m	Total amount € m
Shares and other variable yield securities	171.3	-	-	-	-	171.3
Debt and other fixed income securities	818.3	10.8	7.4	53.0	38.2	927.7
Property funds	60.2	-	-	-	-	60.2
Funds stated as investment security	1.0	0.1	-	-	-	1.1
Cash, cash equivalents and deposits stated as investment security	47.1	5.5	-	-	-	52.6
Total investment securities and cash and cash equivalents	1,097.9	16.4	7.4	53.0	38.2	1,212.9
Liabilities arising from insurance contracts (excluding unearned premium)	-	372.8	308.2	137.5	146.8	965.3
Less assets arising from reinsurance contracts held	-	(48.5)	(39.1)	(17.8)	(18.7)	(124.1)
Total insurance liabilities	-	324.3	269.1	119.7	128.1	841.2
Difference in contractual cash flows	1,097.9	(307.9)	(261.7)	(66.7)	(89.9)	371.7

As at 31 December 2013 Financial assets	No stated maturity (*) € m	Contractual cash flows (undiscounted) 0-1 yr € m	1-3 yrs € m	3-5 yrs € m	>5 yrs € m	Total amount € m
Shares and other variable yield securities	137.5	-	-	-	-	137.5
Debt and other fixed income securities	800.5	12.8	164.2	4.9	51.9	1,034.3
Property funds	38.2			-	-	38.2
Funds stated as investment security	0.9	0.3	-	-	-	1.2
Cash, cash equivalents and deposits stated as investment security	48.7	2.7	-	-	-	51.4
Total investment securities and cash and cash equivalents	1,025.8	15.8	164.2	4.9	51.9	1,262.6
Liabilities arising from insurance contracts (excluding unearned premium)	-	359.9	330.5	158.0	238.4	1,086.8
Less assets arising from reinsurance contracts held	-	(48.3)	(47.8)	(23.1)	(41.4)	(160.6)
Total insurance liabilities	-	311.6	282.7	134.9	197.0	926.2
Difference in contractual cash flows	1,025.8	(295.8)	(118.5)	(130.0)	(145.1)	336.4

Notes:

* No stated maturity financial assets relate to investment pools.

Liquidity, in the event of a major disaster, is tested regularly using internal cash flow forecasts and realistic disaster scenarios. Liquidity is supported by pre-arranged revolving credit facilities. If a major insurance event occurs the investment strategy is reviewed to ensure that sufficient liquidity is also available in the assets.

Operational risk

Operational risk is a risk of loss arising from inadequate or failed internal processes or from personnel and systems or from external events. These risks are monitored and assessed through the Risk Assessment Process.

Strategic risk

Strategic risk is a risk of the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to industry changes. These risks are also taken up in the Risk Assessment Process. In addition strategic risks are discussed each quarter amongst other with the CEO, CRO, Management Board and Risk Committee.

Supervision and solvency

As an insurance company, AE is subject to prudential supervision. AE is supervised by the Dutch Central Bank ('DNB').

AE is required to hold regulatory capital in compliance with the rules issued by its regulator and as prescribed by EU directives. DNB supervision comprises various qualitative assessments, governance requirements and minimum solvency levels. Currently AE provides regulatory solvency reporting to DNB, under the rules of Solvency I.

	2014	2013
	€000	€000
Minimum required qualifying capital	89,122	95,799
Available qualifying capital	360,724	326,169
Solvency surplus	271,602	230,370
Solvency rate	405%	340%

The available qualifying capital is built up of equity net of intangible fixed assets. The minimum capital requirement is calculated on Solvency 1 basis. At 31 December 2014, AE complies with external capital requirements. For trading purposes, AE holds capital in excess of the minimum required by DNB.

AE paid a dividend of €10 million to its shareholder Amlin (Overseas Holdings) Limited in 2014.

Solvency II

Solvency II will come into force in 2016. AE has taken significant steps to ensure readiness in recent years, the main work to prepare AE for Solvency II was performed in the TOMCAT program that was concluded in 2012. Additional work performed in 2013 and 2014 concerned preparing a Market Value Balance Sheet, implementation of SII Standard Formula calculations as a business as usual process and the development of an annual ORSA report that is fed by a quarterly ORSA process. AE is acting on feedback received from DNB to ensure it will comply fully with Solvency II when the regulations come into force.

In addition to the former activities, in 2014 a group wide analysis of the readiness for Solvency II was performed which resulted in a Solvency II program to facilitate the implementation of the final requirements by the end of 2015. Work currently in process to ensure full compliance concerns:

Pillar 1:

- Calculation of the market value balance sheet, including technical provisions, has been set up as a business as usual process during 2014.
- Standard formula calculation process was further clarified and will be implemented as a business as usual process during 2015.

Pillar 2:

- The risk management framework, including risk governance, has been rolled out and implemented.
- The ORSA is a well-established quarterly process.
- The internal model is being used in various decision making processes, such as business planning, capital planning, reserve adequacy and reinsurance buying.

Pillar 3:

- Reporting requirements are actively monitored and prepared for.
- Qualitative Reporting Templates were analysed and included in the future reporting scope

The effort and commitment shown by the teams involved over several years has positioned AE well for the expected finalisation of this regulatory regime in 2016.

Notes to the statement of financial position

Fiscal Unity

AE is part of the fiscal unity of Amlin (Overseas Holdings) Limited for Corporate Income Tax purposes. AE is jointly and severally liable for the tax credits of the fiscal unity. The tax positions are settled as if AE is independently income tax liable.

Presentation of the statement of financial position

The statement of financial position is presented in order of liquidity. The leading split between current and non-current, is disclosed in the Risk Management paragraph, sub liquidity risk.

1 Cash and cash equivalents

Cash and cash equivalents are at free disposal, except for the bank guarantees disclosed in notes to off balance sheet items. In the cash flow statement, 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 are included in the financial assets.

2 Accrued interest and other assets

For both 2014 and 2013 the outstanding amounts mainly reflect accrued interest on debt securities. These amounts fall due within one year.

3 Investments

The composition of investments at 31 December is as follows:

	2014	*2013*
	€ 000	*€ 000*
Financial assets designated at fair value through income	1,195,037	1,246,882
Available for sale financial investments	1,112	1,205
Total Investments	1,196,149	1,248,087

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. Credit ratings for the financial assets designated at fair value through profit and loss are disclosed in the Risk Management paragraph.

3.1 Financial assets designated at fair value through profit or loss

The table below shows the movement in investments during the year:

	2014 € 000	2013 € 000
Balance at the beginning of the year	1,246,882	1,240,790
Net balance of acquisitions/(sales)	(94,645)	(25,596)
Valuation result on investments	7,700	47,188
Foreign exchange results	35,100	(15,500)
Balance at the end of the year	1,195,037	1,246,882

The fair value of investments designated at fair value through profit or loss including gross unrealised gains and losses at 31 December were as follows:

	€ 000 At inception	€ 000 Revaluations	2014 € 000 Fair values
Government bonds	76,580	548	77,128
Corporate debt securities	32,082	42	32,124
Shares and other variable yield securities	134,160	37,151	171,311
Investment pools	844,450	9,098	853,548
Property funds	55,170	5,065	60,235
Other investments	691	-	691
Total	1,143,133	51,904	1,195,037

	€ 000 At inception	€ 000 Revaluations	2013 € 000 Fair values
Government bonds	181,028	(1,482)	179,546
Corporate debt securities	54,288	150	54,438
Shares and other variable yield securities	116,792	20,694	137,486
Investment pools	802,851	31,323	834,174
Property funds	36,800	1,372	38,172
Other investments	3,066	-	3,066
Total	1,194,825	52,057	1,246,882

The average modified duration of government bonds is 2.83 years (2013: 1.56 years) and the average duration on other interest bearing investments is minus 0.37 years (2013: minus 0.47 years).

Financial assets designated at fair value through profit or loss are denominated in the following currencies:

	2014	*2013*
	€ 000	*€ 000*
Euro	864,709	922,453
US Dollar	246,670	254,041
GB Pound	22,050	22,864
Japanese Yen	13,175	13,238
Hong Kong Dollar	8,090	7,028
Australian Dollar	9,109	6,314
Swiss Franc	9,750	6,172
Swedish Krown	2,755	3,560
Singapore Dollar	8,241	3,201
South African Rand	3,090	2,935
New Zealand Dollar	6,575	2,367
Other currencies	823	2,709
	1,195,037	1,246,882

3.2 Investments available for sale

The table below shows the movement in investments during the year:

	2014	*2013*
	€ 000	*€ 000*
Balance at the beginning of the year	1,205	4,858
Net balance of acquisitions/(sales)	-	(3,616)
Redemption of loan	(188)	(187)
Valuation result on investments	95	150
Balance at the end of the year	1,112	1,205

Available for sale financial assets are denominated in Euro's. The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as available for sale.

The fair value and amortised cost of investments available for sale including gross unrealised gains and losses at 31 December were as follows:

				2014
	€ 000	€ 000	€ 000	€ 000
	At inception	Revaluations	Impairments	Fair values
Government bonds	-	-	-	-
Privately negotiated loans	133	-	-	133
Other investments	1,159	968	(1,148)	979
Total available for sale	1,292	968	(1,148)	1,112

				2013
	€ 000	€ 000	€ 000	€ 000
	At inception	Revaluations	Impairments	Fair values
Government bonds	-	-	-	-
Privately negotiated loans	321	-	-	321
Other investments	1,159	873	(1,148)	884
Total available for sale	1,480	873	(1,148)	1,205

In 2014, AE carried out an impairment test and concluded that no (further) impairments are necessary on the available for sale portfolio.

4 Reinsurance and other receivables

The table below shows the components of reinsurance and other receivables at 31 December:

	2014	2013
	€ 000	€ 000
Reinsurance share in receivables arising from reinsurance contracts	143,386	172,292
Receivables from intermediaries	206,021	231,718
Receivables from policyholders	8,193	11,350
Receivables from reinsurance operations	63,246	56,267
Amounts due from other Amlin Group Companies	30,128	-
Other	3,194	9,738
Total, gross	454,168	481,365
Bad debt provisions	(14,397)	(16,686)
Total	439,771	464,679

Other receivables mainly consist of receivables from insurance operations and estimated pipeline premium (accrued income). At year end, all receivables past due were assessed for impairment in line with company policy and impaired as such. The fair value of the reinsurance and other receivables equals the book value. Refer to note 22 for further explanation on impairments on reinsurance and other receivables.

The reinsurance and other receivables are due within one year. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

The amounts due from other Amlin Group Companies include a prepayment related to 2015 group charges.

5 Deferred acquisition costs

The table below shows the movement in deferred acquisition costs during the year:

	2014 € 000	2013 € 000
Balance at the beginning of the year	27,619	28,839
Capitalised costs	91,452	101,045
Amortisation	(88,395)	(102,265)
Balance at the end of the year	30,676	27,619

6 Property, plant and equipment

The changes in property, plant and equipment are as follows for the years 2014 and 2013:

	2014 € 000	2013 € 000
Cost basis at 1 January	9,415	8,558
Acquired through business combination	791	-
Additions	390	1,165
Reversal of cost due to divestments	(3,546)	(308)
Cost basis at 31 December	7,050	9,415
Accumulated depreciation 1 January	(6,240)	(4,602)
Acquired through business combination	(473)	-
Depreciation expense	(1,291)	(1,958)
Reversal of depreciation due to divestments	3,545	320
Accumulated depreciation at 31 December	(4,459)	(6,240)
Net property, plant and equipment	2,591	3,175

Included in the 2014 additions of €0.4 million (2013: €1.2 million) is an amount of €0.1 million (2013: €0.6 million) which mainly relates to investments in office premises and leasehold improvements for the office buildings in Amstelveen and Rotterdam (the Netherlands) and €0.3 million (2013: €0.6 million) for computer equipment.

