You do business
we guarantee.

nordic guarantee

Annual Report 2018

www.nordicguarantee.com

ANNUAL REPORT 2018

The Board of Directors and CEO of Nordic Guarantee Försäkringsaktiebolag hereby present the Annual Report for the financial year ended 2018-01-01 – 2018-12-31.

The undersigned CEO of Nordic Guarantee Försäkringsaktiebolag, corporate identity number 516406-0112, hereby certifies that the income statement and balance sheet for the period 01/01/2018 – 31/12/2018 were adopted at the Annual General Meeting held on 7 March 2019. At this meeting, shareholders also approved the Board's proposal concerning the profit.

Stockholm 2019-03-07

Donnell Gouveia

CEO COMMENT

DONNELL GOUVEIA

BACKGROUND

Nordic Guarantee Försäkringsaktiebolag ('Nordic Guarantee' or 'the company') is a surety insurance business, under licence from the Financial Supervisory Authority in Sweden and on a cross border basis from branch offices in Denmark, Norway and Finland. The head office is located in Stockholm and branch offices are established in Copenhagen, Oslo and Helsinki. The surety insurance business is mainly focused on the construction industry but includes other types of contractual bonds or bonds required by governmental authorities, such as travel bonds and customs bonds.

SUMMARY FINANCIAL INFORMATION

SEK thousand	2018	2017
Premium income	215,415	180,099
	=====	=====
Technical result from non-life insurance business	(27,933)	(4,772)
	=====	=====
Equity	167,566	120,551
	=====	=====
Solvency capital required	114,741	98,236
Own funds	191,461	154,773
Solvency ratio (Solvency II basis)	167%	158%

COMMENTARY

General

While the financial results for the 2018 financial year are disappointing, the business and staff made huge strides forward in the development of a sustainable business model. The company has experienced considerable growth in premium over the last five years and has reached a size that allows us to build a sustainable business that has the capacity of underwriting larger risks and also the ability to absorb claims more easily. Along this growth trajectory we have had to deal with an increased frequency of claims and as we have now reached critical mass we anticipate only moderate growth in premium in the next few years. We will consolidate our efforts and focus on building sustainable relationships with our clients in the markets in which we operate. Premium rates, in certain markets and business areas, continue to decrease and we foresee a hardening both in the direct markets and in the indirect markets as a result of increased credit defaults.

Premium income

Nordic Guarantee has grown gross premium written at a Compound Annual Growth Rate, CAGR, of 24% over the past five years. This has created scale within the business and we have gone about this growth strategy by offering excellent and efficient service while being competitive on premium rates. It must also be noted that the growth achieved was enabled by increasing reinsurance capacities negotiated with the reinsurance markets.

The aggregate growth rate in 2018 of 19% was achieved by growing market share in all geographies that we operate in. We had particularly strong growth in Finland and Denmark, although Denmark was off a low base as this was our first full year as an active market participant. During the latter part of 2018 also issued our first mining rehabilitation bond which was a great achievement that will position us to take a more active role within the mining industry.

Operating expenses

We continued to invest in people and systems and as such our operating costs increased from SEK 60,3 million in 2017 to SEK 62,8 million in the current year. We had some once off costs in the year due to a restructuring process that was undertaken during the year and also incurred once-off consulting services fees due to the implementation of the new GDPR and IDD legislations. We have also invested in new product development that will be launched in the New Year.

Claims

Nordic Guarantee experienced a marked increase in the frequency of claims in the second half of the year. This increase in frequency claims was exacerbated by two large claims that incurred in December 2018. We increased our IBNER (Incurred But Not Enough Reported) claims reserves by SEK 7 million during the year and continued with our approach of addressing the negative run off of claims that was experienced in the past. This approach paid off during the year with us showing a small positive result from run-off of old claims.

Reinsurance and our capital position

We successfully renewed our reinsurance programme which consists of a combination of proportional and non-proportional reinsurance which provides protection against both severity and frequency losses. Our reinsurance panel consists of renowned reinsurers with a minimum of an "A" rating. The reinsurance structure protects our net exposure to an acceptable level and the company does not foresee a change in this structure.

The company received a capital contribution of SEK 80 million during the year. These funds have been earmarked to grow and further diversify the business.

Appreciation

The end of the 2018 financial year marked the end of my first 8 months as CEO of Nordic Guarantee. Whilst it has been a challenging year, the team continued to work hard and apply themselves and gave me their full backing from the moment I was appointed as CEO. I would like to thank the Nordic Guarantee team and my fellow board members for their unwavering support and constant words of advice and encouragement. We have grown stronger as a team and are committed to develop a business that is profitable and sustainable.

Donnell Gouveia
Chief Executive Officer
7 March 2019

DIRECTORS' REPORT

NATURE OF BUSINESS

Nordic Guarantee Försäkringsaktiebolag ('the company') is a wholly owned subsidiary of Manzillo Holdings Limited, corporate identity number 528963, domiciled in the British Virgin Islands. Manzillo Holdings Limited is the parent company of an insurance group with several insurance businesses operating in Europe. The company has a close cooperation with Lombard Insurance Company Limited, the leading provider of guarantee insurance in Southern Africa. The company's main activity is the issuance of guarantees into the construction and travel industries. The company has been in operation since December 2003 and is licenced to write non-life insurance risks, classes 15 (surety) and 9 (other material damage). Nordic Guarantee Försäkringsaktiebolag's head office is in Kista, outside Stockholm Sweden, and its operations are carried out in Sweden and through branches in Norway, Finland and Denmark. Since 2006, only class 15 (surety) insurance has been written.

REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

Sales, performance and financial position
Guarantees into the construction industry continues to be the company's primary focus. During the year under review there has been a slowdown in construction activities when compared with the previous year and the Nordic markets experienced a decline in the production of new housing. Despite the dampened development in the market, the company's premium income increased to TSEK 215,415 (2017:180,099). The increase is partly due to the launch of a new product, input guarantee, into the Swedish market and partly due to growth through existing customers.

