nordic guarantee

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ANNUAL REPORT 2015

The Board of Directors and CEO of Nordic Guarantee Försäkringsaktiebolag hereby present the Annual Report for the financial year 01/01/2015 – 31/12/2015.

The undersigned CEO of Nordic Guarantee Försäkringsaktiebolag, corporate identity number 516406-0112, hereby certifies that the income statement and balance sheet for the period 01/01/2015 – 31/12/2015 were adopted at the Annual General Meeting on 21/03/2016. The meeting also approved the Board's proposal concerning the profit.

Stockholm, 21/03/2016

Johan Brinkenberg

DIRECTORS' REPORT

General information on operations

Nordic Guarantee Försäkringsaktiebolag is a subsidiary of Manzillo Holdings, ID number 528963, domiciled in the British Virgin Islands. Until 15 December 2015, the company was a subsidiary of Fairford Insurance Holding AB, 556643-2026, subsidiary of Fairford Holdings Finance AB, 556727-9061, in turn a subsidiary of Fairford Holdings Europe AB, 556606-7566. The company's head office is located in Kista, outside Stockholm, Sweden.

The Company has been in operation since December 2003 and its concession comprises the non-life insurance classes 15 (surety) and 9 (other material damage). Since 2006, only surety insurance has been written. Operations are carried out in Sweden and through branches in Norway, Finland and Denmark.

Sales, performance and financial position

Premium income increased to TSEK 125,555 (99,412) primarily due to continued focus on operational efficiencies and attention to customer needs. The company carries on the business of providing guarantees, mainly to the construction industry. Economic trends in this industry vary slightly between Nordic countries. During the year, the Swedish market grew compared with the previous year, primarily in the housing sector. Contrary to this, growth in the Norwegian construction industry was slower compared with the previous year, but remained strong in the housing sector. Finland's economy continued to decline throughout the year, which had a negative impact on the market. Dependence on business in Denmark was deliberately reduced in line with the business' strategic plans. Consequently, variations in the Danish construction market was not appreciable during the year. The partnership with South African insurance company, Lombard Insurance Company Limited, continued to develop.

Claim costs for own account reduced significantly during the year to TSEK 27,479 (91,016). Further context is provided considering that TSEK 14,783 (51,579) of this value is attributable to claims which occurred during previous years. During the year, more stringent credit rating- and general underwriting criteria were applied.

Technical Profits closed at TSEK 7,937 (-65,297) whilst profit before appropriations also improved to TSEK 7,943 (-65,034). These positive results are primarily as a result of the stated reduction in claim costs along with growth in premium income.

The company's capital base is subject to statutory requirements stated by the industry regulator. On the balance sheet date, the minimum solvency margin was calculated at TSEK 34,730. The solvency margin of the company comfortably exceeded this prerequisite at TSEK 110,888 (58,180).

The consolidation ratio of the company at year-end was 97.6 percent (73.4 percent) whilst its consolidation capital value was TSEK 122,528 (72,994). To ensure adequate solvency under the new solvency regulations which apply from 1 January 2016, the balance sheet received a total capital injection of TSEK 40,000 from the owners.

Employee benefits

Remuneration to the CEO is determined by the Board of Directors. For information on remuneration and benefits, see note 6.

Risks and risk management

The company's claims outcome is greatly affected by economic trends in the countries in which it operate. Insurance risk is mitigated through careful assessments of individual customers' financial position and profitability. In addition, emphasis is placed on strict enforcement of internal policies and guidelines for underwriting and claims settlement. The company's reinsurance cover is designed to limit the impact of losses per individual risk. Further information on risks can be found in note 1.

Financial administration

The company has a low level of risk in its financial investments. The yield during the year was -0.1 percent and only comprised interest-bearing investments at year-end.

Outlook

The prospects of the company sustaining higher premium volume and reduced claim costs are considered to be good. The long term nature of the guarantee products issued implies slow absorption of policy changes on the entire portfolio. Traditionally, the most popular type of security in the entire market is bank-issued guarantees. The company's products represent an attractive alternative, mainly due to higher requirements for counter-security from the banking sector. We also place less of an administrative burden on clients.

Following an agreement reached between Fairford Insurance Holding and Manzillo Holding towards the end of 2014, Manzillo acquired a majority shareholding in Nordic Guarantee. This agreement was subject to approval by the Swedish Financial Supervisory Authority, which was received at the end of 2015. Furthermore the Manzillo Group entered into a partnership agreement with Lombard Insurance Company to supply operational support.

Manzillo Holdings also has interests in other insurance companies with operations throughout Europe. As a result of this and its association with Lombard Insurance Company, Nordic Guarantee is in a key position to offer the customers much improved products and services.

The European Insurance and Occupational Pensions Authority (EIOPA) decreed that the Solvency II directive comes into effect on 1 January 2016. Nordic Guarantee ensured early adoption of the new regulatory framework. As a result, the company complies with Solvency II and will be able to report to regulators in accordance with the new requirements.

Proposal for appropriation of profit

The balance sheet shows that the Annual General Meeting has SEK 62,527,755 at its disposal.

Profit brought forward	49,365,344
Profit for the year	13,162,411
Profit available	**62,527,755**

The Board of Directors proposes that SEK 62,527,755 be carried forward.

Five-year summary

SEK thousand		2015	2014	2013	2012	2011
Profit						
Premium income		125,555	99,412	118,630	115,130	92,966
Premium revenue		123,060	109,082	122,014	108,650	96,397
Net return on capital in insurance business		1,245	1,509	1,875	2,429	3,099
Insurance compensation, on own account		-27,479	-91,016	-59,049	-40,480	-54,449
Technical profit from insurance business		7,937	-65,297	-33,302	-6,873	-36,864
Profit for the year		13,162	-59,197	-24,906	-10,685	-47,280
Financial position						
Investment assets at fair value		61,318	78,875	72,100	66,413	75,633
Actuarial provisions (including reinsurer's share)		123,955	179,827	146,067	152,738	167,375
Consolidation capital		122,528	72,994	59,971	60,001	73,552
Capital base		110,888	58,180	59,971	54,411	61,088
Key ratios						
Loss ratio	2	33%	114%	69%	46%	77%
Operating costs ratio	3	59%	70%	66%	66%	80%
Total costs ratio	4	92%	184 %	135%	112%	156%
Yield in percent	5	-0.1%	0.6%	0.7%	0.4%	0.6%
Total return in percent	6	0.2%	0.4%	0.5%	1.7%	-0.2%
Consolidation ratio in percent	7	98%	73%	51%	52%	79%
Necessary solvency margin	1	34,730	34,188	32,560	30,170	31,570

Definitions

1 The requirements in the Swedish Insurance Business Act for the minimum capital base for an insurance company
2 Insurance compensation as a percentage of premium income on own account
3 Total operating costs as a percentage of premium income on own account
4 Loss ratio plus operating costs ratio
5 Realised capital revenue as a percentage of financial assets
6 Realised capital profit as a percentage of financial assets
7 Consolidation capital as a percentage of premium income