7 Intangible assets

	2014	2014	2013	2013	2014	2013
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
	Goodwill	Sofware	Goodwill	Sofware	Intangible Assets	Intangible Assets
Cost basis at 1 January	-	18,292	-	16,926	18,292	16,926
Acquired through business combination	28,844	309	-	-	29,153	-
Additions	-	648	-	1,366	648	1,366
Revaluation	-	243	-	-	243	-
Cost basis at 31 December	28,844	19,492	-	18,292	48,336	18,292
Accumulated amortisation 1 January	-	(2,681)	-	(987)	(2,681)	(987)
Amortisation expense	-	(2,660)	-	(1,694)	(2,660)	(1,694)
Revaluation	-	(146)	-	-	(146)	-
Accumulated amortisation at 31 December	-	(5,487)	-	(2,681)	(5,487)	(2,681)
Net intangible assets	28,844	14,005	-	15,611	42,849	15,611

The goodwill recognised in 2014 relates to the acquisition of Amlin France SAS. Goodwill is not amortised.

Software represents the costs that AE has incurred on internally developed software relating to a new underwriting and general ledger platform. Software is amortised in ten years on a straight-line-basis from the date that it is fully operational (1 June 2012), except for the PRP software which is amortised in line with its estimated use. Software is assumed not to have a residual value.

The difference between capitalised intangible fixed assets and the relating legal reserve in shareholders' equity is the tax impact of temporary differences (presented in the deferred tax position).

Impairment testing for CGU's containing goodwill

For the purposes of impairment testing, all goodwill has been allocated to the French operating business (CGU). The recoverable amount of the French operating business has been determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on the financial budget for 2015-2020 as approved by management. Cash flows beyond the five-year period are extrapolated using an estimated terminal growth rate, based on management's estimate of the long-term compound annual pre-tax income growth rate, consistent with the assumptions that a market participant would make. The key assumptions used in the estimation of the recoverable amount are set out below.

	2014
Long-term average growth rate	2.50%
Discount factor (cost of capital)	8.50%

Based on the impairment analysis, the recoverable amount of CGU exceeds the carrying value of goodwill. Management has estimated that the reasonable possible change in the two key assumptions would not cause the carrying amount to exceed the recoverable amount. As a result, no impairment loss is recognised in 2014.

8 Other liabilities and accrued interest

At 31 December the composition of other liabilities and accrued interest is as follows:

	2014 € 000	2013 € 000
Amounts due to agents, policyholders and intermediaries	35,495	52,777
Amounts due to reinsurers	47,313	43,163
Accrued expenses	12,828	15,224
Amounts due to group companies	6,255	19,353
Wage tax and social premium contributions	2,085	1,014
Accounts payable	1,197	452
Insurance premium tax	1,830	1,181
Payables for investments purchased	2,971	1
Financial derivatives	5,857	373
Total	115,831	133,538

Other liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. All other liabilities and accrued interest is due within one year.

Other liabilities, except for financial derivatives which are measured at fair value, are recognised initially at fair value and subsequently measured amortised cost using the effective interest method. The fair value of other liabilities and accrued interest equals the book value.

9 Deposits from reinsurers

The deposits from reinsurers as at 31 December 2014 and 31 December 2013 only consist of non-interest bearing deposits. The fair value of the deposits from reinsurers equals the book value.

10 Liabilities arising from insurance contracts

The composition of liabilities arising from insurance contracts as at 31 December is as follows:

	2014 € 000	2013 € 000
Liabilities for claims	796,901	883,678
IBNR	168,448	203,137
Total liabilities for claims to be paid	965,349	1,086,815
Unearned premiums	197,821	188,768
Total	1,163,170	1,275,583

The development of gross and net estimates of ultimate cumulative claims is included under the Risk Management paragraph.

Movements in liabilities arising from insurance contracts are as follows:

	2014 € 000	2013 € 000
Balance at 1 January	1,275,583	1,433,378
Movement in claims reserve current year	261,056	232,667
Movement in claims reserve prior year	(382,522)	(387,589)
	1,154,117	1,278,456
Change in unearned premiums	9,053	(2,873)
Balance at 31 December	1,163,170	1,275,583

11 Current and deferred tax assets and liabilities

As of year-end the tax position can be summarised as follows:

			2014			2013
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
	Current	Deferred	Total	Current	Deferred	Total
Assets	576	4,231	4,807	549	3,918	4,467
Liabilities	600	13,047	13,647	60	2,729	2,789
Net	(24)	(8,816)	(8,840)	489	1,189	1,678

A breakdown per country per 31 December 2014 is provided in the table below:

	€ 000 AE Netherlands	€ 000 AE Belgium	€ 000 AE Germany	€ 000 AE France	2014 € 000 Total
Tax assets:					
Current	554	22	-	-	576
Deferred	8,363	10,231	175	202	18,971
Tax liabilities:					
Current	-	180	-	420	600
Deferred	20,957	6,175	-	655	27,787
Net positions:					
Current tax	554	(158)	-	(420)	(24)
Net deferred tax asset	-	4,056	175	-	4,231
Net deferred tax liability	(12,594)	-	-	(453)	(13,047)

Since 2013 99% of the Amlin France ("AF") portfolio is written by AE NL. Based on the double tax treaty between the Netherlands and France for avoidance of double taxation, AE NL is deemed to have a permanent establishment for tax purposes in France.

Consequently, the result of the AF binder portfolio is subject to French taxation. The 2013 loss of the AF binder portfolio (€ 11.9m) creates a deferred tax asset against the nominal French Corporate income tax rate of 33.33%. French tax legislation has no limitation in time to offset previous tax losses against future taxable profits.

Current tax assets and liabilities are expected to be recovered or settled within 12 months after the balance sheet date.

Deferred tax assets and liabilities at 31 December consist of the following:

	Balance sheet		Comprehensive statement of income	
	2014	2013	2014	2013
	€ 000	€ 000	€ 000	€ 000
Deferred tax assets related to:				
Provisions for pensions and post-employment benefits	6,790	4,324	-	-
Carry forward losses	10,311	30,591	13,868	13,972
Prior year adjustment	-	-	(174)	92
Write off withholding tax	-	-	-	1,089
Other	1,870	4,506	78	7
Total deferred tax assets	18,971	39,421	13,772	15,160
Deferred tax liabilities related to:				
Investments	15,273	19,232	-	-
Provisions for pensions and post-employment benefits	-	142	-	-
Temporary tax credits	9,145	14,050	-	-
Other	3,369	4,808	-	-
Total deferred tax liabilities	27,787	38,232	-	-
Deferred tax expense			13,772	15,160
Net deferred tax	(8,816)	1,189		

The carry forward losses as per 31 December 2014 are recognised for 100% because it is likely that future taxable profits will be available against which the temporary differences can be utilised. Recognition of taxable losses resulted in a deferred tax asset of €10.3 million. Due to the commercial profit before tax of €66.4 million, carry forwards losses decreased in 2014 due to the compensation of fiscal taxable losses from prior years.

12 Provisions

12.1 Provision for post-employment and other employee benefits

The composition of post-employment and other long-term service benefits as at 31 December is as follows:

	2014	2013
	€ 000	€ 000
Provision for pension plans	36,672	25,792
Provision for other post-employment benefits	1,970	1,462
Provision for other long-term service benefits	625	659
Total	39,267	27,913

The provision for other long-term service benefits relate to jubilee expenses.

The following table shows the costs of pension plans:

	2014	*2013*
	€ 000	*€ 000*
Defined-benefit pension plans	4,176	4,238
Other post-employment benefits	159	165
Total costs of post-employment benefits	4,335	4,403
Other long-term employee benefits	27	30
Defined contribution expenes	903	941
Total	5,265	5,374

Amounts recognised in the Statement of Comprehensive Income are as follows:

	2014	*2013*
	€ 000	*€ 000*
(Increase)/decrease in defined-benefit plans	(9,734)	8,722
(Increase)/decrease in other post-employment benefits	(422)	259
Total recognised in OCI	(10,156)	8,981

12.2 Defined-benefit and defined-contribution plans

AE operates defined-benefit pension plans. These plans are funded partly by means of employee contributions. Under the defined-benefit pension plans, benefits are based on years of service and level of salary. Pension obligations are determined based on mortality, employee's turnover, wage drift and economic assumptions such as inflation, value of plan assets and discount rate.

In addition to pensions, costs of defined-benefit and defined-contribution plans also include other post-employment benefits such as favourable conditions on financial products (e.g. mortgage loans), which continue to be granted to employees after retirement.

The majority of staff in Belgium is included in the pension charges and liabilities, arising from defined-benefit plans. Only Belgium staff employed after 1 September 2009 are included in the defined-contribution plans.

The following table shows the components of pension and other post-employment benefit costs:

	Pension plans		*Other post employment benefits*	
	2014	*2013*	*2014*	*2013*
	€ 000	*€ 000*	*€ 000*	*€ 000*
Current service cost	3,921	5,182	113	120
Past Service cost	(1,010)	(1,978)	-	-
Total Service cost	2,911	3,204	113	120
Interest expense	3,293	3,078	46	45
Interest income on plan assets	(2,456)	(2,044)	-	-
Net interest expense	837	1,034	46	45
Administration expenses	428	384	-	-
Total expenses	4,176	4,622	159	165

The past service costs reflect changes made to the Dutch pension plan in 2013 and 2014 driven by changes in the Dutch fiscal legislation.

The table below provides detailed information about the amounts included in the balance sheet in respect of pensions and other post-employment benefits.

	Pension plans		*Other post employment benefits*	
	2014	*2013*	*2014*	*2013*
	€ 000	*€ 000*	*€ 000*	*€ 000*
Defined benefit obligation	124,096	92,043	1,970	1,462
Fair value of plan assets	(87,424)	(66,251)	-	-
Net liability	36,672	25,792	1,970	1,462

An independent pension actuary has calculated the net pension liability as per 31 December 2014.

The movement in the defined benefit obligation (DBO) over the year is as follows:

	2014	*2013*
	€ 000	*€ 000*
Defined benefit obligation at 1 January	92,043	98,472
Current service cost	3,921	5,182
Past service cost	(1,010)	(1,978)
Interest cost	3,293	3,078
Contributions by plan participants	766	827
Actuarial losses/(gains)	26,961	(11,622)
Benefits paid	(1,878)	(1,914)
Prior year adjustment	-	(2)
Defined benefit obligation at 31 December	124,096	92,043

The movement of the fair value of plan assets is as follows:

	2014 € 000	2013 € 000
Fair value at 1 January	66,251	64,183
Return on plan assets	2,456	2,044
Actuarial (losses)/gains	17,227	(2,900)
Employer contributions	3,024	4,390
Employee contributions	766	795
Administration expenses	(428)	(384)
Benefits paid	(1,872)	(1,877)
Fair value at 31 December	87,424	66,251

Plan assets are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. AE does not bear risk for underperformance of the assets held by the pension insurer.

Assets held by pension insurers for AE are comprised as follows:

	AE NL € 000	AE BE € 000	AE Total € 000	AE Total %
Government bonds	53,718	-	53,718	61%
Corporate bonds	8,363	-	8,363	10%
Convertible bonds	3,688	-	3,688	4%
Equity investments	9,236	-	9,236	11%
Other funds	868	-	868	1%
Cash	64	-	64	0%
Insured scheme assets	6,860	4,627	11,487	13%
Total	82,797	4,627	87,424	100%

All plan assets are quoted assets with the highest level (Level 1) valuation according to the fair value hierarchy as described in the Risk management paragraph. For AE NL government bonds comprise of investments in German government bonds (57.0%- AAA-rating), Dutch government bonds (24.8%- AA+-rating), French government bonds (9.2%- AA+-rating), Austrian government bonds (8.7%- AA-rating) and Finnish government bonds (0.4%- AA+ rating).