Claim costs for own account increased during the year to TSEK -62,094 (2017:-44,942), of this amount, TSEK 2,552 (2017:-43,827) is attributable to claims that incurred in previous years. The year that passed was characterized by a large claim in Denmark and a high frequency of smaller claims in Finland together with some Minor claims in Sweden and Norway.

The technical loss was reported as TSEK 27,933 (2017: loss of 4,772) with the loss after tax at TSEK 29,859 (2017: loss of 8,457). In line with the company's strategic plan, the company continued to invest in its systems, human resources and industry knowledge.

The company has during the year received an unconditional share holder contribution of TSEK 80 000.

The company's capital base is subject to the statutory minimum requirements according to Solvency II regulations. At the balance sheet date, the minimum capital requirement was calculated as TSEK 38,486 (2017:36,044), the solvency capital requirement as TSEK 114,741 (2017:98,236) and own funds as TSEK 191,461 (2017:154,773).

Employee benefits
The total amount paid to employees for remuneration and benefits was TSEK 39,985 (2017:28,208). For additional information relating to remuneration and benefits paid to employees, refer to note 6 of the annual financial statements.

Risks and risk management
The company's claims outcome is greatly affected by economic trends in the countries in which it operates. Insurance risk is mitigated through careful assessment of each 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 of the annual financial statements.

Financial administration
The company has a low level of risk in its financial investments. The yield during the year was 0.7% (2017: -0.8%) and only comprised interest-bearing investments at year-end.

OUTLOOK

The prospects for the company to achieve increased premium volume and lower claims costs are considered good. The Nordic Banks still dominate the guarantee/surety market. The company's product offering provides an attractive alternative to the banking solution, primarily due to banks' requirements for collateral and the simpler administrative functions employed by the company.

The work in recent years to change the risk profile of the company's exposures has yielded results and this work will continue. The long duration of insurance contracts does take time, however, before changes in the insurance portfolio will be seen. Profitability in the company's operations is expected to improve over the next few years.

PROPOSAL FOR APPROPRIATION OF PROFIT

The balance sheet shows that the Annual General Meeting has SEK 107,565,655 at its disposal.

Retained earnings	137,664,403
Loss for the year	-30,098,748
Retained earnings	**107,565,655**

The Board of Directors propose that SEK 107,565,655 be carried forward.

FIVE-YEAR FINANCIAL SUMMARY

SEK thousand		2018	2017	2016	2015	2014
Income						
Premium income		215,415	180,099	152,446	125,555	99,412
Premium earned		203,843	160,369	121,483	123,060	109,082
Return on capital transferred from financial business		2,250	2,740	1,616	1,245	1,509
Insurance compensation, ooa		-62,094	-44,942	-25,696	-27,479	-91,016
Technical loss / profit from non-life insurance business		-27,933	-4,772	4,746	7,937	-65,297
Loss / Profit for the year		-30,099	-6,725	4,796	13,162	-59,197
Financial position						
Financial investment assets at fair value		174,111	171,267	62,795	61,318	78,875
Actuarial provisions (on own account)		137,605	106,759	96,246	102,310	179,827
Capital strength according to Solvency I regulation						
Capital base					110,888	58,180
Solvency capital requirement					34,730	34,188
Capital strength according to Solvency II regulation						
Capital base		191,461	154,773	135,034		
- Tier 1		182,895	145,967	127,852		
- Tier 3		8,566	8,806	7,181		
Solvency capital requirement (SCR)		114,741	98,236	105,073		
Minimum capital requirement (MCR)		38,486	36,044	36,500		
Key ratios						
Loss ratio	1	66%	46%	29%	33%	114%
Operating costs ratio	2	67%	62%	68%	59%	70%
Total costs ratio	3	133%	108%	97%	92%	184%
Yield in percent	4	0,7%	-0,8%	0,2%	-0,1%	0,6%
Total return in percent	5	0,8%	-0,7%	0,4%	0,2%	0,4%
Capital base/SCR	6	166.86%	157,55%	128,51%		

Definitions

1 Insurance compensation ooa as a percentage of premium income on own account
2 Operating costs as a percentage of premium income on own account
3 Loss ratio plus operating costs ratio
4 Realised capital revenue as a percentage of financial assets
5 Return on capital profit as a percentage of financial investment assets and cash and bank balances
6 Capital base vs capital requirement according to Solvency II regulation

STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	Notes	2018	2017
TECHNICAL ACCOUNTS			
Earned premium, ooa*[1]*)			
Premium income	2	215,415	180,099
Reinsurer's share of premium income		-127,689	-83,588
Change in provisions for unearned premiums and protracted risks		-11,572	-19,730
Reinsurer's share of change in provisions for unearned premiums and protracted risks		18,041	21,040
Earned premium, ooa		**94,195**	**97,821**
Return on capital transferred from financial business	3	2,250	2,740
Other technical revenue / (cost)		479	-86
Insurance compensation, ooa	4		
Insurance compensation paid		-40,747	-45,588
Reinsurer's share of insurance compensation paid		19,636	5,844
		-21,111	**-39,744**
Change in provisions for unsettled claims		-71,880	-1,024
Reinsurer's share of change in provisions for unsettled claims		39,607	1,863
		-32,273	**839**
Claim handling costs		-8,710	-6,038
Insurance compensation, ooa		**-62,094**	**-44,942**
Operating costs	5,6,7,8	-62,763	-60,304
Technical loss from non-life insurance business		**-27,933**	**-4,772**
NON-TECHNICAL ACCOUNTS			
Technical loss from non-life insurance business		**-27,933**	**-4,772**
Return on capital - revenue	9	2,104	1,568
Return on capital - costs	9	-12	-2,955
Return on capital transferred to non-life insurance business	3	-2,238	-2,740
Other income	10	4,713	2,153
Other costs	10	-6,493	-1,712
Loss before allocations and taxation		**-29,859**	**-8,457**
Appropriations		-	-
Taxation for the year	11	-	1,733
Change in deferred tax	16	-240	-
Loss for the year		**-30,099**	**-6,725**

[1]) ooa = on own account

STATEMENT OF OTHER COMPREHENSIVE INCOME

SEK thousand	2018	2017
Loss for the year	**-30,099**	**-6,725**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Translation differences for the year in foreign branches	-2,887	1,257
Taxation on translation differences in foreign branches	-	-108
Comprehensive income for the year	**-32,986**	**-5,576**