INCOME STATEMENT

SEK thousand	Note	2015	2014
TECHNICAL ACCOUNTS			
Premium revenue, ooa[1)]			
Premium income	2	125,555	99,412
Change in provisions for unearned premiums and protracted risks		-2,495	9,671
		123,060	**109,083**
Reinsurer's share of premium revenue		-38,693	-29,289
Premium revenue, ooa		**84,367**	**79,794**
Return on capital transferred from financial business	3	1,245	1,509
Other technical revenue		0	198
Insurance compensation, on own account	4		
Insurance compensation paid		-62,399	-56,874
Change in provisions for unsettled claims		34,920	-34,142
		-27,479	**-91,016**
Operating costs	5,6,9	-50,196	-55,783
Technical profit from non-life insurance business		**7,937**	**-65,297**
NON-TECHNICAL ACCOUNTS			
Technical profit from non-life insurance business		**7,937**	**-65,297**
Return on capital, revenue	7	1,251	1,775
Return on capital, costs	7	0	-2
Return on capital transferred to non-life insurance business	3	-1,245	-1,509
Profit before allocations and tax		**7,943**	**-65,034**
Appropriations		0	1,437
Tax on profit for the year	10	5,220	4,400
Profit for the year		**13,162**	**-59,197**

[1)] ooa = on own account.

STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	2015	2014
Profit for the year	**13,162**	**-59,197**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Translation differences for the year in foreign branches	-4,650	-390
Tax, translation difference, branches	1,023	806
Comprehensive income for the year	**9,535**	**-58,781**

BALANCE SHEET

SEK thousand	Note	31/12/2015	31/12/2014
ASSETS			
Intangible assets	8		
Other intangible assets		11,639	14,814
		11,639	**14,814**
Investment assets			
Financial investment assets	11	61,318	78,875
Reinsurer's share of actuarial provisions			
Unearned premiums and protracted risks		11,721	8,778
Unsettled claims		9,924	42,121
		21,645	**50,899**
Receivables			
Receivables concerning direct insurance	12	10,425	5,641
Receivables concerning reinsurers		20,841	20,167
Other receivables	13	37,749	51,852
		69,015	**77,660**
Other assets			
Tangible fixed assets	14	3,787	3,585
Cash and bank balances		107,628	54,244
		111,415	**57,830**
Prepaid expenses and accrued income			
Other prepaid expenses and accrued income	15	12,930	4,827
TOTAL ASSETS		**287,962**	**284,905**

BALANCE SHEET

SEK thousand	Note	31/12/2015	31/12/2014
EQUITY, PROVISIONS AND LIABILITIES			
Equity	16		
Share capital (500,000 shares) with quota value SEK 100 per share		50,000	50,950
Statutory reserve		10,000	10,000
Restricted equity		**60,000**	**60,950**
Fair value reserve		-4,732	-1,104
Profit brought forward		42,948	62,146
Share premium reserve		11,150	10,200
Profit for the year		13,162	-59,197
Non-restricted equity		**62,528**	**12,044**
Total equity		**122,528**	**72,994**
Actuarial provisions			
Provisions for unearned premiums and protracted risks	17	72,516	68,715
Provisions for unsettled claims	18	51,439	111,112
		123,955	**179,827**
Liabilities	19		
Liabilities concerning direct insurance		11,133	12,551
Other liabilities		4,487	4,863
		15,620	**17,414**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	20	25,859	14,670
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**287,962**	**284,905**

Memorandum items			
Pledged assets			
Registered assets to cover actuarial provisions, ooa		179,728	154,363
Contingent liabilities		None	None
Commitments		None	None

STATEMENT OF CHANGES IN EQUITY

	Restricted equity			Non-restricted equity		
	Share capital	**New share issue in progress**	**Statutory reserve**	**Fair value reserve**	**Profit brought forward, including profit for the year**	**Total equity**
Opening balance, 01/01/2014	**22,200**		**10,000**	**-1,520**	**27,436**	**58,533**
Comprehensive income for the year						
Profit for the year					-59,197	-59,197
Translation differences for the year in foreign branches				-391		-391
Tax, translation difference, branches				806		806
Comprehensive income for the year				**415**	**-59,197**	**-58,782**
Transactions with owners						
New share issue & share premium reserve					2,500	2,500
Paid up but not registered share capital		28,750				28,750
Unconditional shareholders' contribution					2,500	2,500
Conditional shareholders' contribution					24,698	24,698
Group contribution					20,000	20,000
Tax on Group contribution					-4,400	-4,400
Closing balance, 31/12/2014	**22,200**	**28,750**	**10,000**	**-1,105**	**13,537**	**72,993**
Opening balance, 01/01/2015	**22,200**	**28,750**	**10,000**	**-1,105**	**13,537**	**72,993**
Comprehensive income for the year						
Profit for the year					13,162	13,162
Translation differences for the year in foreign branches				-4,650		-4,650
Tax, translation difference, branches				1,023		1,023
Comprehensive income for the year				**-3,627**	**13,162**	**9,535**
Transactions with owners						
New share issue & share premium reserve	27,800	-28,750			950	0
Conditional shareholders' contribution					40,000	40,000
Closing balance, 31/12/2015	**50,000**	**0**	**10,000**	**-4,732**	**67,649**	**122,528**

All components of Other comprehensive income will be reversed via the income statement.

CASH FLOW STATEMENT

SEK thousand	Note	31/12/2015	31/12/2014
Operating activities			
Profit before tax		7,943	-65,034
Adjustment for items not included in cash flow	23	-39,176	51,677
Income tax paid		-806	-1,547
Cash flow from operating activities before changes in assets and liabilities		**-32,039**	**-14,904**
Change in investments in financial investment assets		17,557	-7,004
Interest paid		-4	-2
Interest received		129	2,649
Change in other operating receivables		30,508	13,549
Change in other operating liabilities		-1,794	4,600
		49,396	**13,792**
Cash flow from operating activities		**14,357**	**1,112**
Investing activities			
Net investments in tangible and intangible assets	23	-973	-18,020
Cash flow from investing activities		**-973**	**-18,020**
Financing activities			
New share issue/shareholders' contribution		40,000	31,250
Cash flow from financing activities		**40,000**	**31,250**
Cash flow for the year		**53,384**	**12,118**
Cash and equivalents at the beginning of the year		**54,244**	**42,126**
Cash flow for the year		53,384	12,118
Cash and equivalents at year-end		**107,628**	**54,244**

Cash and equivalents consists of the following subcomponents

SEK thousand	31/12/2015	31/12/2014
Bank balances	107,628	54,244
Total	**107,628**	**54,244**