Equity investments comprise of investments in index trackers of worldwide indexes (81.1%) and emerging markets indexes (18.9%).

Overall, 37.0% of AE NL's plan assets have an AAA-rating, 22.0% have an AA+-rating and 41.0% are non-rated (being the equity funds, funds in corporate bonds, funds in convertible bonds and insured assets).
Detailed information about the assets held by the AE Belgian pension insurer is not available. These assets relate to insured scheme assets.

The following table shows actuarial assumptions used for the defined-benefit plans, in the Netherlands.

	Pension plans		Other post employment benefits	
	2014	2013	2014	2013
Discount rate	2.10%	3.70%	n/a	n/a
Future salary increases	1.76% - 8.75%	2.00%	n/a	n/a
Future pension increases	1% - 1.5%	2.00%	n/a	n/a
Price inflation	2.00%	2.00%	n/a	n/a

The following table shows actuarial assumptions used for the defined-benefit plans in Belgium.

	Pension plans		Other post employment benefits	
	2014	2013	2014	2013
Discount rate	1.35%	2.50%	1.45% - 2.5%	1.9% - 3.7%
Future salary increases	3.40%	3.50%	3.40%	3.50%
Price inflation	1.90%	2.00%	1.90%	2.00%
Medical cost trend rates	n/a	n/a	4.00%	4.00%

The discount rate is set on the basis of the yield (on the valuation date) of debt securities issued by blue-chip companies and duration.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions are based on the following post-retirement mortality tables: (1) the Netherlands GB 2012-2062 and (2) Belgium MR-5/FR-5. The Belgian tables are based on the census date of 1988 on which an age correction of minus 5 years is applied.

These tables translate into an average life expectancy in years for a member at age 60:

	The Netherlands		Belgium	
	Male	Female	Male	Female
Life expectancy (years) at age 60 for a member currently:				
Aged 60	26.8	28.0	26.7	30.9
Aged 45	27.9	28.8	26.7	30.9

The table below shows the impact on the defined benefit obligation that a change in certain key assumptions would have across AE:

	AE NL		AE BE	
	Decrease DBO	Increase DBO	Decrease DBO	Increase DBO
	€000	€000	€000	€000
Assumption change:				
(Increase)/decrease in discount rate by 0.25%	6,580	7,113	287	302
(Decrease)/increase in indexation rate by 0.5%	12,084	13,928	-	-
(Decrease)/increase in inflation rate by 0.25%	4,324	4,511	246	258
(Decrease)/increase in salary rate by 0.5%	525	518	582	668
Increase in floor mortality improvements for :				
Increase life expectancy by one year		3,456		65
Decrease life expectancy by one year	3,461		65	

The weighted average duration of the defined benefit obligation is as follows:

	AE NL	AE BE
Weighted average duration (years) of the defined benefit obligation	25.7	12.8

The expected maturity analysis of the undiscounted pension benefits is as follows:

	AE NL	AE BE
	€ 000	€ 000
The expected maturity analysis of the undiscounted pension benefits is as follows:		
Less than a year	1,730	394
Between 1-2 years	1,829	323
Between 2-5 years	6,187	1,975
Over 5 years	275,538	18,486
Total	285,284	21,178

The contributions expected to be paid are the following:

	Expected company contributions	Expected employee contributions	Expected benefit payments	Total
	€ 000	€ 000	€ 000	€ 000
Pension plans	2,165	755	(2,187)	733

12.3 Other long-term service benefits

Other long-term service benefits consist in employer obligations to pay jubilee and other bonuses. The table below specifies liabilities of this nature that are recognised in the balance sheet.

	2014	2013
	€ 000	€ 000
Present value of the liability	625	659
Fair value of plan assets	-	-
Net recognised liabilities	625	659

Actuarial assumptions AE Netherlands:

	2014	2013
Discount rate	2.10%	3.70%
Salary increases	1.76% - 8.75%	2.00%

Actuarial assumptions AE Belgium:

	2014	2013
Discount rate	1.35%	2.50%
Salary increases	3.40%	3.50%

The following table shows a specification of other long-time service benefit costs.

	2014	2013
	€ 000	€ 000
Current service cost	21	23
Net actuarial loss (profit) recognised immediately	-	-
Total cost excluding interest component	21	23
Interest component	6	7
Total expenses	27	30

The table below shows changes in other long-term service related liabilities for the period.

	2014	2013
	€ 000	€ 000
Net liability at 1 January	659	746
Total expenses	27	30
Net actuarial loss/profit recognised in OCI	18	(50)
Contributions paid	(79)	(67)
Net liability at 31 December	625	659

13 Shareholders' equity

The composition of shareholder's equity as at 31 December is as follows:

	2014 € 000	2013 € 000
Share capital	11,400	11,300
Share premium reserve	159,263	134,076
Other reserves	168,801	135,658
Legal reserve for internally developed software	10,504	11,708
Revaluation reserve	963	872
Unappropriated result	52,642	48,167
Net shareholder's equity	403,573	341,781

At the end of 2014 114,000 shares at a nominal value of €100 were outstanding (2013: 113,000 shares). These shares are issued and fully paid. The share premium increased due to the acquisition of Amlin France SAS.

Except for the share capital, the legal reserve for internally developed software and the revaluation reserve, the reserves within shareholder's equity are distributable. The revaluation reserve is linked with the unrealised revaluation on investments available for sale.

Costs for share-based payments of €1.3million (2013: €0.9 million) are included in Staff expenses (wages), refer to note 20.

13.1 Revaluation reserve

Movements in the revaluation reserve were as follows:

	2014 € 000	2013 € 000
Net balance at 1 January	872	749
Changes		
Unrealised gains(/loss) during the period	95	150
Related taxation	(4)	(27)
Net balance at 31 December	963	872

The unrealised gains result from available for sale investments and are recognised in other comprehensive income.

Notes to the statement of comprehensive income

14 Insurance premiums

The table below shows insurance net earned premiums:

	2014 € 000	2013 € 000
Gross premiums	528,100	535,460
Change in provision for unearned premiums	(9,053)	2,873
	519,047	538,333
Outward reinsurance premiums	(76,175)	(80,716)
Change in provision for unearned outward premiums	1,503	6,123
	(74,672)	(74,593)
Net premiums earned	444,375	463,740
Fee and commission income	2,033	4,315
As percentage of gross premiums	0.4%	0.8%
Fee and commision expense	96,836	104,496
As percentage of gross premiums	18.3%	19.5%

15 Interest income

The breakdown of interest income by type of product is as follows:

	2014 € 000	2013 € 000
Interest income on investments	4,337	6,180
Interest income on cash and cash equivalents	(27)	1
Interest income on loans to third parties	31	23
Total interest income	4,341	6,204

16 Dividend and other investment income

Dividend income from investment securities was in 2014 €3.3 million (2013: €2.4 million).

17 Realised and unrealised gains and losses

The breakdown of realised and unrealised gains and losses is as follows:

	Realised gains/losses	Unrealised gains/losses	2014 Total
	€ 000	€ 000	€ 000
Debt securities	15,022	20,151	35,173
Equity securities (incl. property funds)	33,861	(29,402)	4,459
Derivatives	(14,872)	-	(14,872)
Realised and unrealised gains and losses	34,011	(9,251)	24,760

	Realised gains/losses	Unrealised gains/losses	2013 Total
	€ 000	€ 000	€ 000
Debt securities	36,024	(16,992)	19,032
Equity securities	9,632	10,109	19,741
Derivatives	4,535	-	4,535
Realised and unrealised gains and losses	50,191	(6,883)	43,308

18 Other income

Other income relates to insurance activities but is not directly attributable to premiums, claims or commissions.

19 Insurance claims and reinsurers' share in claims

Insurance claims and reinsurers' share of claims have the following composition:

	2014	2013
	€ 000	€ 000
Claims paid	(414,087)	(426,873)
Change in liabilities for claims to be paid	145,888	144,039
Gross amount of claims paid	(268,199)	(282,834)
Reinsurers' share of claims paid (ceded reinsurance)	70,957	71,476
Reinsurers' share of changes in liabilities	(40,091)	(56,570)
Total	(237,333)	(267,928)

20 Staff expenses

Staff expenses are specified as follows:

	2014 € 000	2013 € 000
Wages	28,786	26,794
Social security charges	6,374	4,681
Pension charges and other post-employment benefits	3,495	1,743
Other	2,208	3,826
Share-based payments	1,319	886
Total staff expenses	42,182	37,930

Total staff expenses exclude €7.6 million (2013: €8.4 million) claim handling costs which are included in the gross claims paid. The pension charges are linked to post-employment and other employee benefits. The interest expenses related to post-employment and other employee benefits are included in the paragraph interest expenses.

Share based payments

Share award plans (equity-settled)

Amlin Plc maintains a number of share award programs that entitle key management personnel to shares of Amlin Plc. In 2014 further grants under similar terms were offered.

Awards are granted annually and vest on the third (LTIP) or fifth (PSP) anniversary of the date of grant, provided the performance and employment conditions have been satisfied. Performance is measured over three years (LTIP) and five years (PSP). Further information on the share award plans is provided in the Amlin Plc financial statements.

At 31 December 2014, the total awards over new or treasury shares outstanding, or committed to be met by the Group's Employee Share Ownership Trust (ESOT), or shares held in trust under these schemes are summarised below:

	Number of shares under conditional award 2014	Vesting period	Number of shares under conditional award 2013	Vesting period
LITP grants	137,268	2015	197,525	2014 to 2015
PSP grants	148,540	2016 to 2017	158,427	2014 to 2017
SIP grants	396,864	2012 to 2017	230,684	2012 to 2016

The market value of Amlin Plc ordinary shares on the last trading day of the year, being 31 December 2014, was 478.2 pence per share (2013: 458.9 pence per share).

At 31 December 2014, the weighted average fair values of awards granted during the year were 316.7 pence per share (2013: 227.8 pence).

The Black-Scholes option pricing model has been used to determine the fair value of the option grants and share awards listed above.

The assumptions used in the model are as follows:

	2014	2013
Weighted average share price on grant (pence)	398.40	384.78
Weighted average exercise price (pence)	0	0
Expected volatility	0.00%	0.00%
Expected life (years)	3.00 - 5.00	3.00 - 5.00
Risk-free rate of return	0% - 3.00%	0% - 3.00%
Expected dividend yield	0% - 6.50%	0% - 6.50%

Volatility

The volatility of Amlin plc's share price is calculated as a normalised standard deviation of the log of the daily return on the share price. In estimating 30% volatility, the volatility of return for six months, one year and three year intervals are considered. As a guide to the reasonableness of the volatility estimate, similar calculations are performed on a selection of Amlin's peer group.

Interest rate

The risk free interest rate is consistent with government bond yields.

Dividend yield

The assumptions are consistent with the information given in the financial statements for each relevant valuation year.

Staff turnover

The option pricing calculations are split by staffing grades as staff turnover is higher for more junior grades. Furthermore, historical evidence suggests that senior employees tend to hold their options for longer whereas more junior levels within the organisation appear to exercise earlier. In addition, senior employees hold a larger proportion of the options but represent a smaller group of individuals.

Market conditions

The Group issues options that include targets for the Group's performance against a number of market and non-market conditions. Failure to meet these targets can reduce the number of options exercisable. In some circumstances, no options may be exercised. Assumptions are made about the likelihood of meeting the market and non-market conditions based on the outlook at the time of each option grant.