STATEMENT OF FINANCIAL POSITION

SEK thousand	Not	2018	2017
ASSETS			
Intangible assets	12		
Other intangible assets		**4,376**	**9,833**
Investment assets			
Financial investment assets	13	**174,111**	**171,267**
Reinsurer's share of actuarial provisions			
Provisions			
Unearned premiums and protracted risks		81,714	60,621
Unsettled claims		54,523	15,271
		136,237	**75,892**
Receivables			
Receivables concerning direct insurance	14	29,939	28,860
Receivables concerning reinsurers		13,021	17,229
Other receivables	15,16	9,915	10,678
		52,875	**56,767**
Other assets			
Tangible fixed assets	17	3,619	5,124
Cash and bank balances		123,300	32,600
		126,919	**37,724**
Prepaid expenses and accrued income			
Other prepaid expenses and accrued income	18	**13,790**	**11,949**
TOTAL ASSETS		**508,308**	**363,432**

STATEMENT OF FINANCIAL POSITION

SEK thousand	Notes	2018	2017
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital		50,000	50,000
Statutory reserve		10,000	10,000
Restricted equity		**60,000**	**60,000**
Profit brought forward		126,515	56,126
Share premium reserve		11,150	11,150
Loss for the year		-30,099	-6,725
Non-restricted equity		**107,566**	**60,551**
Total equity		**167,566**	**120,551**
Actuarial provisions			
Provisions for unearned premiums and protracted risks	19	140,928	126,178
Provisions for unsettled claims	20	132,914	56,473
		273,842	**182,651**
Liabilities	21		
Liabilities concerning direct insurance		6,765	6,202
Liabilities concerning reinsurers		11,773	10,636
Other liabilities		6,420	6,905
		24,958	**23,743**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	22	**41,942**	**36,487**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**508,308**	**363,432**

STATEMENT OF CHANGES IN EQUITY

SEK thousand	Number of Shares	Restricted equity		Non-restricted equity	Total equity
	Quota value 100 SEK	Share capital	Statutory reserve	Retained earnings, including profit for the year	
Opening balance 01/01/2017	**500,000**	**50,000**	**10,000**	**66,127**	**126,127**
Comprehensive income for the year					
Profit for the year				-6,725	-6,725
Translation differences for the year in foreign branches				1,257	1,257
Tax, translation difference, branches				-108	-108
Comprehensive income for the year				**-5,576**	**-5,576**
Closing balance, 31/12/2017	**500,000**	**50,000**	**10,000**	**60,552**	**120,552**
Opening balance 01/01/2018	**500,000**	**50,000**	**10,000**	**60,552**	**120,552**
Comprehensive income for the year					
Profit for the year				-30,099	-30,099
Translation differences for the year in foreign branches				-2,887	-2,887
Comprehensive income for the year				**-32,986**	**-32,986**
Transactions with the owners					
Received shareholder contribution				80,000	80,000
Closing balance, 31/12/2018	**500,000**	**50,000**	**10,000**	**107,566**	**167,566**

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

SEK thousand	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES		
Technical loss from non-life insurance business	**-27,933**	**-4,772**
Depreciations	6,603	5,951
Loss on disposal of fixed assets	-15	-
Changes in provisions	30,170	8,579
Change in fair value in financial investments	-2,001	-84
Interest received	7,209	2,439
Interest paid	-8,743	-5,695
Tax paid	1,031	17
Adjustment for items not included in cash flow:	**34,254**	**11,208**
Cash flow from operating activities before changes in assets and liabilities	**6,321**	**6,436**
Changes in receivables	2,877	-28,765
Changes in short term liabilities	3,143	10,746
Cash flow from changes in assets and liabilities	**6,020**	**-18,019**
Cash flow from operating activities	**12,341**	**-11,583**
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of tangible assets	-	-2,282
Acquisition of intangible assets	-	-2,645
Acquisition of financial investment assets	-843	-108,388
Sale of fixed assets	410	681
Cash flow from investing activities	**-433**	**-112,635**
CASH FLOW FROM FINANCING ACTIVITIES		
Shareholders contribution	80,000	-
Cash flow from financing activities	**80,000**	-
Cash flow for the year	**91,908**	**-124,218**
Cash and cash equivalents at the beginning of the year	32,600	155,293
Currency translation difference in cash and cash equivalents	-1,208	1,525
Cash and cash equivalents at the end of the year	123,300	32,600

PERFORMANCE ANALYSIS

	Notes	Direct insurance, Swedish risks	Of which surety	Of which other material damage	Direct insurance, foreign risks	Total
Earned premium, ooa	a	16,089	15,184	905	78,106	94,195
Return on capital transferred from financial business		555	555	-	1,695	2,250
Other technical revenue		-1	-1	-	480	479
Insurance compensation, ooa	b	-4,569	-4,569	-	-57,525	-62,094
Operating costs		-12,567	-12,567	-	-50,196	-62,763
Technical profit from non-life insurance business		**-493**	**-1,398**	**905**	**-27,440**	**-27,933**
Run off result		**-693**	**-**	**-**	**3,245**	**2,552**
Change in actuarial provisions, before reinsurance						
Provisions for unearned premiums and protracted risks		-919	-919	-	-10,653	-11,572
Provisions for unsettled claims		-3,333	-3,333	-	-68,547	-71,880
Total change in actuarial provisions, before reinsurance		**-4,252**	**-4,252**	**-**	**-79,200**	**-83,452**
Reinsurer's share of change in actuarial provisions						
Provisions for unearned premiums and protracted risks		4,244	4,244	-	13,797	18,041
Provisions for unsettled claims		4,306	4,306	-	35,301	39,607
Total reinsurer's share of change in actuarial provisions		**8,550**	**8,550**	**-**	**49,098**	**57,648**
Notes to the performance analysis						
Note a, Premium revenue, ooa						
Premium income		53,827	53,827	-	161,588	215,415
Change in premium income		-919	-919	-	-10,653	-11,572
Premium earned before reinsurance		52,908	52,003	905	150,935	203,843
Reinsurer's share of Premium income		-41,063	-41,063	-	-86,626	-127,689
Reinsurer's share of change of Premium income		4,244	4,244	-	13,797	18,041
Reinsurer's share of premium revenue		-36,819	-36,819	-	-72,829	-109,648
Premium revenue, ooa		**16,089**	**15,184**	**905**	**78,106**	**94,195**
Note b, Insurance compensation, ooa						
Insurance compensation paid						
-Before reinsurance		-9,030	-9,030	-	-31,717	-40,747
-Reinsurer's share		6,940	6,940	-	12,696	19,636
-Claims expenses		-3,452	-3,452	-	-5,258	-8,710
Changes in provisions for unsettled claims						
-Before reinsurance		-3,333	-3,333	-	-68,547	-71,880
-Reinsurer's share		4,306	4,306	-	35,301	39,607
Insurance compensation, ooa		**-4,569**	**-4,569**	**-**	**-57,525**	**-62,094**