PERFORMANCE ANALYSIS

	Note	Direct insurance, Swedish risks	Of which surety	Of which other material damage	Direct insurance, foreign risks	Total
Premium revenue, ooa	a	26,905	25,665	1,239	57,463	84,367
Return on capital transferred from financial business		514	470	44	731	1,245
Other technical revenue		0	0	0	0	0
Insurance compensation, ooa	b	-2,748	-3,348	600	-24,731	-27,479
Operating costs		-24,027	-24,027	0	-26,169	-50,196
Technical profit from non-life insurance business		**236**	**-1,895**	**2,131**	**7,702**	**7,937**
Actuarial provisions, before reinsurance						
Provisions for unearned premiums and protracted risks		2,163	2,163	0	-4,658	-2,495
Provisions for unsettled claims		276	276	0	58,308	58,584
Total actuarial provisions, before reinsurance		**2,439**	**2,439**	**0**	**53,650**	**56,089**
Reinsurer's share of actuarial provisions						
Provisions for unearned premiums and protracted risks		-12,339	-12,339	0	-26,354	-38,693
Provisions for unsettled claims		1,108	1,108	0	7,148	8,256
Total reinsurer's share of actuarial provisions		**-11,231**	**-11,231**	**0**	**-19,206**	**-30,437**
Notes to the performance analysis						
Note a, Premium revenue, ooa						
Premium revenue (before reinsurance)		39,244	38,005	1,239	83,816	123,060
Reinsurer's share of premium revenue		-12,339	-12,339	0	-26,354	-38,693
Premium revenue, ooa		**26,905**	**25,666**	**1,239**	**57,462**	**84,367**
Note b, Insurance compensation, ooa						
Insurance compensation paid						
-Before reinsurance		-757	-1,357	600	-82,483	-83,241
-Reinsurer's share		709	709	0	-1,439	-730
-Claims expenses		-3,330	-3,330	0	-1,405	-4,735
Change in provisions for unsettled claims						
-Before reinsurance		276	276	0	58,308	58,584
-Reinsurer's share		354	354	0	2,287	2,641
Insurance compensation, ooa		**-2,748**	**-3,348**	**600**	**-24,732**	**-27,479**

ACCOUNTING POLICIES

General information

The annual report is submitted on 31 December 2015 and concerns Nordic Guarantee Försäkringsaktiebolag, which is an insurance company with its registered office in Stockholm. The address of the head office is Kista Science Tower, 164 51 Kista, Sweden, and the company's corporate identity number is 516406-0112.

Compliance with standards and legislation

The annual report has been prepared in pursuance of the Annual Accounts in Insurance Companies Act and in pursuance of the Swedish Financial Supervisory Authority's regulations and general advice on annual reports in insurance companies (FFFS 2008:26), including the amending regulations of the Swedish Financial Supervisory Authority and recommendation RFR 2 issued by the Swedish Financial Reporting Board. The company applies statutory IFRS and this means that all IFRS and statements approved by the EU are applied where possible within the framework of Swedish law and in respect of the link between accounting and taxation.

New and amended standards and interpretations that have not yet entered into force

At the time of preparation of the company's financial statements as at 31 December 2015, there are standards and interpretations that have been published by the International Accounting Standards Board (IASB) but have not yet entered into force. Below is a preliminary assessment of the potential impact of the introduction of these standards and interpretations on the company's financial statements.

<u>IFRS 9 Financial instruments</u>
The new standard for recognition and measurement of financial instruments is a complete revision and will replace the existing standard, IAS 39 Financial Instruments: Recognition and Measurement. The standard has not been adopted by the EU and there is no timetable for when such approval may be expected. The date of mandatory application of IFRS 9 has also been removed from the standard (previously 1 January 2015), for which reason this date is not currently known, but the standard will probably not be applied earlier than the financial year beginning 1 January 2017 or later. IFRS 9 will affect the company's financial reporting. However, the extent of the impact has not yet been analysed and quantified.

The company has decided not to apply these rules prematurely and has not made any assessment of whether other new and amended standards and interpretations will have any material impact on the company's financial statements in the period in which they are first applied.

Assumptions for the preparation of financial statements

The functional currency is Swedish Krona (SEK) and the financial statements are presented in SEK. All amounts are rounded to the nearest thousand, unless specified otherwise. Assets and liabilities are recognised at cost, apart from certain financial assets that are valued at fair value. Financial assets that are valued at fair value are bonds and other interest-bearing securities. Changes in relation to book value are recognised in the income statement.

Estimates and valuations in the financial statements

Preparation of the financial statements in accordance with statutory IFRS requires the company's management to make assessments, estimates and assumptions that affect the application of the accounting policies and the carrying amounts for assets, liabilities, revenue and costs. The estimates and assumptions are based on past experience and a number of other factors that seem to be reasonable under the prevailing conditions. The result of these estimates and assumptions is then used to assess the carrying amounts for assets and liabilities that are not otherwise clear from other sources. Actual results may differ from these estimates and assessments.

Estimates and assumptions are reviewed regularly. Changes to estimates are recognised in the period in which the change is made if the change only affected this period, or in the period in which the change is made and future periods if the change affects both the current period and future periods.

Assessments made by the company management for the application of IFRS that have a significant effect on the financial statements and estimates made that may entail material adjustments in the financial statements for subsequent years are described in further detail in a separate note, where appropriate.

The accounting policies indicated below were applied consistently to all periods presented in the financial statements, unless specified otherwise below.

Translation of foreign branches

Balance sheet items are translated using the exchange rate on the balance sheet date and items in the income statement are translated using the average exchange rate for the period in which the item occurred. When translating items in the balance sheet from foreign currency values, the following exchange rates were used as at 31 December:

Currency	2015	2014
NOK	0.96	1.06
EUR	9.17	9.55
DKK	1.23	1.28

Translation differences generated in connection with the translation of a foreign net investment are recognised in other comprehensive income in the translation reserve in equity.

Insurance contracts

Under IFRS 4, contracts that carry a significant insurance risk must be classified as insurance. Following a review of all products, the company decided that all products must be regarded as insurance.

<u>Revenue recognition/premium income</u>
The premium income recognised is the total gross premiums for direct insurance that are paid in or can be credited to the company for insurance contracts for which the insurance period began before the end of the financial year. Premium income recognised also includes premiums for insurance periods that begin after the end of the financial year, if they fall due for payment during the financial year in accordance with the contract. Gross premium means the contractual premium for the entire contract term. Policy cancellations reduce premium income as soon as the amount is known.

Premium revenue corresponds to that part of the premium income that is earned. Unearned premium is allocated to the provisions for unearned premiums.

<u>Actuarial provisions</u>
Actuarial provisions consist of provisions for unearned premiums and protracted risks, plus provisions for unsettled claims.

<u>Provisions for unearned premiums and protracted risks</u>
Provisions for unearned premiums correspond to the company’s liability for claims, costs of administration and other costs during the remainder of the contract term for current insurance contracts. Current insurance means insurance under contracts that have been made, regardless of whether they concern subsequent insurance periods in full or in part. These provisions are calculated by estimating the expected costs of claims that may arise during the remaining term of this insurance, plus the costs of administration during this period. The estimates of costs are based on the company’s experience but the observed and forecast development of relevant costs is also taken into account.