Share bonus incentive programs (cash-settled)

For certain identified staff part of the annual bonus incentive is paid in shares for which the rights are deferred over a period of 4 years. The bonus incentives are not subject to fair value movements due to share performance and the remuneration paid is disclosed in the supplementary notes to these financial statements.

21 Interest expenses

The following table shows the breakdown of interest expenses by product.

	2014 € 000	2013 € 000
Other interest expenses	920	3,286
Total interest expense	920	3,286

Other interest expenses relate primarily to amounts due in current account and to the interest component of post-employment benefits and other long-term service benefits.

22 Impairment of financial assets and change in provisions

The impairment results consist of impairment of investments and impairment of reinsurance and other receivables. The total impairment recognised in the statement of comprehensive income (profit and loss) is €1.9 million gain (2013: €1.2 million loss).

22.1 Impairment of reinsurance and other receivables

The breakdown of this item is as follows:

	2014 € 000	2013 € 000
Balance at 1 January	16,686	15,840
Addition to provision	3,150	2,361
Release of provision	(5,084)	(1,179)
Write-off uncollectible amounts	(355)	(336)
Balance at 31 December	14,397	16,686

23 Operating expenses

The breakdown of this item is as follows:

	2014 € 000	2013 € 000
Consultancy fees	5,119	5,012
Foreign exchange (gains)/losses	(1,252)	1,204
Technology and system costs	13,353	14,384
External staff	8,065	8,054
Lease expenses	1,234	1,250
Housing expenses, rental and related expenses	4,954	3,420
Change in deferred acquisition costs	(3,057)	1,219
Other staff costs	1,215	1,001
Travel and entertainment costs	1,613	1,718
Other	2,255	1,432
Total other expenses	33,499	38,694

The item “other” concerns office costs and marketing, advertising and public relations costs.

24 Income tax result

The details of the current and deferred income tax results are presented below.

	2014 € 000	2013 € 000
Current tax result	-	-
Total current tax result	-	-
Deferred taxes arising from the current period	14,299	15,525
Deferred taxes arising from prior periods	(527)	(365)
Total deferred tax expenses	13,772	15,160
Total income tax result	13,772	15,160

Below is a reconciliation of the expected income tax result to the actual income tax expense/ (benefit). The expected income tax expense/ (benefit) has been determined by relating the profit before tax to the standard tax rates in the Netherlands and Belgium.

	2014	*2013*
	€ 000	*€ 000*
Profit before taxation	66,414	63,327
Expected income tax result	18,671	17,827
Tax on permanent differences	(4,372)	(3,453)
Write off withholding tax	-	1,151
Deferred taxes arising from the current period	14,299	15,525

25 Technical result

	2014 € 000	2013 € 000
Insurance premiums:		
- Gross insurance premiums	528,100	535,460
- Reinsurance share	(76,175)	(80,716)
Premium net of reinsurance	451,925	454,744
- Change in provision for unearned premium, gross	(9,053)	2,873
- Reinsurers' share	1,503	6,123
Premium income net of reinsurance	444,375	463,740
Claims paid:		
- Claims paid, gross	(414,087)	(426,873)
- Reinsurers' share	70,957	71,476
Claims, net of reinsurance	(343,130)	(355,397)
- Change in provision for claims, gross	145,888	144,039
- Reinsurer's share	(40,091)	(56,570)
Net claims paid	(237,333)	(267,928)
Operating expenses:		
- Acquisitions costs	(91,452)	(101,045)
- Change in deferred acquisition costs	3,057	(1,219)
- Administrative expenses	(81,545)	(70,941)
- Commission income	1,749	4,315
Balance of operating expenses	(168,191)	(168,890)
Allocated interest	9,452	28,347
Other income and expense	3,855	(1,830)
Technical result before taxation	52,158	53,439

Result non-technical account

	2014 € 000	2013 € 000
Interest Income	4,341	6,204
Dividend and other investment income	3,307	2,372
Realised gains on investments	34,011	50,191
Impairments	-	-
Other realised and unrealised gains	(9,251)	(6,883)
Interest expense	(920)	(3,286)
Investment result	31,488	48,598
Non-allocated other income and expense	(7,780)	(10,363)
Investment result allocated to technical result	(9,452)	(28,347)
Result non-technical account	14,256	9,888
Technical result	52,158	53,439
Profit before taxation	66,414	63,327

Notes to off-balance sheet items

Contingent liabilities

Guarantees

The following guarantees were issued as at 31 December 2014:

	2014 € 000	2013 € 000
Bank guarantees	42,076	25,498
Share in 1st. layer Nederlandse Herverzekeringmaatschappij voor Terrorismeschaden N.V. (NHT)	3,623	3,315
Share in 1st. layer Terrorism Reinsurance and Insurance Pool Belgium (TRIP)	2,600	3,457
Share in 1st. layer Terrorism Reinsurance and Insurance Pool France (GAREAT)	550	948
Total	48,849	33,218

Banking costs are charged on an annual basis under a service level agreement with ABN Amro Bank N.V.

AE has a credit facility with ABN Amro Bank N.V. The facility provides a daily revocable overdraft of up to €5.0 million (2013: €5.0 million), a guarantee facility to a third party of up to €10.0 million (2013: €10.0 million) and a guarantee/standby letter of credit facility for a maximum guaranteed amount of the Euro equivalent of £22.5 million (2013: £22.5 million) for the risk of AE for its participation in the capital of Lloyds Syndicate 2121.

At 31 December 2014, €42.1 million of bank guarantees were issued (2013:€25.5 million); €17.8 million (2013: €4.3 million) from the guarantee facility and €22.3 million (2013: €20.8 million) from the guarantee/standby LOC. There are no restricted assets to secure the facility. The amount drawn on the guarantee facility exceeded the facility granted. However, this was in agreement with the lender and a new facility limit for €30.0 million (replacing the previous facility of €10.0 million) was signed on 6 February 2015.

Lease & rental agreements

The table below shows future commitments in respect of non-cancellable operating lease and rental agreements at 31 December.

	2014 €000	2013 €000
Not later than 1 year	3,945	2,873
Later than 1 year and not later than 5 years	10,172	7,539
More than 5 years	796	393
Total	14,913	10,805

The rent of the office space in:

- Brussels is €0.7 million annually and is yearly adjusted for inflation. The contract ends April 2019.
- Amstelveen is €0.6 million annually and is yearly adjusted for inflation. The contract ends December 2018.

- Rotterdam is €0.3 million annually and is yearly adjusted for inflation. The contract ends May 2018.
- Antwerp is €0.1 million annually and is yearly adjusted for inflation. This contract ends December 2015.
- Hamburg is €0.2 million annually and is yearly adjusted for inflation. This contract ends April 2019.
- Paris is €0.7 million annually and is yearly adjusted for inflation. This contract ends December 2022.

As per 31 March 2015, in cooperation with the landlord, the lease contract in Brussels was ended before the end of the contact period. A lease for a new property was signed as per 31 March 2015 with a yearly rent of €0.5 million and a contract end date per July 2024.

AE leases various cars under operating lease agreement. The remaining lease terms are between 0 and 5 years. Total lease obligation per 31 December 2014 is €2.6 million (2013: €2.8 million).

Supplementary notes

Remuneration of Management Board and Supervisory Board

Supervisory Board
The composition of the AE Supervisory Board was as follows:

H.C. Hintzen	Chairman
H.J.E.J. van Lent	
(both independent)	
J.L. Illingworth	CRO Amlin Plc
R.A. Hextall	CFO Amlin Plc
C.E.L Philipps	CEO Amlin Plc

In 2014, a remuneration to the independent members of the Supervisory Board of €57 thousand (2013: €64 thousand) was granted.

Board of Directors
The composition of the AE Board in 2014 was as follows:

K. Hvirgel	Chief Executive Officer
R. Groenveld	Chief Financial Officer
M.C. Hewett	Executive President Marine
H.P. Kreulen	Chief Operations Officer
A. Luberichs	Executive President Non-Marine
Mrs L.R.R. Rath	Chief HR Officer
Mrs. R.M. van de Pas	Chief Risk Officer (as of 29 September 2014)

Total remuneration (basic remuneration, pension charges and cash bonuses) of the board members in office during the entire year or part of the year was €2.9 million (2013: €3.0 million).

The break-down of this is (in Euros):

	2014	2013
Base salary (paid in the year):	€ 1,496,726	€ 1,359,351
Bonuses (paid/granted in the year):	€ 719,483	€ 771,472
AE contribution to pension schemes (paid in the year):	€ 244,316	€ 298,923
Housing expenses (paid in the year):	€ 117,279	€ 104,364
Contribution out of bonus pension in Belgium (paid in the year)	€ -	€ 15,728
Cash compensation (paid in the year *):	€ 206,709	€ 204,813
Fixed shares (granted in the year *):	€ 206,709	€ 204,813

*) Introduced to compensate contractual commitments after implementation of the rules of 'Regeling Beheerst Beloningsbeleid Wft 2011' end 2012 granted to Management Board members in service at that moment. The shares awarded to members of the Management Board are specified in the paragraph below.

Remuneration policy for the Management Board

Base salary

Management Board members receive a competitive base salary based on their job weight, market rate and experience.

Fixed shares

For some of the Management Board members a part of the base salary is paid out in Amlin plc shares. These shares are awarded unconditional, are entitled to dividends and have a 5-year lock-up period. This is an arrangement to compensate contractual commitments after implementation of the rules of 'Regeling Beheerst Beloningsbeleid Wft 2011' end 2012.

Variable remuneration

All members of the Management Board are entitled to performance based variable remuneration as outlined in a clear variable remuneration system. The variable remuneration can be reduced to zero if the overall AE bonus budget is insufficient or when AE's regulatory capital adequacy is at risk.

Ratio fixed-variable

Maximum ratios between fixed and variable remuneration have been set for the Management Board. The ratio depends on the type of responsibilities and individual risk profile of the position. The maximum ratio fixed-variable for the Management Board does not exceed 100%.

Cash and equity

50% of the upfront and deferred variable remuneration is awarded in listed Amlin plc stock, with the remainder being awarded in cash. Neither dividends nor interest are paid on the deferred variable remuneration.

Deferral and retention

Variable remuneration is delivered subject to deferral and this deferral is also split equally between cash and shares. The ratios between the upfront and deferred portion of the variable remuneration are linked to job position, see the table below.

Position	*Upfront %*	*Deferred %*	*Total %*
CEO	50%	50%	100%
Management Board	55%	45%	100%

Deferred variable remuneration is vested annually, with equal parts of shares and cash vesting each year. The first deferred portion of the variable remuneration does not vest sooner than 12 months after the start of the deferral period.

Retention

Any vesting portion of upfront and deferred stock is subject to an additional retention period. The length of this retention period depends on the position, see table below.

Position	*Retention period upfront equity*	*Retention period deferred equity*
CEO	3 years	2 years
Management Board	2 years	2 years

Ex-post risk adjustment

The performance assessment extends beyond the date that variable remuneration awards are made and continues as part of a multi-year framework of at least three years (dependent on the deferral period). This longer-term horizon ensures that variable remuneration continues to remain "at risk" due to any issues or staff conduct that were not apparent (or foreseen) at the time variable remuneration was awarded. After the end of each year (within the deferral period) a reassessment is made on the basis of the performance criteria that initially applied to the variable remuneration. Subject to the result of this reassessment, the part of the variable remuneration allocated pro rata for the year in question becomes (fully or partially) unconditional.

The variable remuneration is subject to malus and claw back rules. A malus of deferred variable remuneration or claw back of paid variable remuneration from any current (or former) Management Board member can be applied as a result of the ex-post risk assessment.

Performance criteria

The payment of variable remuneration is based on measurable Key Performance Indicators (KPIs) that have been established prior to the performance period. Achieving these KPIs is a condition to be granted variable remuneration.