STATEMENT OF ACCOUNTING POLICIES

GENERAL INFORMATION

The annual report is submitted on 31 December 2018 and concerns Nordic Guarantee Försäkringsaktiebolag, 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 accordance with the Annual Accounts per the Insurance Companies Act and in accordance with the Swedish Financial Supervisory Authority's regulations and general recommendations on annual reports for insurance companies (FFFS 2015:12), 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 to the link between accounting and taxation.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

At the time of preparation of the company's financial statements as at 31 December 2018, there are standards and interpretations that have been published by the International Accounting Standards Board (IASB) that are not yet effective. Below is a preliminary assessment of the potential impact of the implementation of these standards and interpretations on the company's financial statements.

<u>IFRS 17</u>

The 14th of November 2018 IASB decided to postpone the effective date of the new standard IFRS 17 to the 1st of January 2022. The company has not yet established the impact of this statement on its financial results.

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, except certain financial assets that are valued at fair value. Financial assets valued at fair value comprise 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 are 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 estimate is changed if the change only affects that period, or in the period in which the change is made and future periods if the change affects both the current and future periods.

Assessments made by 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.

Estimates and assessments are made in technical provisions, deferred taxes and intangible assets. Valuation principles are described below. The accounting policies indicated below were applied consistently to all periods presented in the financial statements, unless otherwise specified below.

TRANSLATION OF FOREIGN BRANCHES

Balance sheet items are translated using the exchange rate at 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	2018	2017
NOK	1,03	1,01
EUR	10,33	9,91
DKK	1,38	1,33

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS15 is effective from the financial year starting on the 1st of January 2018 or later and replaces all previously published standards and interpretations that deal with revenue with a single revenue recognition model. According to IFRS 15, revenue must be reported when a promised item or service is transferred to a customer, which may occur over time or at a specific point in time. The revenue shall consist of the amount that the company expects to receive as compensation for goods or services transferred. IFRS15 is not applied to insurance contracts. When assessing all products the company has concluded that all products are classified as insurance and the implementation of IFRS 15 did not give any significant effects and therefore no adjustments to the opening balance sheet the 1st of January 2018 has been made.

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>
Premium income recognised is the total gross premiums for direct insurance that are paid in or are credited to the company for insurance contracts for which the insurance period began before the end of the financial year. Premium income recognised includes premiums for insurance periods that began after the end of the financial year, if they were due for payment during the financial year in accordance with the contract. Gross premium refers to 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 the insurance, plus the costs of administration during this period. The estimation of costs is based on the company's prior experience, but the observed and forecast development of relevant costs is also taken into account.

Provisions for unearned premiums are recognised in full for all of the company's operations. Protracted risks mean 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 contracts with premiums paid in advance 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 pay-out 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 current 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 of 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 of the financial statements. Changes in actuarial provisions for insurance contracts are recognised in the income statement under the respective headings. Compensation paid out during the financial year corresponds to payments to policy holders 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 amortised 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 company's long-term return on investment.

Net return on capital

The return on capital revenue item comprises 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 as either unrealised gains on investment assets or 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 the carry-forward of losses 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 dividends is recognised at the same time that 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 on a straight line basis over the estimated useful life of the intangible asset. Useful lives of intangible assets are reviewed annually. Amortisable intangible assets are amortised from the date on which they are available for use. The useful lives of intangible assets are estimated at between three and five years.

FINANCIAL INSTRUMENTS

Financial instruments recognised as assets in the balance sheet include fund units and interest-bearing securities, cash equivalents, loan receivables, accounts receivables relating to reinsurance and direct insurance. Financial instruments recognised as liabilities in the balance sheet include accounts payable and other liabilities. Cash and cash equivalents consist of bank balances. Effective from 1 January 2018, IFRS 9 Financial Instruments has replaced the previous standard IAS 39 Financial Instruments. The company has applied IFRS 9 from the beginning of the new financial year starting on 1 January 2018. The new standard comprises the following three areas: Classification and Valuation of Financial Instruments, Impairment, and General Hedge accounting. Below are the effects of the implementation of IFRS 9 on the company.

Classification and valuation of financial instruments

According to IFRS 9, financial instruments are classified according to the following categories: fair value through profit and loss, accrued acquisition value or fair value through other comprehensive income, which differs from the classification under IAS 39.

The starting point for the classification of debt instruments is the company's business model for managing the financial asset and whether the contractual cash flow of the instrument contains only interest and capital payments. Equity instruments shall be classified at fair value through profit and loss, unless the company has chosen to present such instruments at fair value through other comprehensive income at the first reporting date.

At the transition to IFRS 9, the company has applied the following classification:

Classification under IAS 39	*New classification IFRS 9*
Loans and other receivables	Accrued acquisition value
Instruments held to maturity	Accrued acquisition value
Instruments held for trading	Fair value through profit or loss
Available-for-sale financial assets	Fair value through other comprehensive income
Liabilities at fair value	Fair value through profit or loss
Other financial liabilities	Accrued acquisition value

The transition did not result in any significant reclassifications between fair value and accrued acquisition value and therefore will not have any material impact on the financial statements.