Provisions for unearned premiums are recognised in total for all of the company’s operations. Protracted risks means the risk that the claims and costs arising out of insurance contracts cannot be covered by unearned and expected premiums after the end of the financial year. For insurance with premium paid for several years, the provisions for unearned premiums are calculated on the basis of an estimate of the company’s liability for current contracts and the expected payout pattern. Provisions for unearned premiums are estimated using the unearned proportion of premiums for current insurance. If the premium level for current insurance is considered to be insufficient, provisions are made for protracted risks. The period’s change in provisions for unearned premiums and protracted risks is recognised in the income statement.

Provisions for unsettled claims
Provisions for unsettled claims consist of estimated undiscounted cash flows concerning final costs to meet all claims based on events that occurred before the end of the financial year, less amounts already paid out in connection with claims. The change in unsettled claims for the period is recognised in the income statement.

Loss check
The company's accounting and valuation policies applied to the balance sheet item provisions for unearned premiums and protracted risks automatically entails a check that the provisions are sufficient to cover expected future cash flows.

Operating costs
Operating costs are described in notes 5 and 6. Changes in actuarial provisions for insurance contracts are recognised in the income statement under the respective headings. Compensation paid out corresponds to payments to policyholders during the financial year on account of losses that have occurred, regardless of when the loss occurred.

Reinsurance purchased
The amount paid out during the financial year is recognised as the premium for reinsurance purchased. The premium is periodised so that the cost is allocated to the period covered by the insurance protection.

Recognition of return on capital

Return on capital transferred from financial business to non-life insurance business
The return on capital is transferred from the result of asset management to the result of insurance business based on average actuarial provisions on own account. The return on capital transferred is calculated on the basis of an interest rate equivalent to the interest on government bonds with a term that essentially matches the duration of the actuarial provisions.

Net return on capital
The return on capital, revenue item concerns return on investment assets and includes interest income, exchange gains (net), reversed impairments and capital gains (net). The costs of investment assets are recognised under return on capital, costs. This item includes interest expenses, exchange losses (net), depreciation/amortisation, impairments and capital losses (net).

Realised and unrealised changes in value
For investment assets valued at fair value, the capital gain is the positive difference between the sales price and the cost of acquisition. For sales of investment assets, previously unrealised changes in value are entered as adjustment items under the items unrealised gains on investment assets and unrealised losses on investment assets.

Taxes

Income tax
Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement, except where the underlying transaction is recognised directly in equity, in which case the associated tax effect is recognised in equity. Current tax is tax that must be paid or received for the current year, applying the tax rates adopted or adopted in practice as at the balance sheet date. This also includes adjustments of current tax attributable to prior periods. Deferred tax is calculated using the balance sheet method based on temporary differences between carrying amounts and tax bases of assets and liabilities. The valuation of deferred tax is based on how underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated applying the tax rates and tax rules adopted or adopted in practice as at the balance sheet date. Deferred tax assets for tax-deductible temporary differences and loss carry-forwards are recognised only to the extent it is likely that it will be possible to utilise these items. The value of deferred tax assets is derecognised when it is no longer deemed likely that they can be utilised. Any future income tax arising in connection with dividend is recognised at the same time as when the dividend is recognised as a liability.

Intangible assets

Other intangible assets
Other intangible assets are valued at cost less accumulated amortisation.

Amortisation methods
Amortisation is recognised in the income statement linearly over the estimated useful life of the intangible asset. Useful lives are reviewed annually. Amortisable intangible assets are amortised from the date on which they are available for use. The useful lives estimated are:

- Other intangible assets 5 years

Financial instruments

Financial instruments recognised in the balance sheet include fund units and interest-bearing securities on the asset side. A financial instrument that is recognised in the balance sheet is any form of contract or agreement that gives rise to a financial asset in a company or a financial liability or equity instrument in another company. Financial instruments recognised among assets in the balance sheet include cash and equivalents, loan receivables, accounts receivable relating to reinsurance and direct insurance, and financial investments. Financial instruments recognised among liabilities in the balance sheet include accounts payable and other liabilities.

Cash and equivalents consist of bank balances.

Recognition in and derecognition from the balance sheet
A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the terms and conditions of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been sent. A liability is recognised when the counterparty has completed its undertaking and a contractual obligation to pay exists, even if no invoice has yet been received. Accounts payable are recognised when the invoice has been received.

A financial asset is derecognised from the balance sheet when the rights in the contract are realised or mature or the company loses control of them. This also applies to parts of financial assets. A financial liability is derecognised from the balance sheet when the obligation in the contract is performed or is otherwise extinguished. This also applies to parts of financial liabilities.

Acquisition and disposal of financial instruments
Acquisition and disposal of financial assets are recognised on the trade date, which is the date on which the company undertakes to acquire or dispose of the asset, except where the company acquires or disposes of listed securities, where settlement date recognition is applied.

Investment assets
Investment assets comprise fund units and interest-bearing securities, and are classified as financial instruments valued at fair value with changes in value via the income statement. The part of the change in value that arises on account of exchange rate fluctuations is recognised directly in equity.

Financial instruments divided into classes and levels for valuation at fair value
Information must be provided on a method for determination of fair value using a valuation hierarchy consisting of three levels. The levels must reflect the extent to which fair value is based on observable market data or own assumptions.

Levels for valuation at fair value:

- Quoted prices on an active market (level 1)
- Valuation model based on observable market data (level 2)
- Valuation model based on own assumptions (level 3)

All of the company's financial instruments are valued at prices (bid rates on the balance sheet date) quoted on an active market. Any future transaction costs in connection with disposal are not taken into consideration. These instruments are recognised in the balance sheet items bonds and other interest-bearing securities. These securities are valued at prices that are quoted on an active market, which means that they are attributed to level 1. The categorisation is based on Nordic Guarantee managing and evaluating all investment assets at fair value in accordance with its adopted investment policy.

Tangible fixed assets

Tangible fixed assets are recognised at cost after deduction of accumulated depreciation and any impairment, plus any appreciation. The carrying amount for a tangible fixed asset is removed from the balance sheet in the event of disposal or sale or when no future financial advantage is expected from the use or disposal/sale of the asset. Gains or losses realised upon the disposal or sale of an asset consist of the difference between the selling price and the carrying amount of the asset, less direct selling expenses. Gains and losses are recognised as other revenue/cost.

Depreciation is linear over the estimated useful life of the asset.