For all Management Board members the KPIs are divided into financial KPIs and non-financial KPIs at different levels:

- Amlin Group performance (return on equity)
- Amlin Europe performance (combined ratio)
- Business performance of the entity (typical indicators for financial performance like net combined ratio and net written premium as well as non-financial targets)
- Personal performance (individual targets)

Every KPI has a weighting factor expressed in a percentage of the total that corresponds to 100%. The ratio between Amlin Group/ AE, entity and individual KPIs differs per function.

The targets regarding Amlin Group/ AE, entity and personal performance are set annually and depend on the strategic goals of AE.

Disclosure remuneration Management Board members

Description	*Management Board*
Number of employees	7
Total fixed remuneration in cash (awarded 2014)	1,703,435
Total fixed remuneration in shares (awarded 2014)	204,968
Total variable remuneration in cash (awarded 2015)	703,344
Total variable remuneration in shares (awarded 2015)	703,344
Conditionally awarded (deferred) variable remuneration in cash (awarded 2015)	330,061
Conditionally awarded (deferred) variable remuneration in shares (awarded 2015)	330,061
Deferred variable remuneration 2013 granted in 2015 in cash (awarded 2014)	94,400
Deferred variable remuneration 2013 granted in 2015 in shares (awarded 2014)	94,400
Overall outstanding deferred variable remuneration in cash (2013 and 2014)	556,092
Overall outstanding deferred variable remuneration in shares (2013 and 2014)	556,092

Audit fees

The independent auditors PricewaterhouseCoopers Accountants N.V. (PwC) have performed the following services:

	Pricewaterhouse Coopers Accountants N.V. 2014	*Other Pricewaterhouse Coopers N.V. network*	*Total Pricewaterhouse Coopers N.V. 2014*
	€ 000	*€ 000*	*€ 000*
Audit annual accounts	316	-	316
Audit related services	11	-	11
Fiscal advise	-	-	-
Other non-audit services	-	-	-
Total	327	-	327

	Pricewaterhouse Coopers Accountants N.V. 2013	*Other Pricewaterhouse Coopers N.V. network 2013*	*Total Pricewaterhouse Coopers N.V. 2013*
	€ 000	*€ 000*	*€ 000*
Audit annual accounts	387	-	387
Audit related services	13	-	13
Fiscal advise	-	-	-
Other non-audit services	-	-	-
Total	400	-	400

Related party transactions

At 31 December 2014, AE has the following outstanding balances with Amlin Group companies:

Services provided to related parties	Income earned in 2014	Receivable at year end 2014 *)	Income earned in 2013	Receivable at year end 2013
	€ 000	€ 000	€ 000	€ 000
Amlin Bermuda Limited	343	2,838	1,046	3,171
Amlin Corporate Services Limited	-	-	-	154
Amlin plc	-	1,775	-	455
Amlin Re Europe	967	1,490	1,598	1,728
RaetsMarine	-	7,303	2,560	23,634
Syndicate 2001	22,892	37,261	22,679	22,245
Total	24,202	50,667	27,883	51,387

Services provided by related parties	Expenses incurred in 2014	Payable/(receivable) at year end 2014	Expenses incurred in 2013	Payable at year end 2013
	€ 000	€ 000	€ 000	€ 000
Amlin Bermuda Limited	731	157	1,000	164
Amlin Corporate Services Limited	-	102	-	-
Amlin Netherlands Holding B.V.	-	6,203	-	5,448
Amlin (Overseas Holding) Limited**	21,613	(21,171)	13,437	2,675
Amlin (Overseas Holding) Limited, NL branch	218	21	206	19
Amlin plc	-	-	-	-
Amlin Re Europe	1,694	295	1,623	152
RaetsMarine	14,597	4,976	14,681	12,216
Syndicate 2001	22,496	69,203	16,107	39,503
Total	61,349	59,786	47,054	60,177

*) Receivables at year end include accrued premium income and deferred acquisition costs.

**) the receivable in the AOHL company relates to a prepayment

Related party transactions with RaetsMarine reflect commission from Marine protection and indemnity business worldwide. The binder agreement with RaetsMarine ends 31 December 2014. Related party transactions with Amlin France reflect commissions from the binder agreement. Transactions with Amlin Corporate Services Limited are costs charged to AE. The payable to Amlin (Overseas Holding) Limited concerns tax. The payable to Syndicate 2001 reflects reinsurance activities. With respect to all related party transactions, no bad debt charges or related expenses are taken in the profit and loss account in 2013.

Remuneration of and shares held jointly by the members of the Supervisory Board and the Executive Committee are described on page 69. As at 31 December 2014, the outstanding payment to the Supervisory Board amounts to €57 thousand (2013: €64 thousand).

Amstelveen, 7 May 2015
Amlin Europe N.V.

The Management Board,

The Supervisory Board,

Amlin Europe N.V.
Van Heuven Goedhartlaan 939
1181LD, Amstelveen
The Netherlands

Original has been signed by The Management Board:

K. Hvirgel (Chief Executive Officer)

R. Groenveld

M.C. Hewett

H.P. Kreulen

A. Luberichs

R.M. van de Pas

L.R.R. Rath

Original has been signed by The Supervisory Board:

H.C. Hintzen (Chairman)

J. Styles

J.L. Illingworth

H.J.E.J. van Lent

Other information

Appropriation of results

The statutory appropriation of results is treated in article 23 of the AE articles of association and most importantly states the following:

- The results are totally attributable to owners of the Company
- Relief of profits can only amount to the total of the distributable reserves

The Management Board propose to add the net result of 2014 to the other reserves.

Subsequent events

On the 28th of April 2015 AE filed a proposal at the Dutch Chamber of Commerce for a merger between AE and Amlin Insurance (UK) plc. This proposed corporate restructuring forms part of the overall strategic review and the SBU structure. It is also subject to approval by the English court and regulatory approvals in the UK and the Netherlands.

Corporate governance

1. Corporate Governance

AE complies with the Governance Principles (*Governance Principles* or *Code Verzekeraars*) of July 2013 by the insurance association *Verbond van Verzekeraars*.

In accordance with principle 1.2 of the Governance Principles the application by AE of each principle is explained below and published on the AE website.

2. Supervisory Board[1]

CLAUSE	EXPLANATION 2014
2. SUPERVISORY BOARD	
2.1 Composition and expertise	
2.1.1 The Supervisory Board shall be composed in such a way that it is able to perform its tasks properly. Complementarily, a collegial board, independence and diversity are preconditions for the Supervisory Board to perform its tasks properly.	The AE Supervisory Board consisted of five members in 2014. The chairman and one of the members are independent members. Three members are from its parent company Amlin plc (the CRO, the CFOO and the CEO). It is varied in composition regarding education, knowledge and experience making the Supervisory Board members complementary to each other in individual skills and enables it to properly perform its tasks. It acts independently and as a collegial body. Supervisory Board decisions are reached by simple majority, unless otherwise determined by law, the articles of association of the company or regulations. For specific decisions agreement of the independent members is required.
2.1.2 The Supervisory Board shall have a sufficient number of members to properly perform its function, including in its committees. The appropriate number of members depends on the nature, size and complexity of the insurer.	The Supervisory Board of AE has a sufficient and appropriate number of members to properly perform its tasks, including in its committees. It is adequate for an insurance company with the size, complexity and business model of AE.
2.1.3 The members of the Supervisory Board shall have thorough knowledge of the insurer's functions in society and of the interests of all parties involved in the insurer. The Supervisory Board shall carefully consider the interests of all parties involved in the insurer, such as the insurer's clients, its shareholders and its employees.	All Supervisory Board members have many years and considerable experience in the insurance industry and demonstrate an excellent understanding of the role of insurers in society and of the interests of all stakeholders involved in the processes of risk solutions. Their experience and understanding enables them to successfully monitor AE's overall policy and risk profile.
2.1.4 Each member of the Supervisory Board shall be	AE's ultimate parent company Amlin Plc defines high

[1] The Corporate Governance section is written to describe the 2014 membership. At the end of January 2015 the Supervisory Board composition has changed to four members. The Amlin plc CEO and CFOO have resigned and the Amlin plc CIO has joined. The Amlin plc CRO replaces the CFOO in the Audit Committee and the CEO in the Remuneration Committee. Care has been taken in the changes to retain or improve AE's compliance with the *Code Verzekeraars*.

CLAUSE	EXPLANATION 2014
capable of assessing the main aspects of the insurer's overall policy in order to form a balanced and independent opinion about the basic risks involved. Each member of the Supervisory Board shall also possess the specific expertise needed to perform his or her role in the Supervisory Board. To this end, whenever a vacancy arises on the Supervisory Board, an individual profile shall be drawn up for the new member of the board.	standards for the required expertise and judgment capability of nominated Supervisory Board members. AE has a suitability matrix in place for the Supervisory Board to ensure adequate capability of assessing the main aspects of the insurer's overall policy in order to form a balanced and independent opinion about the basic risks involved. If a vacancy arises on the Supervisory Board, an individual profile is drawn up for the new member.
2.1.5 As part of the process to fill the vacancy of chairman of the Supervisory Board, an individual profile shall be drawn up that also focuses on the insurer's requirements in terms of expertise and experience in relation to the financial sector and familiarity with the socio-economic and political culture and the social environment of the insurer's main markets.	The Supervisory Board will draw up an individual profile to fill the vacancy of chairman of the Supervisory Board that also focuses on the insurer's requirements in terms of expertise and experience in relation to the financial sector and familiarity with the socio-economic and political culture and the social environment of the insurer's main markets. The present chairman recruitment was based on a profile reflecting the complexity of AE's risk model.
2.1.6 Each member of the Supervisory Board – the chairman in particular – shall be sufficiently available and contactable to properly perform his or her tasks in the Supervisory Board and the Supervisory Board's committees.	Each individual Supervisory Board member including the chairman is sufficiently available and contactable to properly perform their tasks in the board and its committees.
2.1.7 Each member of the Supervisory Board shall receive suitable compensation for the amount of time that he or she spends on Supervisory Board activities. This compensation shall not depend on the insurer's results.	The independent members receive a suitable compensation for the Supervisory Board activities. The compensation of Supervisory Board members does not depend on AE's results and is published in the remuneration section of this AE Annual Report 2014. The remuneration is at Market Standards.
2.1.8 The chairman of the Supervisory Board shall organise a programme of lifelong learning, with the aim of maintaining the expertise of the Supervisory Board directors at the required standard and improving their expertise where necessary. The learning programme shall cover relevant developments at the insurer and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards the client, integrity, risk management, financial reporting and audits. Every member of the Supervisory Board shall take part in the programme and meet the requirements of lifelong learning.	The Supervisory Board members have participated in a lifelong learning programme set up for both the Supervisory Board and Management Board. All members of the Supervisory Board have attended the training sessions.
2.1.9 The assessment of the effectiveness of the lifelong learning referred to in principle 2.1.8 shall be part of the annual evaluation performed by the Supervisory Board.	The lifelong training 2014 finished too late in the year to be included in the annual internal evaluation 2014 questionnaire circulated before the November meeting. Evaluation of the effectiveness over the year 2014 shall therefore be included in the next internal evaluation questionnaire.
2.1.10 In addition to the Supervisory Board's annual self-evaluation, the functioning of the Supervisory Board shall be evaluated under independent supervision once every three years. The involvement	The Supervisory Board performed its annual internal evaluation in November 2014. As of 2011 the functioning of the Supervisory Board is being evaluated under independent supervision every three

CLAUSE	EXPLANATION 2014
of each member of the Supervisory Board, the culture within the Supervisory Board and the relationship between the Supervisory Board and the management board shall be part of this evaluation.	years. The last external evaluation was held in 2014.
2.2 Tasks and working methods	
2.2.1 As part of its supervisory tasks, the Supervisory Board shall pay special attention to the insurer's risk management. All discussions about risk management shall be prepared by a risk committee or a similar committee, which committee shall be appointed by the Supervisory Board from its ranks for this purpose.	The accumulation of our critical focus on Risk Management is presented and disclosed in the quarterly Risk Committee, in which the Supervisory Board is represented by the Amlin Plc. CRO. The AE risk policy and any adjustments there to require yearly approval by the Supervisory Board. Each quarter a Risk report is discussed in the Supervisory Board.
2.2.2 Both the risk committee and the audit committee shall be subject to specific requirements as regards competency and experience. For example, a number of members of the risk committee must have sound knowledge of the financial aspects of risk management or the experience needed to make a thorough assessment of risks. A number of members of the audit committee must have sound knowledge of financial reporting, internal control systems and audits or the experience needed to thoroughly supervise these areas.	The competency of Supervisory Board and AE committee members is assured by the Amlin standards set in the selection process of Supervisory Board members and in the quality of the AE appraisal and evaluation process. AE has a suitability matrix in place that covers the requirements from the DNB on suitability. Members of AE boards and committees (on Risk, Audit and Remuneration) have extensive experience in the financial services industry. The committees are composed as follows: • AE Risk Committee: Amlin Plc CRO and AE Management Board, and on invitation Head of Group Audit. • AE Audit Committee: Independent Supervisory Board member. Amlin Plc CFOO and the Head of Group Audit is attending; • AE Remuneration Committee: Chairman Supervisory Board and Amlin Plc CEO.