Impairment

The new write-down requirements in accordance with IFRS 9 increase in comparison to the previous requirements of IAS 39. According to IAS 39, the requirements for write-downs on a model for credit losses are based on the requirements of IFRS 9, as the model for write-down requirements is based on expected losses. Assets subject to impairment testing under IFRS 9 are all those valued at accrued acquisition value or fair value through other comprehensive income including guarantees and credit commitments, lease assets and contractual assets. Assets with a maturity of more than one year should be divided into three steps, detailed below, to assess how to make a provision (basic approach).

Expected loan losses

Step 1 refers to assets where there has been no significant increase in credit risk. The provision shall correspond to the loss that is expected to occur within 12 months. Step 2 refers to assets where there has been a significant increase in credit risk since the first reporting date. The provision shall correspond to the loss that is expected to occur over the entire period to maturity of the asset. Step 3 refers to assets that are individually valued as doubtful receivables. The provision shall correspond to the loss that is expected to occur during the entire remaining maturity period of the asset, i.e. the same provision method used for Step 2. For assets with a maturity of less than one year, a simplified approach is applied where life expectancy losses are recognized directly. Nordic Guarantee has no write-down requirements as of the balance sheet date.

In accordance with IFRS 9, the calculation of provisions shall consist of forward-looking factors, and provisions shall be based on probability-weighted outcomes, unlike IAS 39, where provisions are based on whether there were objective circumstances that a write-down requirement existed at the balance sheet date.

Credit losses for the period

Credit losses during the period consist of confirmed and expected losses for credits granted, adjusted for recoveries and reversals of previously made impairment on losses for expected credit losses. Confirmed credit losses can consist of all or part of receivables and reported if there is no realistic possibility of recovering.

Interest

For steps 1 and 2, accounting for interest income is based on gross accounting, resulting in interest income recognised at its total amount in net interest income. For step 3, interest income is recognised on a net basis, taking into account the write-down.

Hedge accounting

Nordic Guarantee har bedömt att alla säkringsförhållanden som i nuläget bedöms vara effektiva fortsätter kvalificeras för säkringsredovisning under IFRS 9. Då IFRS 9 inte förändrar de generella principerna för hur ett företag redovisar ett effektivt säkringsförhållande kommer tillämpningen inte ha en väsentlig påverkan på de finansiella rapporterna.

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. The main purpose of the asset management function within the company is to always hold enough capital base to cover the actuarial provisions and also the solvency capital requirement, according to the Solvency 2 regulation, with a 20% margin. The company's investment assets must therefore always follow the company's insurance commitments and to prevent inconsistencies in the accounting, the investment assets are recognized as fair value through profit and loss, considering that the SPPI-test isn't applicable.

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 in 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) according to a valuation model based on observable market data (level 2). These instruments are recognised in the balance sheet item 'Financial investment assets'.

Other receivables

The company doesn't conduct any trade in accounts receivable or other receivables and they are therefore valued at accrued acquisition value.

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 expensed on a straight line basis over the estimated useful life of the asset.

Estimated useful lives:

- Equipment 5 years
- Vehicles 4 years
- Computers 3 years

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

Impairment test for tangible and intangible assets

The carrying amounts of assets are tested at each balance sheet date. If there is an indication of 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. Any impairment is charged to the income statement. Impairment of assets attributable to a cash generating unit is allocated in proportion to the assets in the unit. The recoverable amount is calculated as the higher of fair value less selling expenses and value in use.

Reversal of impairment

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

EQUITY

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

REINSURANCE

The company 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 comprises 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.

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.

SHAREHOLDERS' CONTRIBUTIONS

The company recognises Group contributions and shareholders' contributions in accordance with RFR 2. Shareholders' contributions are recognised directly into equity.

APPROVAL AND ADOPTION OF THE ANNUAL REPORT

The annual report was approved for publication by the Board of Directors and the Chief Executive Officer on 7 March 2019. The income statement and balance sheet will be presented for adoption to the Annual General Meeting on 7 March 2019.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 its insurance business and the management of insurance risks, and partly from its 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, plus quantitative and qualitative information about insurance, operational and financial risks. In separate instructions, the Board of Directors has delegated the responsibility for risk management to various functions within the company. The Board of Directors has appointed four committees, the Underwriting Committee, the Claims Committee, the Risk and Audit Committee and the Remuneration Committee. The tasks of these committees include developing proposals, within their areas of responsibility, for policies and guidelines which the Board then approves and adopts. The committees are also responsible for the 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 is performed throughout the organisation and that each employee understands their role and responsibility.

The aim of the company's risk management 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 primary responsibility for management of the risks to which the company is exposed. The Board of Directors adopts 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 Chief Executive Officer. The Underwriting Committee makes decisions on major insurance risks. The Risk and Audit Committee consists of members of the Board of Directors and the company's Chief Executive Officer and is responsible for ensuring that the company has functioning internal controls 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 reporting 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 its portfolio over time and/or between different types of insurance risk. The company's principal method for managing underwriting risks is the business plan and the own risk and solvency assessment which 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 refers to 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, inadequate 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.

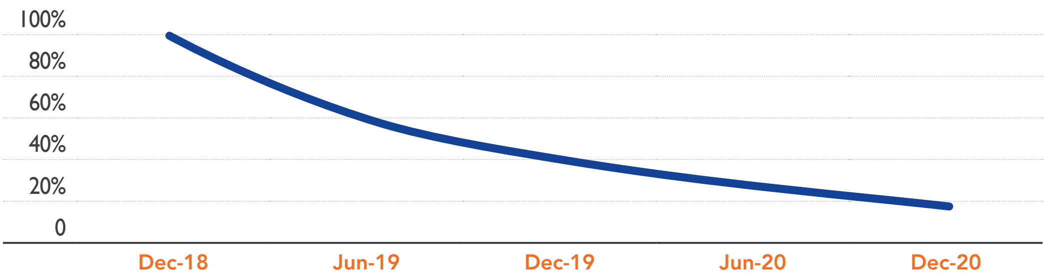
CONCENTRATION OF INSURANCE RISK AND SENSITIVITY

The insurance risks to which the company is exposed 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 items via the customer's rating. At 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	47%
A	17%
B	6%
C	1%
Recently formed companies and companies without a rating class	5%
Total	100%

Economic fluctuations present 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 the total exposure, the ten largest exposures account for 33.8% (30.7%), which is shown in the table below. Rating classification is obtained from an external party.