Estimated useful lives:

- Equipment 5 years
- Computers, vehicles 3 years

Impairment of tangible and intangible assets

<u>Impairment test for tangible and intangible assets</u>

The carrying amounts for the assets are tested on each balance sheet date. If there is an indication of a need for impairment, the asset's recoverable amount is calculated in accordance with IAS 36. For intangible assets that are not yet ready for use, the recoverable amount is calculated annually. An impairment is recognised when the carrying amount of an asset or cash generating unit exceeds the recoverable amount. An impairment is charged to the income statement. Impairment of assets attributable to a cash generating unit is distributed in proportion to the assets in the unit. The recoverable amount is the higher of fair value less selling expenses and value in use.

<u>Reversal of impairment</u>

An impairment is reversed if there is an indication that there is no longer a need for the impairment and there has been a change in the assumptions on which the calculation of the recoverable amount was based. However, impairment of goodwill arising from the purchase of the net assets of a business is never reversed. Reversal is only to the value the asset would have had, with the normal depreciation rate for the asset type, if no impairment had taken place.

Equity

Dividends are recognised as liabilities after the Annual General Meeting has approved the dividend.

Reinsurance

Nordic Guarantee buys reinsurance on a Policies Attaching-basis every year, i.e. all risks that are written during the year are covered throughout their period of exposure by the reinsurance programme for the underwriting year. The purchased cover comprise quota share reinsurance along with excess of loss cover which limits the company's costs in the event of a major loss. This provides the company with cover against high-frequency losses and limits the loss for each risk to a maximum self-retention value. The self-retention value is set at a level which the company's Board of Directors deems acceptable for a single risk. A risk may consist of one or more policies written for the same company or groups of companies that are linked in such a way that they can be regarded as the same risk. For really large risks, there is a further proportional reinsurance contract in place whereby most of the risk is ceded to another risk carrier.

Retirement via insurance

The company's pension plans for collective agreement occupational pensions are safeguarded via insurance contracts. The pension plan for the company's employees is partly a defined contribution plan and partly a defined benefit plan that covers several employers. The company considers that UFR 6 'Pension plans that cover several employers' is applicable to the company's pension plan. The company lacks sufficient information to allow it to report in accordance with IAS 19 and therefore reports these pension plans as defined contribution plans in accordance with UFR 6. The company's obligations are recognised as a cost in the income statement at the rate they are earned by the employees performing services for the company. According to recommendation RFR 2 issued by the Swedish Financial Reporting Board, IAS 19 does not need to be applied to a legal entity.

Group contributions and shareholders' contributions

The company recognises Group contributions and shareholders' contributions in accordance with RFR2. Shareholders' contributions are recognised directly in equity. Group contributions are recognised based on economic reality. This means that Group contributions made and received in order to minimise the Group's total tax burden are recognised directly in profit brought forward after deduction of their current tax effect. Group contributions comparable with dividends are recognised as dividends. Group contributions paid and their current tax effect are recognised directly in profit brought forward. Group contributions comparable with shareholders' contributions are recognised directly in profit brought forward, taking current tax effects into consideration.

Approval and adoption of the annual report

The annual report was approved for publication by the Board of Directors and the CEO on 21 March 2016. The income statement and balance sheet will be presented for adoption to the Annual General Meeting on 21 March 2016.

NOTES

Amounts in SEK thousand, unless stated otherwise

Note 1 – Information about risks

Objectives, principles and methods for risk management

The company's profit is derived partly from insurance business and the insurance risks that are managed there, and partly from investment business and financial risks. Risk and risk management are therefore a central part of the company's business. The note below comprises a description of the company's risk management organisation, plus quantitative and qualitative information about insurance risks and operational and financial risks. In separate instructions, the Board of Directors has delegated responsibility for risk management to various functions within the company. The Board of Directors has appointed three committees, the Underwriting Committee, the Risk & Audit Committee and the Remuneration Committee. The tasks of the committees include developing proposals, within their areas of responsibility, for policies and guidelines which the Board then adopts. The committees must also be responsible for implementation and follow-up of policies and procedures within their areas of responsibility. This work is continuous, and policies and procedures are checked and revised regularly. Recurring training programmes and clear processes and job descriptions are used to ensure that risk control functions throughout the organisation and that each employee understands their role and responsibility.

The aim of the company's risk management organisation is to identify, measure and manage all risks to which the company is exposed. Another important aim is to ensure that the company has adequate solvency in relation to the risks to which the company is exposed. The Board of Directors has the principal responsibility for management of the risks to which the company is exposed. The Board of Directors adopts the guidelines that will apply to risk management, risk reporting, internal control and follow-up. The Underwriting Committee consists of members of the Board of Directors and the company's CEO. The Underwriting Committee makes decisions on major insurance risks. The Risk & Audit Committee consists of members of the Board of Directors and the company's CEO and is responsible for ensuring that the company has functioning internal control and a framework for risk management. The coordinator for risk management is the company's Chief Risk Officer, whose tasks include checking that insurance risks written lie within the adopted risk appetite and risk tolerance limits, policies and guidelines, and that the reinsurance terms are complied with.

Risks in insurance business

During the year, the company wrote non-life insurance in the field of surety insurance. Insurance risks comprise both underwriting risks and reserve allocation risks. The meaning of these terms and the company's general methods for managing both types of risk are described below.

Underwriting risks

Underwriting risk is the risk that the calculated premium for the insurance will not match the actual claim and operating costs associated with the insurance. There are various methods for reducing underwriting risks. These include the company diversifying the portfolio over time and/or between different types of insurance risk. The company's principal method for managing underwriting risks is the business plan that is drawn up every year and adopted by the Board of Directors.

Reserve allocation risks

Reserve allocation risk, i.e. the risk that the actuarial provisions are not sufficient to settle claims that arise, is primarily managed by means of developed actuarial methods and careful continuous follow-up on claims reported and potential claims. Risk is also limited by means of reinsurance. The Board of Directors decides on the extent of reinsurance. Reinsurance purchased is used to limit the consequences of claims, making it possible to manage the size of exposure and to protect the company's equity. The company's maximum self retention per claim is decided on by the Board of Directors.

Surety insurance

Risks attributable to surety insurance are managed primarily by means of pricing, product design, risk selection, investment strategy, rating and reinsurance.

The total aggregated risk the company is willing to assume is determined in relation to risk concentrations within the field of insurance. The company monitors this exposure, both when signing contracts and on an ongoing basis, by reviewing reports of significant risk concentrations. Various statistical methods, stress tests and simulations are used to prepare such reports and identify risk concentrations on an ongoing basis.

Operational risks

Operational risk means the risk that errors or deficiencies in administrative procedures lead to unexpected financial losses or losses of confidence. These may, for example, be caused by a lack of internal control, deficient systems or deficiencies in technical equipment. The risk of irregularities, whether internal or external, is also part of operational risk. The operational risks are counteracted by means of internal control. The maintenance of good internal control is an ongoing process in the company.