3. Management Board

CLAUSES	EXPLANATION 2014
3. MANAGEMENT BOARD	
3.1 Composition and expertise	
3.1.1 The management board shall be composed in such a way that it is able to perform its tasks properly. Complementarity, a collegial board and diversity are preconditions for the management board to perform its tasks properly.	The AE Management Board consists of seven members. It is varied in composition regarding education, knowledge and experience making the Management Board members complementary to each other in individual skills and enables it to properly perform its tasks. It acts as a collegial body and aims at achieving decisions with consensus. Management Board roles are Chief Executive Officer (CEO), Chief Financial Officer (CFO), Executive President P&C (EPNM), Executive President M&A (EPM), Chief Risk Officer (CRO), Chief Operations Officer (COO) and Chief Human Resources Officer (CHRO). The Management Board is gender diverse. The AE website provides additional résumé information on the Management Board members.

CLAUSES	EXPLANATION 2014
3.1.2 Each member of the management board shall possess a thorough knowledge of the financial sector in general and the insurance sector in particular. Each member of the management board shall have thorough knowledge of the insurer's functions in society and of the interests of all parties involved in the insurer. In addition, each member of the management board shall possess thorough knowledge so that he or she is able to assess and determine the main aspects of the insurer's overall policy and then form a balanced and independent opinion about the risks involved.	The individual Management Board members look back on many years and extensive experience in the financial services industry with CEO, Executive President M&A, Executive President P&C, CRO and CHRO specifically in the insurance sector. They all obtained good understanding of the role of insurers in society and of the interests of all stakeholders involved in the processes of risk solutions. Their collective and individual experience and understanding enables them to review, update and improve AE's policies and contribute to balanced decision making processes. These individual required qualities are part of the selection process of Management Board members.
3.1.3 The chairman of the management board shall organise a programme of lifelong learning, with the aim of maintaining the expertise of the management board directors at the required standard and improving their expertise where necessary. The learning programme shall cover relevant developments at the insurer and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards the client, integrity, risk management, financial reporting and audits.	The Management board has participated in a lifelong learning programme, with two sessions of two hours during the course of the year, one in August with the topic 'Governance and Control' and one in November 'Trends and Developments'.
3.1.4 Every member of the management board shall take part in the programme referred to in 3.1.3 and meet the requirements of lifelong learning. They have to satisfy this condition in order to sit on the management board. The Supervisory Board shall ensure that the management board members possess the necessary expertise.	The Management Board members have participated in the lifelong learning programme set up for both the Supervisory Board and Management Board that will be aimed at improving their expertise as indicated in 3.1.3. All members of the Management Board have attended the training sessions.
3.1.5 Each year, the insurer shall indicate in its annual report in what manner it implemented principles 3.1.3 and 3.1.4.	This requirement is fulfilled by incorporating this Explanation on Corporate Governance in the Annual Report and on the AE website.
3.1.6 Taking into account the risk appetite approved by the Supervisory Board, the management board shall ensure a balanced assessment between the commercial interests of the insurer and the risks to be taken.	MB members are accountable for AE's risks that are related to the processes which constitute their role. The Management Board proposes the risk appetite that is reviewed by the Risk Committee prior to approval by the Supervisory Board. In the process of identifying risks, the Management Board members accept personal responsibility (in writing) for risks specifically related to their role. In a yearly strategic review, the risk appetite is defined on AE level and subsequently translated to business plans on class levels. Prior to approval by the Supervisory Board, the final AE business plan is challenged by Amlin Group. During the year, developing risks are actively monitored against the AE business plan and risk tolerances and the appetite is being reviewed (e.g. bi annual class reviews).
3.1.7 Within the management board one member shall be responsible for preparing the decision-	The CRO is responsible for preparing the decision making with regard to risk management.

CLAUSES	EXPLANATION 2014
making with regard to risk management. This member of the management board shall be involved, in a timely manner, in the preparation of decisions that are of material significance for the insurer as regards the risk profile, especially where these decisions may result in departure from the risk appetite approved by the Supervisory Board. Risk management shall also include a focus on the interests of financial stability and on the impact that systemic risk could have on the risk profile of the insurer.	The CRO provides the Management Board every six weeks with a Legal, Risk & Regulatory update. In order to ensure the AE risk profile is well aligned with AE's solvency and risk appetite, the CRO is responsible for monitoring of and reporting on consolidated risks to the Management Board, AE Risk Committee and the Supervisory Board.
3.1.8 The member of the management board who is responsible for preparing the decision-making with regard to risk management may combine his or her function with other focus areas, on the condition that he or she does not bear any individual commercial responsibility for the commercial task areas and operates independently from those areas.	The CRO has no formal commercial responsibility. The Legal, Risk & Regulatory team in its role as department of risk management is organised within a separate column and acts independently from commercial departments (the AE business lines). Since 1 October 2014, Legal, Risk and Compliance are organised as a Group function which ensures further independence.
3.2 Tasks and working methods	
3.2.1 In all of its actions, the insurer's management board shall ensure that it carefully considers the interests of all parties involved in the insurer, such as the insurer's clients, its shareholders and its employees. These considerations shall take into account the continuity of the insurer, the environment in society in which the insurer operates and legislation, regulations and codes that apply to the insurer.	In order to comply with norms of corporate governance and rules and regulations, AE promotes personal accountability; transparent responsibility; risk mitigation; avoidance of conflicts of interest and the development of good relations with AE stakeholders. These conditions also contribute to the objective of creating shareholders value by successful implementation of AE's vision and strategy. The varied composition of the Management Board in which all disciplines relevant to an insurer are presented, safeguards a sound process of considering interests at stake.
3.2.2 Maintaining a continued focus on its clients' interests is a necessary precondition for the continuity of the insurer. Without prejudice to the principle formulated in 3.2.1, the management board shall ensure that the insurer always treats its clients with due care. The management board shall see to it that the duty of care towards the client is embedded in the insurer's culture.	AE adheres to the Amlin Duty of Care Policy: AE strives to be known as a prudently operating corporate insurer providing value for money. This implies AE acknowledges the interest of its clients and third party beneficiaries in its decisions and operations, regardless if service is provided directly by AE or through an insurance broker or cover holder and regardless if the risk is covered in full by AE or in co-assurance. To fully materialise this duty of care, AE has adopted appropriate policies and standards in accordance with applicable rules and regulations of the jurisdictions it operates in. Amlin Group sees 'Client Intimacy' as key strategic pillar. This theme will serve as a platform for various initiatives to assure value for the client.
3.2.3 The members of the management board shall perform their tasks in a meticulous, expert and fair manner, taking into account the applicable laws, codes of conduct and regulations. Each member of the management board shall sign a moral and ethical conduct declaration. A declaration has been included in the explanatory notes to this code. This declaration	Further to having signed the moral and ethical conduct declaration, all MB members took the Banker's oath and have signed off on Amlin Policies and Standards.

CLAUSES	EXPLANATION 2014
is a model declaration, which means that each insurer can supplement it as it deems appropriate.	
3.2.4 The management board shall ensure that the declaration referred to in principle 3.2.3 is translated into principles that form guidelines for the behaviour of all of the insurer's employees. The content of these principles shall be expressly pointed out to every new employee of the insurer when he or she joins the insurer by inserting a reference to these principles in the new employee's contract of employment. Every new employee shall be required to comply with these principles.	Amlin has codified norms of employee integrity and professional conduct in Group Policies and Standards which have been signed off by AE staff members. In addition, the AE employee code of conduct ('Werknemersintegriteit') reflects the values of the moral and ethical conduct declaration and sets concrete norms for individual conduct. In AE labour agreements and introduction meetings reference is being made to this code of conduct.

4. Risk Management

CLAUSES	EXPLANATION 2014
4. RISK MANAGEMENT	
4.1 The management board – and primarily the chairman of the management board – shall be responsible for adopting, implementing, monitoring and, where necessary, adjusting the insurer's overall risk policy. The management board shall propose the risk appetite to the Supervisory Board for approval at least once a year. Any material changes to the risk appetite in the interim shall also require the Supervisory Board's approval.	According to the Amlin Group risk management policy, the AE Management Board is accountable for risk management. The CRO is accountable for the overall risk management policy. The CRO is responsible for monitoring and reporting of consolidated risks to the Management Board and the Supervisory Board and for preparing the Risk Committee chaired by the CEO. The MB proposes the risk appetite that is reviewed by the Risk Committee prior to approval by the Supervisory Board. The AE risk appetite is subject to a yearly review and any material changes in the interim require approval by the Supervisory Board.
4.2 The Supervisory Board shall supervise the risk policy pursued by the management board. As part of its supervision, the Supervisory Board shall discuss the insurer's risk profile and assess at a strategic level whether capital allocation and liquidity impact in the general sense are in line with the approved risk appetite. In the performance of this supervisory role, the Supervisory Board shall be advised by the risk committee formed from the ranks of the Supervisory Board for this purpose.	The Supervisory Board supervises AE's risk policy. Decision making by the Supervisory Board is prepared by the Risk Committee. The Supervisory Board is represented in the AE Risk Committee by the Amlin Plc CRO. The Risk Committee is chaired by the CEO who is advised to that end by the CRO. The CRO is responsible for preparing the Risk Committee and reporting on consolidated risks to the Supervisory Board.
4.3 The Supervisory Board shall assess periodically at the strategic level whether the commercial activities in the general sense are appropriate in the context of the insurer's risk appetite. The management board shall provide the Supervisory Board with the relevant information for this assessment in such a way that the Supervisory Board is able to form a sound opinion.	The CEO, advised by the CRO, reports quarterly on all risks to the Supervisory Board. The Supervisory Board approves the AE overarching strategy, which includes any proposal on underwriting in new insurance classes.
4.4 The management board shall ensure that risk management is arranged adequately so that the management board is aware in good time of any material risks run by the insurer in order that these	MB members are accountable for AE's risks that are related to the processes which constitute their role. The MB members operate within the AE Risk Management framework for which the CRO is

CLAUSES	EXPLANATION 2014
risks can be managed properly. The management board shall take any decisions that are of material significance for the risk profile, the capital allocation or the liquidity impact.	responsible. In order to assure the AE risk profile is well aligned with AE's solvency and risk appetite, the CRO is also responsible for monitoring of and reporting on consolidated risks to the Management Board. The CRO provides the Management Board every six weeks with an update of the AE risk profile.
4.5 Each insurer shall have a Product Approval Process. The management board shall organise the product approval process and shall be responsible for the process working properly. Products that go through the product approval process at the insurer shall not be launched on the market or distributed without careful consideration of the risks by the insurer's risk manager and a careful assessment of any other relevant factors, including the duty of care towards the client. Based on an annual risk analysis, the in-house auditor shall check whether the product approval process has been designed properly, is present and is working effectively and shall then inform the management board and the relevant Supervisory Board committee (risk committee or similar committee) about the results.	AE has implemented a Product Approval Procedure. The AE Product Approval Procedure consists of: • Amlin New Products Policy and Standard • AE Duty of Care Policy and Checklist • AE Product Approval Report The above Product Approval Procedure ensures that the AE Management Board is responsible for the process, that a preliminary review by the AE risk manager is mandatory prior to launch and the duty of care towards clients is appropriately considered. The Product Approval Procedure has been audited by Internal Audit and the results were reported to the Risk Committee and the Supervisory Board.