10 largest exposures	Rating	Percentage of total exposure	10 largest exposures	Rating	Percentage of total exposure
			c/f		22.4%
No. 1	AA	5.9%	No. 6	AAA	3.0%
No. 2	A	5.0%	No. 7	AA	2.7%
No. 3	AA	4.3%	No. 8	AA	2.7%
No. 4	AA	3.7%	No. 9	AA	1.8%
No. 5	AAA	3.5%	No. 10	A	1.2%
c/f		**22.4%**	**Total before reinsurance**		**33.8%**

Cost for claim years 2006-2017 ooa

The table below shows the estimated cost in 2018 of unsettled claims (net) related to prior years (run off result).

SEK thousand Claims ooa	2006-2014	2015	2016	2017	Totalt
Opening reserve	35,309	2,121	9,551	9,649	56,631
Paid claims	-16,612	147	-3,944	-8,981	-29,389
External claims handling costs	-3,630	-38	-276	-54	-3,998
Currency translation impact	118	4	55	-105	71
Subtotal	**15,185**	**2,234**	**5,386**	**509**	**23,314**
Closing reserve	17,011	1,217	9,313	9,867	37,409
Gross Run off result	**-1,826**	**1,017**	**-3,927**	**-9,358**	**-14,094**
Reinsurer's share					
Opening receivable	17,114	11,415	844	2,351	31,724
Adjustment XoL reserve	-5,591	-10,914	-	-	-16,505
Recovered claims	-7,061	-2	-5,001	-2,501	-14,566
Currency translation impact	-10	-	-	-	-10
Subtotal	**4,451**	**499**	**-4,157**	**-150**	**643**
Closing receivable	8,346	190	589	8,164	17,289
Reinsurers's share of run off result	**3,895**	**-309**	**4,746**	**8,314**	**16,646**
Net Run off result	**2,069**	**708**	**819**	**-1,044**	**2,552**

RISKS IN FINANCIAL OPERATIONS

Various types of financial risks 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 refers to 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 that only permits investments in securities with a high credit rating. Consequently, 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 assets 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 that were subject to impairment.

Maximum credit risk exposure

Asset class	2018
Financial investment assets	173,531
Bank balances	123,300
Loan	580
Total	**297,411**

	Credit Quality					
Financial Investment Assets	AAA	AA	A	BBB	No rating	Total
Financial investment assets						
- Swedish government	1.94%					**1.94%**
- Other Swedish issuers	15.92%	0.89%	1.07%	3.29%	17.95%	**39.12%**
- Foreign government	0.50%	0.29%	0.02%	0.41%	1.48%	**2.70%**
- Other foreign issuers	0.44%	0.97%	3.39%	1.92%	7.87%	**14.59%**
Bank balances		41.46%				**41.46%**
Loan					0.19%	**0.19%**
Total	**18.80%**	**43.61%**	**4.48%**	**5.62%**	**27.49%**	**100.00%**

Credit risks concerning reinsurers

As at 31 December 2018, there were receivables from reinsurers amounting to TSEK 13,022.

The company's reinsurance policy requires that all reinsurance is conducted with reinsurers with strong credit ratings. The credit ratings of reinsurers are reviewed regularly to ensure that the reinsurance cover adopted is maintained. The distribution of credit ratings for reinsurers is detailed below. The rating classification is based on information from Standard & Poor's.

Percentage	AA	A	Total
Underwriting year 2013	33%	67%	**100%**
Underwriting year 2014	37%	63%	**100%**
Underwriting year 2015	37%	63%	**100%**
Underwriting year 2016	63%	37%	**100%**
Underwriting year 2017	59%	41%	**100%**
Underwriting year 2018	59%	41%	**100%**

Liquidity risks

The company's strategy for managing liquidity risk aims to match expected in-payments and out-payments 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	137,522	2,5
Other material damage	53	0,5

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)
Financial investment assets	0	0	173,531	0	0	2,5
Bank balances	0	0	0	0	123,300	-
Loan	0	0	0	0	580	-
Total	**0**	**0**	**173,531**	**0**	**123,880**	

Market risks

The Company is exposed to interest rate risk through the risk that the market value of the Company's assets, liabilities and financial instruments will be reduced when market interest rises or drops respectively. The level of interest rate risk increases with the duration of the asset or the liability.

SENSITIVITY ANALYSIS OF THE FAIR VALUE OF THE FINANCIAL ASSETS

SEK thousand	2018		2017	
Financial investment assets	Book value	Change in value at 1%-unit parallel change in interest rate level	Book value	Change in value at 1%-unit parallel change in interest rate level
Handelsbanken Euro Obligation	2,879	3	2,751	3
Handelsbanken Euro Ranta	13,067	4	12,590	6
Handelsbanken Foretagsobl Cri	49,936	175	49,922	186
Handelsbanken Inst KortRa Cri	27,769	25	27,789	31
Handelsbanken Ranteavkastning	50,119	426	49,832	454
Handelsbanken Likviditet	18,793	4	0	0
Handelsbanken Obligasjon	6,344	10	0	0
Norwegian bond	0	0	8,993	1
Norwegian bond	0	0	14,883	18
Danish ship	4,623	4	4,507	5
	173,531	**650**	**171,267**	**703**

The company is also exposed to currency risks, which arise due to differences in the value of assets and liabilities denominated in the same foreign currency. The Company's net exposure to currency risk is mitigated through the Company's strategy to manage currency risks, which is to match, as far as possible, insurance liabilities in foreign currencies with the corresponding assets. As the Company has operations in the Nordic countries, it has currency exposures against the currencies of these countries. In the table below, the net exposures concerning the actuarial provisions are shown.