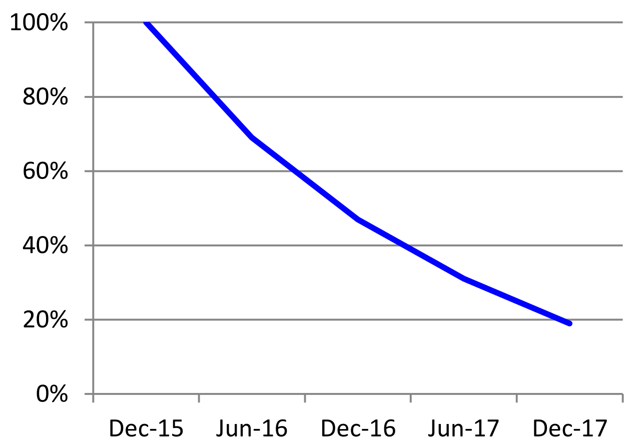
Concentration of insurance risk and sensitivity

The insurance risks to which the company is exposed to are directly related to the risks in the insurance contracts written. Surety insurance is used as security in business transactions. The insurance covers, up to a predetermined amount, the risk of one party (the customer) being unable to perform its obligations to another party (the beneficiary).

The company follows up on insurance risks, among other things via the customer's rating. At the year-end, the exposure was divided into the rating classes presented in the table below, where AAA is the best rating. Rating classification is obtained from an external party.

Rating	Percentage
AAA	24%
AA	42%
A	16%
B	4%
C	0%
Recently formed companies and companies without a rating class	4%
Total	**100%**

Economic fluctuations represent a major risk factor. The number of bankruptcies generally increases in a recession, which affects the company's claim costs. This means that it is important to follow the rate at which insurance risk decreases. The graph below shows how total exposure as at the year-end decreases over time.



Of total exposure, the ten largest exposures account for 22.5 percent (15.4), which is shown in the table below. Rating classification is obtained from an external party.

10 largest exposures	Rating	Percentage	10 largest exposures	Rating	Percentage
			b/f		15.7%
No. 1	A	5.6%	No. 6	AAA	1.5%
No. 2	AA	3.9%	No. 7	AA	1.5%
No. 3	A	2.9%	No. 8	AA	1.3%
No. 4	AAA	1.7%	No. 9	AA	1.3%
No. 5	AA	1.7%	No. 10	AAA	1.2%
b/f		**15.7%**	**Total before reinsurance**		**22.5%**

Cost for claim years 2010-2015 ooa

The table below shows the estimated cost in 2015 of unsettled claims (net) for each claim year (excluding claim processing costs).

Claims	**>2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Opening reserve	58,788	7,719	17,965	26,640	0	111,112
Outpayments	51,486	15,804	8,749	3,060	4,142	83,241
Closing reserve	4,440	872	12,547	21,011	12,569	51,439
Gross settlement result	**2,862**	**-8,958**	**-3,330**	**2,569**	**-16,710**	**-23,568**

Reinsurer's share	**>2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Opening receivable	36,851	10,316	7,796	7,326	-	62,288
Paid in	30,689	4,135	759	-349	-	35,234
Closing receivable	3,981	13,498	582	9,030	3,765	27,090
Settlement result	**-2,180**	**7,316**	**-6,456**	**1,355**	**3,765**	**3,800**
Net settlement result	***682***	***-1,641***	***-9,786***	***3,924***	***-12,946***	***-19,767***

Risks in financial operations

Various types of financial risk such as credit risks, market risks, currency risks, liquidity risks and operational risks arise in the company's operations. In order to limit and control risk-taking in its operations, the company's Board of Directors, as the body with ultimate responsibility for internal control, has adopted guidelines and instructions for financial operations.

Credit risks in financial management

Credit risk means the risk of the company not receiving payment as agreed and/or making a loss on account of the other party's inability to meet its obligations. The company has a financial management policy of only permitting investments in securities with a high credit rating. Consequently, the credit risks in this part of operations are considered to be low. The maximum risk to which the company is exposed in various classes of financial asset is shown in the table below. The rating classification is based on information from Standard & Poor's. At the year-end, there were no assets which were subject to impairment.

Maximum credit risk exposure

Asset class	**2015**
Bonds and other interest-bearing securities	61,318
Bank balances	107,628
Total	**168,946**

Credit quality of classes of financial asset %	**AAA**	**AA**	**A**	**BB**	**Total**
Bonds and other interest-bearing securities					
• The Swedish government	9%				**9%**
• Swedish housing finance institutions			3%		**3%**
• Other Swedish issuers					
• Foreign governments	24%				**24%**
Bank balances			64%		**63%**
Total	**33%**		**67%**		**100%**

Credit risks concerning reinsurers

The company's reinsurance policy means that contracts are made only with reinsurers with strong credit ratings. Reinsurers' credit ratings are reviewed regularly to ensure that the reinsurance cover adopted is maintained. The distribution of credit ratings for reinsurers is reproduced below. The rating classification is based on information from Standard & Poor's. As at 31/12/2015, there were receivables from reinsurers amounting to SEK 30,765,000.

Percentage	**AA**	**A**	**Total**
Underwriting year 2007	66%	34%	**100%**
Underwriting year 2008	60%	40%	**100%**
Underwriting year 2009	58%	42%	**100%**
Underwriting year 2010	34%	66%	**100%**
Underwriting year 2011	39%	61%	**100%**
Underwriting year 2012	41%	59%	**100%**
Underwriting year 2013	33%	67%	**100%**
Underwriting year 2014	37%	63%	**100%**
Underwriting year 2015	37%	63%	**100%**

Liquidity risks

The company's strategy for managing liquidity risks aims to match expected inpayments and outpayments to each other to the greatest possible extent. This is done by means of a liquidity analysis of financial assets and insurance liabilities. Liquidity is managed on an ongoing basis. For insurance liabilities, the estimated time of the cash outflow is shown in the table below.

Branch of insurance	**Total provisions**	**Duration, years**
Surety	121,828	2.5
Other material damage	2,127	1.5

The company's liquidity exposure in respect of remaining durations of financial assets is shown in the table below.

Remaining terms	**<3 months**	**3-12 months**	**1-5 years**	**>5 years**	**Without term**	**Average term (years)**
Bonds and other interest-bearing securities	0	0	56,513	4,805	0	2.5
Bank balances	0	0	0	0	107,628	-
Total	**0**	**0**	**56,513**	**4,805**	**107,628**	

Market risks

In the company's case, currency risk is the predominant market risk. Currency risk arises as a result of assets and liabilities in the same foreign currency not matching in terms of size. The company's net exposure to currency risk is limited as the company's strategy for managing currency risks is to match insurance liabilities in foreign currency to corresponding assets, where possible. As the company has operations in the Nordic countries, there is currency exposure to these countries' currencies. As at 31/12/2015, net exposure to insurance liabilities was TSEK 21,489. A general change of 10 percent in the exchange rate between SEK and foreign currencies has been calculated to affect the company's equity and profit by TSEK 2,149. The calculation assumes that the changes in the exchange rate have not affected other risk parameters such as interest.