5. Audit

CLAUSES	EXPLANATION 2014
5. AUDIT	
5.1 The management board shall ensure that a systematic audit is conducted of the management of the risks related to the insurer's business activities.	Amlin operates a company-wide Enterprise Risk Management process, wherein operational management reviews and updates the company's risks on a quarterly basis. These risks are prioritised and incorporated into the annual audit plan of Group Internal Audit.
5.2 Each insurer shall have its own, internal auditor who shall occupy an independent position within the insurer. The head of the internal audit team shall present a report to the chairman of the management board and shall report to the chair of the audit committee.	The Group Head of Internal Audit reports directly to the chairperson of the Audit Committee of Amlin Plc and provides regular reports of Internal Audit's activities to Audit Committee meetings of both Amlin Plc and AE.
5.3 The internal auditor shall have the task of assessing whether the internal control measures have been designed properly, are present and are working effectively. This assessment shall include the quality and effectiveness of the system of governance, risk management and the insurer's control procedures. The internal auditor shall report the findings to the management board and the audit committee.	As part of every audit, Internal Audit incorporates a review of the controls recorded in the relevant risk register and provides an opinion as to whether the controls are appropriately designed, operate effectively, and are sufficiently robust and embedded to ensure their continued sustainability. Audit reports are distributed to the Group and local management boards and audit committees.
5.4 The internal auditor, the external auditor and the Supervisory Board's risk committee and/or audit committee shall consult periodically, including as regards the risk analysis and the audit plan of both the internal auditor and the external auditor.	The AE Audit Committee meets quarterly and includes a closed session with the Head of Group Internal Audit and the external auditor where no members of management are present. The Audit Committee annually approves the internal audit plan

CLAUSES	EXPLANATION 2014
	as well as the retention of the external auditor. Group Internal Audit also has regular dialogue with the external auditors.
5.5 As part of the general audit assignment for the financial statements, the external auditor shall produce a report for the management board and the Supervisory Board which shall contain the external auditor's findings concerning the quality and effectiveness of the system of governance, risk management and the insurer's control procedures.	AE's external auditor provides an annual audit report including these elements, which is discussed with AE's Management Board and Audit Committee.
5.6 The internal auditor shall take the initiative in arranging talks with De Nederlandsche Bank and the external auditor at least once a year to discuss each other's risk analysis and findings and each other's audit plan at an early stage.	In 2014, no tripartite meeting between DNB, Internal Audit and the external auditor was held. During 2014, Internal Audit has had meetings individually with both DNB and the external auditor.

6. Remuneration Policy

CLAUSES	EXPLANATION 2014
6. REMUNERATION POLICY	
6.1 Basis	
6.1.1 The insurer shall implement a meticulous, restrained and long-term remuneration policy that is in line with its strategy and risk appetite, objectives and values, taking into account the long-term interests of the insurer, the relevant international context and wider societal acceptance. The Supervisory Board and the management board shall take this basis into account when performing their tasks in relation to the remuneration policy.	AE has implemented a remuneration policy that is compliant with the Dutch controlled remuneration policy decree (Regeling Beheerst Beloningsbeleid Wft 2011). AE's Remuneration Policy is designed to secure the maximum possible alignment between the long term interest and career development of employees, with the strategic ambitions of AE and the creation of shareholder value. The Remuneration policy reflects the AE business strategy, objectives, values and long-term interests and ensures that conflicts of interest are avoided. Furthermore, it corresponds and contributes to thorough and effective risk management and does not encourage the taking of risks that are unacceptable to AE and its shareholders. A Governance Framework is in place setting out the division of tasks and responsibilities related to the Remuneration Policy for AE. Parties involved are the Annual General Meeting of Shareholders, the Supervisory Board, the Remuneration Committee, the Management Board, Internal Remuneration Committee and all AE Control Functions. The Remuneration Committee consists of the Amlin Plc CEO and the Chairman of the AE Supervisory Board.
	The Internal Remuneration Committee consists of members from the Control Functions:

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	• Human Resources (chairman); • Risk Management; • Finance / actuary; and • Compliance;
6.2 Governance	
6.2.1 The Supervisory Board shall be responsible for the implementation and evaluation of the remuneration policy adopted with regard to the members of the management board. The Supervisory Board also approves the remuneration policy for the senior management and oversees its implementation by the management board. Additionally, the Supervisory Board approves the principles of the remuneration policy for other employees of the insurer. The insurer's remuneration policy shall also comprise the policy on awarding retention, exit and welcome packages.	Although adopted by the Annual General Meeting of Shareholders, the Supervisory Board holds oversight and responsibility for the Remuneration Policy. The Supervisory Board has appointed a Remuneration Committee that consist of CEO Amlin Plc and Chairman of AE Supervisory Board with the following duties/responsibilities: • prepares decisions of Supervisory Board with regard to remuneration; • determines on behalf of the Supervisory Board and the Annual General Meeting of Shareholders the specific remuneration packages of the Management Board and reviews remuneration arrangements for Identified Staff; • monitors implementation of the Remuneration Policy and advise the Supervisory Board in this respect; • oversees remuneration plans for AE's Identified Staff; • reviews Identified Staff composition and provides the link between shareholders and management in determining the best interests of AE taking the long term interests of all stakeholders into account; • works actively with Management Board to ensure that an ethical, high-performance culture exists within AE; • approves deviations from the Remuneration Policy with respect to Identified Staff. In order to perform its duties, the Remuneration Committee is provided by adequate information from the Control Functions, the Internal Remuneration Committee and the Management Board. It devotes specific attention to the assessment of the mechanisms adopted to ensure that the remuneration system properly takes into account all types of risks as well as that the overall Remuneration Policy is consistent with long-term sound and prudent management of AE. On top of this the Remuneration Committee formally reviews a number of possible scenarios to test how the remuneration system will react to future external and internal events.
6.2.2 The Supervisory Board shall annually discuss the highest variable incomes at the insurer. The Supervisory Board shall ensure that the management board assesses whether variable incomes are	This Supervisory Board responsibility is documented in the Remuneration Committee's Terms of Reference. The Remuneration Committee agrees with the Supervisory Board the framework and broad

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consistent with the remuneration policy adopted by the insurer, and in particular whether they comply with the principles set out in this section. Furthermore, the Supervisory Board shall discuss material retention, exit and welcome packages, assess whether they are consistent with the remuneration policy adopted by the insurer and ensure that these packages are not excessive.	policy for senior (management) remuneration in line with Amlin Plc. policy and standards and subject to approval of the Annual General Meeting of Shareholders. The Remuneration Committee determines on behalf of the Supervisory Board and the Annual General Meeting of Shareholders the specific remuneration packages of the Management Board and reviews remuneration arrangements for Identified Staff. To this end the Remuneration Committee ensures that contractual terms of members of the Identified Staff on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised. Furthermore, it approves the general Remuneration Policy principles and to their implementation takes account of the relevant legislation and Dutch Insurance Code, as well as of the applicable recommendations in a manner and to a degree that reflect AE's size, internal organisation, scale and complexity.
6.3 Remuneration of members of the management board and Identified Staff	
6.3.1 The total income of a member of the management board shall be in reasonable proportion to the remuneration policy adopted by the insurer. At the time when his or her total income is decided, it shall be slightly below the median level for comparable positions in the relevant markets both inside and outside the financial sector. The relevant international context shall be a major factor.	The Remuneration Committee reviews and determines, under delegated powers from the Supervisory Board and subject to approval of the Annual General Meeting of Shareholders, the total individual remuneration package (including, where applicable, any bonuses, incentive payments and share options) of each member of the Identified Staff in accordance with the provisions of applicable legislation and regulation, the articles of association of AE and the Remuneration Policy.
6.3.2 In the event of dismissal, remuneration may not exceed one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during his or her first term of office, such board member shall be eligible for severance pay not exceeding twice the annual salary.	Any severance payment made in the case of termination of employment by AE without cause is subject to local legislation. For countries outside the Netherlands, the prevailing legislation and practices by court are applicable. In accordance with this Code the Remuneration Policy maximises severance payments to the yearly base salary or in case of unjustified dismissal 2 years base salary.
6.3.3 When variable remuneration is awarded to the management board, the long-term component shall be taken into account as well as profitability and/or continuity of the insurer and a material part of the variable remuneration shall be conditional and shall not be paid until at least three years have passed.	Identified Staff variable remuneration (VR) is subject to deferral that is split equally between cash and shares. The deferral scheme parameters ensure that a material portion of variable remuneration remains subject to risk adjustments. The ratio of deferred variable remuneration for Identified Staff (at least 40%) are linked to job position

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	as well as fixed to variable ratios in order to apply differentiation across Identified Staff roles in scope and to align with the differing levels of responsibility and therefore risk impact. The deferral period is at least 3 years for Identified Staff. Deferred variable remuneration is vested annually, with equal parts of shares and cash vesting each year. Vesting is not within 12 months after the start of the deferral period. Any vesting portion of upfront and deferred stock is subject to an additional retention period. The length of this retention period depends on the length of the deferral period and/or the risk profile of the concerning position.
6.3.4 Shares granted to management board members without financial consideration shall be retained for a period of at least five years or at least until the end of the employment, if this period is shorter. If options are granted, they shall, in any event, not be exercised in the first three years after the date on which they were awarded.	Members of the Management Board receive a competitive base salary based on their job weight, market rate and experience. For some of the Management Board members a part of the base salary is paid out in Amlin Plc shares. These shares are awarded unconditional, are entitled to dividends and have a 5-year lock-up period. This is an arrangement to compensate contractual commitments after implementation of the rules of 'Regeling Beheerst Beloningsbeleid Wft 2011'.
6.4 Variable remuneration	
6.4.1 The allocation of variable remuneration shall be related to the insurer's long-term objectives.	All employees and members of the Management Board are entitled to a discretionary variable remuneration scheme based on performance. The level and conditions of the variable remuneration depend on the role, grade and risk profile of the position. The objective of the Remuneration Policy is to reward senior managements for • improving AE performance; • being culturally and ethically aligned to AE; • contributing to the alignment of AE interests with those of shareholders. This is achieved by having remuneration arrangements which provide them with levels of remuneration which are appropriately balanced between fixed and variable reward and which provide for a significant proportion of total compensation at risk to be tied to the annual and long-term financial performance of the Amlin Group and to the creation of shareholder value. In addition all board members have affirmed the Banker's Oath.
6.4.2 Each insurer shall set a maximum ratio of variable remuneration to fixed salary that is appropriate for the insurer in question. The variable remuneration per annum of members of the	Maximum ratios between fixed and variable remuneration have been set for all AE employees including the Management Board. The ratio differs for each employee category and depends on the type of