SENSITIVITY ANALYSIS, CURRENCY RISK IN ACTUARIAL PROVISIONS

SEK thousand	DKK	EUR	NOK	Total
Net position 2018	5,183	-5,631	6,146	5,698
10 % change in currency rates, foreign currencies against SEK 2018	518	-563	615	570
Net position 2017	60	-43	2,835	2,852
10 % change in currency rates, foreign currencies against SEK 2017	6	-4	284	285

Solvency

The company calculates the solvency capital requirement according to the Insurance Business Act (2010: 2043) and the standard model in the Solvency II regulations. According to calculations at the balance sheet date, the minimum capital requirement is TSEK 38,486 (36,044) and the solvency capital requirement is TSEK 114,741 (98,236). The Company's own funds, according to Solvency II regulatory valuation rules, were TSEK 191,461 (154,773). Own funds' development in relation to solvency capital is monitored on a quarterly basis throughout the financial year.

Note 2 – Premium income	2018	2017
Direct insurance, Sweden	53,827	49,435
Direct insurance, foreign	161,588	130,664
	215,415	**180,099**

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. The interest rate that was applied is a rate equivalent to the long-term return on investment assets. The interest rate used in 2018 was 1.5% (2017: 1.5%).

Note 4 – Insurance compensation, ooa	2018	2017
Claim costs attributable to the business for the year:		
Insurance compensation paid	-11,358	-340
Reinsurer's share of insurance compensation paid	5,070	85
Change in provisions for unsettled claims	-91,182	-1,016
Reinsurer's share	37,588	156
	-59,882	-1,115
Claim costs attributable to the business for previous years:		
Insurance compensation paid	-29,389	-45,248
Reinsurer's share of insurance compensation paid	14,566	5,759
Change in provisions for unsettled claims	19,302	-7
Reinsurer's share	2,019	1,707
	6,498	-37,789
Claims handling costs	-8,710	-6,038
	-62,094	**-44,942**

Note 5 – Operating costs	2018	2017
Acquisition costs	3,556	10,336
Administrative expenses	59,207	49,968
	62,763	**60,304**

Operating costs divided into cost types	2018	2017
Staff	63,590	47,228
Premises	4,393	4,273
Depreciation/amortisation	6,603	6,280
Commission from reinsurers	-41,089	-24,883
Other operational costs	29,266	27,406
	62,763	**60,304**

Note 6 – Operating costs, staff	2018		2017	
	Average number of employees	Gender distribution proportion of women %	Average number of employees	Gender distribution proportion of women %
Sweden	26	31%	20	25%
Norway	7	43%	6	33%
Finland	7	29%	7	29%
Denmark	1	0%	1	0%
Total	**41**	**32%**	**34**	**26%**

	2018	2017
Gender distribution, Board of Directors, Proportion of women	17%	14%
Gender distribution, CEO and senior executives, Proportion of women	14%	14%

	2018	2017
Recognized remunerations, pensions and social fees		
Remunerations	39,985	28,208
Pensions	7,942	6,592
Social fees	11,974	8,529
	59,900	**43,329**
Recognized remunerations		
Chairman of the board	250	250
-where variable remuneration	-	-
Board and senior executives	12,435	8,257
-where variable remuneration	-	-
Other employees	27,300	19,701
	39,985	**28,208**

Remuneration of senior executives - The members and Chair of the Board receive fixed annual remuneration. Remuneration of the Chief Executive Officer consists of fixed and variable salary, other benefits and pension. The Board of Directors determines the annual remuneration of the Chief Executive Officer. The Chief Executive Officer has no agreed severance pay.

Pension - During the year, TSEK 2,419 in pension contributions, excluding employer's contribution, was carried as an expense for the Chief Executive Officer, previous Chief Executive Officer 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.

Note 7 – Related party transactions

Parent company and ownership

Nordic Guarantee Försäkringsaktiebolag ('the company') is a wholly owned subsidiary of Manzillo Holdings Limited.

Other group companies

Other sister companies are Red Sands Group Holdings Limited (registered in Gibraltar) and Polar Risk Managers AB (registered in Sweden), both companies are wholly owned subsidiaries of Manzillo Holdings Limited

Overview transactions with close related parties

	2018	2017
Other transactions		
Operating expenses		
Polar Risk Managers AB	146	-

Note 8 – Auditors' fees	2018	2017
EY, auditors' fees	525	618
KPMG, Internal auditors' fees	124	194
KPMG, fees for tax consultancy	162	13
Other consultancy fees	726	144
Total	**1,537**	**969**

Note 9 – Return on capital, net	2018	2017
Interest income, bonds and other interest-bearing securities	319	858
Other interest income	3	1
Realised profit / loss on bonds and other securities	1,333	-2,539
Unrealised profit on investment assets	449	293
Financial expenses	-12	-
	2,092	**-1,387**

Note 10 – Other income / costs	2018	2017
Exchange gains	4,713	2,153
Exchange losses	-6,493	-1,712
	-1,780	**441**

Note 11 – Taxation for the year	2018	2017
Income tax for the year	6,186	-
Deferred tax	-240	1,733
Tax on not activated loss carried forward	-6,186	-
	-240	**1,733**
Reconciliation of effective tax		
Loss before tax	-29,859	-8,457
Tax at current rate	6,569	1,861
Non-deductible costs and non-taxable income, net	-383	-128
Increase of loss carried forward without activation	-6,186	-
Impact in deferred tax due to decreased tax rate	-240	-
Recognised effective tax	**-240**	**1,733**
Tax effective	0,80%	-20,49%

Total loss carried forward is 69,481,575 sek, where of 8,566,107 sek is activated as a deferred tax asset.

Note 12 – Intangible assets	2018	2017
Intangible assets:		
Opening accumulated cost	23,624	20,979
Purchases for the year	-	2,645
Disposal/sale	-	-
Closing accumulated cost	**23,624**	**23,624**
Opening accumulated amortisation	-13,792	-8,640
Amortisation for the year	-5,456	-5,152
Disposal/sale	-	-
Closing accumulated amortisation	**-19,248**	**-13,792**
Closing residual value	**4,376**	**9,833**

Note 13 – Other financial investment assets	Acquisition cos		Market value		Book value	
	2018	2017	2018	2017	2018	2017
Financial investment assets	173,614	173,351	173,531	171,267	173,531	171,267
Loan	580	-	580	-	580	-
Total	**174,194**	**173,351**	**174,111**	**171,267**	**174,111**	**171,267**

Type of issuer	Nominal value		Market value		Book value	
The Swedish government	16,326	10%	5,765	3%	5,765	3%
Other Swedish issuers	105,422	63%	116,355	67%	116,355	67%
Foreign governments	7,733	5%	8,028	5%	8,028	5%
Other foreign issuers	39,141	23%	43,383	25%	43,383	25%
Total	**168,622**	**100%**	**173,531**	**100%**	**173,531**	**100%**

All bonds and other interest-bearing securities are quoted in an active market and belong to level 2 under IFRS13.