The company is exposed to interest rate risk through the risk of the market value of the company's fixed-interest assets falling when the market rate rises. The degree of interest rate risk increases with the term of the asset. As the company has no interest-bearing liabilities, interest rate risk exists only in financial assets. With an interest rate change of 1 percent, the value as at 31/12/2015 of financial assets changes by TSEK 332.

Solvency

The company is subject to a statutory requirement for the size of its capital base. As at the balance sheet date, the minimum requirement was TSEK 34,730 under the Swedish Insurance Business Act (2010:2043) , and the company's capital base was TSEK 110,888. The development of the capital base is followed monthly during the year.

Note 2 – Premium income ooa	**2015**	**2014**
Direct insurance, Sweden	29,606	29,691
Direct insurance, rest of EEA	68,259	55,272
Premium income ooa	**97,865**	**84,963**

Note 3 – Return on capital transferred from financial business

The return on the assets that correspond to actuarial provisions was transferred from the non-technical account to the technical account. The amount was calculated on the net average actuarial provisions after deduction of the tied-up capital the insurance business entails in the form of premium receivables. The interest rate applied is the average rate for government bonds with a term corresponding to that of the provisions. The average interest rate applied in 2015 was 1.5 (1.7) percent.

Note 4 – Insurance compensation, ooa	**2015**	**2014**
Claim costs attributable to the business for the year:		
Insurance compensation paid	4,141	35,709
Change in provisions for unsettled claims	12,408	25,300
Reinsurer's share	-3,853	-21,571
	12,696	39,438
Claim costs attributable to the business for previous years:		
Insurance compensation paid	79,099	41,232
Change in provisions for unsettled claims	-70,992	15,351
Reinsurer's share	1,941	-12,318
	10,048	44,265
Claim processing costs	4,735	7,313
	27,479	**91,016**

Note 5 – Operating costs	**2015**	**2014**
Acquisition costs	14,758	22,210
Administrative expenses	35,438	32,515
	50,196	**54,725**

Operating costs divided into cost types	**2015**	**2014**
Staff	36,637	41,237
Premises	3,649	3,751
Depreciation/amortisation	3,975	2,037
Other operational costs	5,935	8,759
	50,196	**55,784**

Note 6 – Operating costs, staff	**2015**	**2014**
Average number of employees		
Sweden:		
Women	1	6
Men	17	15
	18	21
Norway:		
Women	2	2
Men	4	4
	6	6
Finland:		
Women	1	1
Men	3	4
	4	5
Total for the company	**28**	**32**
Gender distribution, Board of Directors. Proportion of women	14%	0%
Gender distribution, CEO and senior executives. Proportion of women	0%	14%

Remuneration of senior executives - The working Chair of the Board receives fixed remuneration according to hours worked, while members receive a fixed annual fee as adopted by the Annual General Meeting. Remuneration of the CEO consists of fixed and variable salary, other benefits and pension. No variable remuneration was paid for 2015. The Board of Directors determines the annual remuneration of the CEO.

Variable remuneration - No variable remuneration was paid to senior executives during the year. Some of the company's other officers had the opportunity to receive up to three months' salary in variable remuneration, provided that certain result targets were achieved. During the year, no one achieved all result targets. Consequently, no one received the maximum variable remuneration. The company's remuneration policy is published on the company's website.

Pension - During the year, TSEK 1,918 in pension contributions, excluding employer's contribution, was carried as an expense for the CEO and other senior executives.

Notice of termination and severance pay - The notice of termination for employees varies from country to country and is longest in Sweden. For individuals in Sweden who have been employed for at least 30 months, the notice of termination is 12 months in the event of termination by the company. The notice of termination for the CEO is 12 months in the event of termination by the company.

	2015	2014
Salaries and benefits		
Sweden:		
Board of Directors and management group	7,815	7,528
Other employees	9,147	12,634
	16,962	**20,162**
Salaries and benefits to senior management		
Chair of the Board	429	431
Management group	6,046	6,494
- Variable remuneration, accrued	1,117	0
- Pension provisions	1,918	1,479
	9,510	**8,404**

Note 6 – Operating costs, staff (cont.)	**2015**	**2014**
Norway:		
Other employees	4,751	4,787
Finland:		
Other employees	4,164	3,683
Social security expenses		
Sweden	7,332	8,874
Norway	1,203	1,563
Finland	547	733
	9,082	**11,170**
-of which pension provisions, excluding management group	2,261	4,122

Note 7 – Return on capital, net	**2015**	**2014**
Interest income, bonds and other interest-bearing securities	489	2,484
Other interest income	498	164
Realised profit on bonds and other securities	-1,293	173
Unrealised profit on investment assets	1,561	-1,047
Financial expenses	-4	-2
	1,251	**1,772**

Note 8 – Intangible assets	**2015**	**2014**
Goodwill with definable useful life:		
Opening accumulated cost	0	25,549
Disposal/sale	0	-25,549
Closing accumulated cost	**0**	**0**
Opening accumulated amortisation	0	-25,549
Amortisation for the year		
Disposal/sale	0	25,549
Closing accumulated amortisation	**0**	**0**
Closing residual value according to plan	**0**	**0**
Other intangible assets:		
Opening accumulated cost	15,872	17,994
Purchases for the year	0	15,872
Disposal/sale	0	-17,994
Closing accumulated cost	**15,872**	**15,872**
Opening accumulated amortisation	-1,058	-17,994
Amortisation for the year	-3,175	-1,058
Disposal/sale	0	17,994
Closing accumulated amortisation	**-4,232**	**-1,058**
Closing residual value according to plan	**11,639**	**14,814**

Note 9 – Auditors' fees	**2015**	**2014**
Deloitte, auditors' fees	608	635
Deloitte, fees for tax consultancy	91	0
Total	**699**	**635**

Note 10 – Tax on profit for the year	**2015**	**2014**
Tax on profit for the year	0	4,400
Tax on profit for previous years	-37	0
Deferred tax	5,257	0
	5,220	**4,400**
Reconciliation of effective tax		
Profit before tax	7,943	-63,598
Tax at current rate	-1,747	13,991
Non-deductible costs and non-taxable income, net	195	33
Increase in loss carry-forward without corresponding capitalisation of deferred tax	0	-9,876
Dissolution of excess depreciation on equipment	0	316
Utilisation of previous non-capitalised loss carry-forward	6,809	0
Other	0	-64
Tax attributable to previous years	-37	0
Recognised effective tax	**5,220**	**4,400**

Note 11 – Other financial investment assets	**Cost**		**Market value**		**Book value**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Bonds and other interest-bearing securities (table I)	64,963	79,828	61,318	78,875	61,318	78,875
Total	**64,963**	**79,828**	**61,318**	**78,875**	**61,318**	**78,875**

All financial investment assets are quoted on an active market and belong to level 1 under IFRS 13.