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management board shall not exceed 100% of the member's fixed income.	responsibilities and individual risk profile of the position. The Remuneration Policy is compliant with this Code and therefore the maximum ratio fixed-variable for the Management Board does not exceed 100%.
6.4.3 Variable remuneration shall be based on the performances of the individual, his part of the business and the performance of the insurer as a whole according to pre-determined and assessable performance criteria. In addition to financial performance criteria, non-financial performance criteria shall also make up a significant portion of the assessment of the individual. Performance criteria shall be defined in terms that are as objective as possible in the insurer's remuneration policy.	The AE performance assessment of Amlin Group and, AE targets, the entity/class and individual targets extends beyond the date that variable remuneration awards are made and continues as part of a multi-year framework of at least three years (dependent on the deferral period). For all employees the Key Performance Indicators (KPI's) are divided between Financial and Non-Financial KPI's at different levels.
6.4.4 When performances are assessed based on the pre-determined performance criteria, financial performances shall be adjusted to allow for estimated risks and capital costs.	Annually a risk assessment takes place to ensure that AE's capital adequacy still meets the regulatory requirements and will not be adversely affected by the overall pool of variable remuneration that will be awarded in a year and the amount of variable remuneration that will be paid or vested in a year. After the end of each year (within the deferral period) a reassessment is made on the basis of the performance criteria that initially applied to the variable remuneration. Subject to the result of this reassessment, the part of the variable remuneration allocated pro rata for the year in question becomes (fully or partially) unconditional.
6.4.5 In exceptional circumstances – for example, if application of the pre-determined performance criteria would result in undesired variable remuneration for a member of the management board – the Supervisory Board shall have the discretionary power to adjust the variable remuneration if, in its opinion, this remuneration would have unfair or unintended effects.	In an addendum to the employment agreement of Identified Staff, the Remuneration Committee is entitled to re-assess and re-adjust deferred variable remuneration that has been awarded to the employee if the realisation of the performance targets of the employee, his/her business line, AE and/or Amlin Group Plc. has appeared to be not-sustainable, and to decide that a malus will be applied in respect of the deferred variable remuneration of the employee (both the cash and the equity components thereof).
6.4.6 The Supervisory Board shall be authorised to reclaim variable remuneration allocated to a member of the management board based on inaccurate data (whether or not the inaccurate data is financial in nature).	In an addendum to the employment agreement of Identified Staff, the Remuneration Committee is entitled to claim repayment by the employee in whole or in part of any variable remuneration that has been paid to the employee (claw-back). Claw-back will apply in the following circumstances: • variable remuneration was established or awarded on the basis of incorrect or misleading information; • variable remuneration was awarded and subsequently fraud, misrepresentation or other serious misconduct by the employee is established; • exceptional and unforeseen circumstances that originate in the performance year.

Compliance of Amlin Europe N.V. with the Code, is presented on the website http://www.amlin.com/about-amlin/our-businesses/amlin-europe/corporate-governance.aspx

Independent Auditor's report

Independent auditor's report

To: the general meeting and supervisory board of Amlin Europe N.V.

Report on the financial statements 2014

Our opinion

In our opinion the financial statements give a true and fair view of the financial position of Amlin Europe N.V. as at 31 December 2014, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2014 of Amlin Europe N.V., Amstelveen ('the company').

The financial statements comprise:

- the statement of financial position as at 31 December 2014;
- the following statements for 2014: the statements of comprehensive income changes in equity and the cash flow statement; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

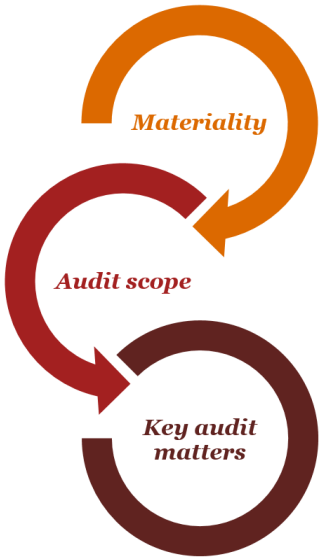
We are independent of Amlin Europe N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

Our audit approach

Overview

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the management board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.



Materiality

- Overall materiality: € 4,000,000 is based on the minimum required capital under Solvency I, rounded down to the nearest million.

Audit scope

- We conducted audit work covering all significant components in both the Netherlands and abroad. We sent audit instructions to the component audit team of the Amlin France branch and we audited the Amlin Belgium branch ourselves

Key audit matters

- Uncertainties in the valuation of assets and liabilities arising from insurance contracts
- Premium estimates in revenue recognition
- Accounting implications for a transaction of entities under common control
- Recoverability of deferred tax assets

Materiality

The scope of our audit is influenced by the application of materiality. Our audit opinion aims on providing reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	€ 4,000,000 .
How we determined it	5% of required capital. Refer to the "Supervision and Solvency" paragraph for details on the required capital of the company.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the information needs of users of the financial statements and as this is important information for stakeholders, in particular for the regulator (Dutch Central Bank). On this basis we believe that required capital of the company is an important metric for the financial performance and stability of the company. Result before tax is considered to be an important metric for the shareholder. The materiality applied is well below the materiality allocated by the auditor of the shareholder. As the materiality during planning has originally been set based on expected positions, the calculated amount was rounded down to the € 4 million applied. The appropriateness has been tested based on the final positions.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above € 200,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our audit

Amlin Europe N.V. includes three branch operations abroad and the activities undertaken in the Netherlands. The financial information of these branches is included in the financial statements of Amlin Europe N.V..

Considering our ultimate responsibility for the opinion we are responsible for the direction, supervision and performance of the audit of the financial statements, including the financial effects of activities abroad. In this context, we tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic and operational structure of the company and its branches, the significance and/or risk profile of components or activities, the accounting processes and controls, and the industry in which the company operates.

The company's accounting process is structured around a local finance function in each of the territories in which the company operates. These functions maintain their own accounting records and controls and report to the company's central finance team. Based on their significance and/or risk characteristics, we determined that audit procedures are necessary on the French and Belgian branch information.. We have requested for specific audit procedures to be performed by the auditor of the French branch whose finance processes have been relatively independent from the central team. The audit procedures on the Belgian branch were performed directly by us. Where relevant, we used team members from other network firms to assure relevant local regulations are taken into account. The German branch was not in scope of our audit due to its limited impact on required capital and results. Part of the activities of the companies are outsourced to group companies within Amlin plc. We have instructed the auditor of the relevant group companies to perform audit procedures .

Where work was performed by other auditors, we determined the level of involvement we needed to have in the audit work at those functions to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

By performing the procedures above, combined with additional procedures on the activities at central level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the company to provide a basis for our opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the matter***
Uncertainties in the valuation of assets and liabilities arising from insurance contracts *Refer to the Risk Management paragraph and note 10 to the financial statements for the disclosures of the related judgements and estimates.* The valuation of the assets and liabilities arising from insurance contracts and related reinsurance contracts is complex and highly judgmental and is based on assumptions which are affected by client behaviour and claim development. The assumptions used for non-life relate to risks regarding catastrophe, incidence & recovery rates and expense and	We performed tests on the operating effectiveness of the company's procedures to ascertain that the sense data used in the actuarial valuation is adequate and complete. These procedures include data analysis in which previous year's claims data was compared to current year's data with a further analysis on unexpected changes in data for earlier years. We performed comprehensive testing of the company's procedures regarding the determination of the assumptions, based on market observable data and actuarial analysis of the technical results during the year compared with the expected outcome based on the used assumptions. We discussed the outcome of the internally prepared analysis with the internal

Key audit matter	How our audit addressed the matter
assumptions used in the liability adequacy test. The assumptions require significant Management Board's judgment. The company has comprehensive procedures and internal controls in place to determine the value of the assets and liabilities arising from insurance contracts and in performing liability adequacy tests. The assumptions and uncertainties also apply for the reinsured part.	actuaries. We challenged the assumptions used, making use of PwC actuarial experts. Our main focus in this area has been on the assumptions used in respect of reinsurance recoveries as well as claim development on long-tail risks. Furthermore, we assessed the adequacy of the disclosures.
Premium estimates in revenue recognition *Refer to the accounting policy on insurance premiums for the explanation estimates involved.* As a corporate insurance company the entity depends on the delivery of information by its brokers and intermediaries for an accurate calculation of premiums. As these parties themselves are dependent on other parties to be able to provide the required information a delay results in the information available which requires premium estimations to be made by management of the Company. As a consequence, the earned premium at year-end is partly based on management estimates regarding developments in the portfolio as a whole and on client level.	The model used to determine premium estimates was tested through both a controls based as well as a substantive approach. We tested effectiveness of internal controls to confirm that proper segregation of duties and internal review was applied in the estimation of premium revenue. We substantively tested input in the model, changes in earnings patterns applied to this input and the mathematical accuracy of the outcomes. We reconciled the outcome of the model to accounting records. Furthermore, backtesting was performed to confirm the reliability of management's previous year's estimate.
Accounting treatment for a transaction of entities under common control *Refer to the paragraph "Business combinations" in the financial statements for the related disclosures.* As part of the ultimate parent's intention to restructure its operations, Amlin Europe acquired the Amlin France Holdings SAS entity from Amlin Overseas Holdings ltd as per 2 January 2014. Subsequently this entity was merged into its only subsidiary Amlin France SAS through a reverse merger. The assets and liabilities of the latter were then transferred into the Company after which the French legal entity was dissolved under French law. These transactions are not routine to management and required incremental efforts to enable proper recognition, measurement and disclosure.	We have substantively tested the contractual agreements reached between the parties involved to verify the identification of acquirer and acquiree. We have assessed the accounting policies applied by management. We substantively tested the figures included as carry-forward accounting by reconciling these to the statutory accounts of the acquired entity. We substantively tested the amount of total goodwill transferred by reconciliation to the goodwill recorded on group level in the consolidated accounts of Amlin plc for these entities, which is in line with the accounting policy applied. We have tested the assumptions applied in management's goodwill impairment test by testing the accuracy and reasonableness of the discount rate, medium term result projections and terminal growth percentage applied in the discounted cash flow model.
Recoverability of deferred tax assets *Refer to note 11 to the financial statements for the related disclosures* The company is structured in four branches. Each of these branches reports locally for tax purposes and as such, deferred tax positions are based on local results and fiscal requirements which makes the tax position more complex. Deferred tax assets have been recorded for all the branches. Management estimates are involved in determining the recoverability of these assets, specifically for fiscal compensable tax losses. These are concentrated in the Belgium branch. These estimates mainly relate to projected results applied in estimating future profits to compensate the remaining losses.	We have substantively tested the calculations made to determine the deferred tax assets by reconciling taxable losses to tax reports and by reconciling other input to supporting documentation. We have involved local PwC tax specialists in assessing the variables applied in the tax calculations. Furthermore, we have assessed the reasonableness of management's projected results in determining the recoverability of tax losses both by back testing previous year's estimates as well as comparing these results to internal budgeted figures. We have also checked whether the assumptions used for preparing the budget (volume of premiums and expenses for example) were reasonable in view of our knowledge of the company as well of the insurance market and overall economic environment.

Responsibilities of the management board and the supervisory board

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as the management board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all frauds or errors.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the management report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management report and other information):

- We have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the management report, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of Amlin Europe N.V. on 15 May 2014 by the shareholders at the annual meeting held on 15 May 2014 representing a total period of uninterrupted engagement appointment of 6 years.

Amsterdam, 7 May 2015
PricewaterhouseCoopers Accountants N.V.

Originally signed by A.H. Zoon RA

Appendix to our auditor's report on the financial statements 2014 of Amlin Europe N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.