Note 14 – Receivables concerning direct insurance	2018	2017
Receivables from policyholders	29,939	28,860
	29,939	**28,860**

Note 15 – Other receivables	2018	2017
Deferred tax assets	8,566	8,806
Other receivables	1,349	1,872
	9,915	**10,678**

Note 16 – Deferred tax	2018	2017
Total loss carried forward	69,482	40,029
Activated loss carried forward	40,029	40,029
Non activated loss carried forward	29,453	-
Deferred tax	8,566	8,806
Tax rate	21,4%	22%

Impact in deferred tax because of changed tax rate

Financial year	Tax rate	Loss carried forward expected to be used	Deferred tax
2019	21,40%	18,843	4,032
2020	21,40%	21,186	4,534
		40,029	**8,566**

Note 17 – Tangible fixed assets	2018	2017
Equipment:		
Opening accumulated cost	7,373	5,772
Currency impact	43	-
Purchases for the year	-	2,282
Disposal/sale	-1,204	-681
Closing accumulated cost	**6,212**	**7,373**
Opening accumulated amortisation	-2,249	-1,447
Currency impact	-6	-
Amortisation for the year	-1,146	-1,102
Disposal/sale	809	300
Closing accumulated amortisation	**-2,593**	**-2,249**
Closing residual value according to plan	**3,619**	**5,124**

Note 18 – Other prepaid expenses and accrued income	2018	2017
Accrued interest income	88	480
Prepaid rental charges	834	456
Reinsurance commission	11,912	9,536
Prepaid development costs, insurance system	17	-
Other	939	1,478
	13,790	**11,949**

Note 19 – Provisions for unearned premiums and protracted risks	2018	2017
Opening balance	126,178	107,266
Change in provisions for unearned premiums and protracted risks	11,572	19,730
Currency impact	3,178	-818
Closing balance	**140,928**	**126,178**

Note 20 – Provisions for unsettled claims	2018	2017
Opening balance	56,473	54,843
Change in provisions for unsettled claims	71,880	1,024
Currency impact	4,561	606
	132,914	**56,473**

Note 21 – Liabilities	2018	2017
Liabilities to reinsurers	11,773	10,636
Liabilities to insurance intermediaries	415	90
Liabilities to policyholders	6,350	6,112
Accounts payable	1,632	4,981
Other	4,788	1,924
	24,958	**23,743**

Note 22 – Other accrued expenses and deferred income	2018	2017
Staff-related expenses	9,279	7,892
Premium paid to reinsurers	29,081	28,029
Other	3,582	566
	41,942	**36,487**

Note 23 – Expected recovery times for assets and liabilities	No more than 1 year	Longer than 1 year	Total
Other intangible assets	-	4,376	4,376
Other financial investment assets	-	174,111	174,111
Receivables concerning direct insurance	29,939	-	29,939
Reinsurers share of unearned premiums and protracted risks	54,869	26,845	81,714
Receivables from reinsurers, unsettled claims	54,523	-	54,523
Receivables concerning reinsurance, settled claims	13,021	-	13,021
Other receivables	9,915	-	9,915
Tangible fixed assets	-	3,619	3,619
Bank balances	123,300	-	123,300
Other prepaid expenses and accrued income	13,790	-	13,790
Total assets	**299,357**	**208,951**	**508,308**

	No more than 1 year	Longer than 1 year	Total
Provisions for unearned premiums and protracted risks	107,446	33,482	140,928
Provisions for unsettled claims	88,609	44,305	132,914
Liabilities concerning direct insurance	6,765	-	6,765
Liabilities concerning reinsurers	11,773	-	11,773
Other liabilities	6,420	-	6,420
Other accrued expenses and deferred income	41,942	-	41,942
Total provisions and liabilities	**262,955**	**77,787**	**340,742**

Note 24 – Class analysis	Surety	Other material damage	Total
2018:			
Premium income ooa	87,726	-	87,726
Premium revenue ooa	93,290	905	94,195
Insurance compensation ooa	-62,094	-	-62,094
Operating costs ooa	-62,763	-	-62,763
2017:			
Premium income ooa	96,511	-	96,511
Premium revenue ooa	97,113	708	97,821
Insurance compensation ooa	-44,942	-	-44,942
Operating costs ooa	-60,304	-	-60,304

Note 25 – Sheet items	2018	2017
Pledged assets		
Registered assets to cover actuarial provisions, ooa	297,499	204,346
Contingent liabilities	Inga	Inga
Commitments	Inga	Inga

Note 26 – Events after the balance date

No events after the balance date has been reported.

Stockholm 7 March 2019

Peter Lindblad **Chair**	**Charlotta Carlberg** **Director**	**Robert John Symmonds** **Director**
Donnell Gouveia **Director and CEO**	**William Valentin** **Director**	**Per Nielsen** **Director**

Our audit report was submitted on 7 March 2019
Ernst & Young AB

Daniel Eriksson
Authorised Public Accountant

OUR NORDIC FOOTPRINT

Sweden (Head office)
Kista Science Tower, SE-164 51 Kista
Tel +46 834 0660, Email info@nordg.se
nordicguarantee.se

Denmark
Langebrogade 5, DK-1411 københavn k
Tel +45 3360 8560, Email info@nordg.dk
nordicguarantee.dk

Norway
Dronning Eufemias gate 8, NO-0191 Oslo
Tel +47 2295 5700, Email info@nordg.no
nordicguarantee.no

Finland
Äyritie 12 A, FI-01510 Vantaa
Tel +358 10633 8100, Email info@nordg.fi
nordicguarantee.f

nordicguarantee