Table I	**Nom. value**	**%**	**Market value**	**%**	**Book value**	**%**
The Swedish government	15,000	25%	15,330	25%	15,330	25%
Other Swedish issuers	5,000	8%	5,230	9%	5,230	9%
Foreign governments	40,752	67%	40,758	66%	40,758	66%
	60,752	**100%**	**61,318**	**100%**	**61,318**	**100.0%**

Note 12 – Receivables concerning direct insurance	**2015**	**2014**
Receivables from policyholders	10,425	5,641
	10,425	**5,641**

Note 13 – Other receivables	**2015**	**2014**
Receivables from Fairford Insurance Holding	26,000	47,341
Deferred tax assets	9,446	3,166
Other receivables	2,303	1,345
	37,749	**51,852**

Other receivables include the value of tax losses carried forward in Sweden of SEK 9,446 million. In 2014, the company recognised significant tax losses as a consequence of a negative claims trend. A large number of measures have been implemented to remedy the deficiencies that existed in the organisation. Control over foreign branches has been made more stringent. New employees with solid industry experience have been recruited. Underwriting guidelines have been made more restrictive and a new insurance system has been introduced. In addition, a close partnership with Lombard Insurance Ltd on underwriting and claim processing has been established since 2012. The overall effects of these measures mean that the company’s management and Board of Directors consider that it will be possible to utilise the tax losses within the next few years. The total tax loss amounts to SEK 38 million as at 31/12/2015.

Note 14 – Tangible fixed assets	**2015**	**2014**
Equipment:		
Opening accumulated cost	7,737	24,278
Purchases for the year	1,678	1,140
Disposal/sale	-1,611	-17,681
Closing accumulated cost	**7,804**	**7,737**
Opening accumulated amortisation	-4,152	-20,245
Amortisation for the year	-870	-1,003
Disposal/sale	974	17,096
Closing accumulated amortisation	**-4,048**	**-4,152**
Closing residual value according to plan	**3,757**	**3,585**

Computers:		
Opening accumulated cost	0	1,873
Purchases for the year	34	0
Disposal	0	-1,873
Closing accumulated cost	**34**	**0**
Opening accumulated amortisation	0	-1,872
Amortisation for the year	-4	0
Disposal	0	1,872
Closing accumulated amortisation	**-4**	**0**
Closing residual value according to plan	**30**	**0**

Note 15 – Other prepaid expenses and accrued income	**2015**	**2014**
Accrued interest income	858	1,126
Prepaid rental charges	582	461
Reinsurance commission	5,757	1,943
Prepaid development costs, insurance system	4,429	0
Other	1,304	1,296
	12,930	**4,827**

Note 16 – Equity

For further information on changes in equity, see the Report on changes in equity.

Reserves for accumulated other comprehensive income.	**Fair value reserve**
Value 01/01/2015	-1,105
Translation differences for the year	-4,650
Tax attributable to components of other comprehensive income	1,023
Value 31/12/2015	**-4,732**

Fair value reserve

The reserve includes all exchange differences that arise when translating financial reports of foreign operations prepared in a currency other than the Group's presentation currency for financial reports. The parent presents its financial reports in Swedish kronor (SEK).

Note 17 – Provisions for unearned premiums and protracted risks	**2015**	**2014**
Opening balance	68,715	76,800
Change in provisions for unearned premiums and protracted risks	3,801	-8,085
Closing balance	**72,516**	**68,715**

Note 18 – Provisions for unsettled claims	**2015**	**2014**
Opening balance	111,112	69,267
Change in provisions for unsettled claims	-59,673	41,845
Closing balance	**51,439**	**111,112**

Note 19 – Liabilities	**2015**	**2014**
Liabilities to reinsurers	9,851	12,506
Liabilities to insurance intermediaries	49	45
Liabilities to policyholders	1,233	0
Accounts payable	2,804	2,790
Other	1,683	2,072
	15,620	**17,414**

Note 20 – Other accrued expenses and deferred income	**2015**	**2014**
Staff-related expenses	7,906	3,189
Premium paid to reinsurers	16,618	5,394
Other	1,336	6,087
	25,859	**14,670**

Note 21 – Expected recovery times for assets and liabilities	**No more than 1 year**	**Longer than 1 year**	**Total**
Other intangible assets		11,639	11,639
Other financial investment assets		61,318	61,318
Receivables concerning direct insurance	10,425		10,425
Unearned premiums and protracted risks		11,722	11,722
Receivables from reinsurers, unsettled claims	9,924		9,924
Receivables concerning reinsurance, settled claims	20,841		20,841
Other receivables	11,748	26,000	37,749
Tangible fixed assets		3,787	3,787
Bank balances	107,628		107,628
Other prepaid expenses and accrued income	12,930		12,930
Total assets	**173,496**	**114,466**	**287,962**

	No more than 1 year	**Longer than 1 year**	**Total**
Provisions for unearned premiums and protracted risks	43,825	28,691	72,516
Provisions for unsettled claims	34,293	17,146	51,439
Liabilities concerning direct insurance	11,133		11,133
Other liabilities	4,487		4,487
Other accrued expenses and deferred income	25,859		25,859
Total provisions and liabilities	**119,597**	**45,837**	**165,434**

Note 22 – Related parties	**Receivables from related parties as at 31/12/2015**	**Liabilities to related parties as at 31/12/2015**
Fairford Insurance Holding AB	26,000	0

For salaries and other benefits and pensions to senior executives, see note 6.

Note 23 – Adjustment for items not included in cash flow	**2015**	**2014**
Change in value of other financial investment assets	1,561	1,047
Capital gains and losses	-30	631
Depreciation/amortisation	3,976	2,037
Changes in provisions concerning insurance contracts	-59,674	55,850
Changes in provisions, reinsurers’ premium reserve	3,801	-9,336
Change in other accrued expenses and deferred income	11,190	0
	-39,176	**50,229**

Tangible fixed assets		
Outpayments from acquisitions of tangible fixed assets	-1,678	-1,140
Inpayments from disposals of tangible fixed assets	705	631
	-973	**-509**

Note 24 – Class analysis	**Surety**	**Other**	**Total**
2015:			
Premium income	97,865	0	97,865
Premium revenue	121,821	1,239	123,060
Insurance compensation	-28,079	600	-27,479
Operating costs	-50,196	0	-50,196
2014:			
Premium income	84,963	0	84,963
Premium revenue	107,794	1,289	109,083
Insurance compensation	-90,166	-850	-91,016
Operating costs	-55,783	0	-55,783

Stockholm, 21/03/2016

Peter Lindblad *Chair*	Bengt A Dahl *Director*	Robert John Symmonds *Director*
Per Winnberg *Director*	Eva Scherl *Director*	Per Nielsen *Director*
Johan Brinkenberg *CEO*	William Valentin *Director*	

Our audit report was submitted on 21/03/2016.
Deloitte

Henrik Nilsson
Authorised Public Accountant