nordic guarantee

Annual Report 2020


nordic guarantee
Member of the International Surety Alliance
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Contents

The Board of Directors and CEO of Nordic Guarantee Försäkringsaktiebolag hereby present the Annual Report for the financial year ended 31 December 2020.

The undersigned CEO of Nordic Guarantee Försäkringsaktiebolag, corporate identity number 516406-0112, hereby certifies that the income statement and balance sheet for the period 01/01/2020 – 31/12/2020 were adopted at the Annual General Meeting held on 16 March 2021. At this meeting, shareholders also approved the Board's proposal concerning the profit.

Stockholm, 16 March 2021

Donnell Gouveia

CEO COMMENTS

DONNELL GOUVEIA

CHIEF EXECUTIVE OFFICER'S REVIEW

BACKGROUND

Nordic Guarantee Insurance Limited ('Nordic Guarantee' or 'The Company') is an insurance business, licensed by the Financial Supervisory Authority ("FSA") 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 have been established in Copenhagen, Oslo and Helsinki. The company is also registered for cross-border business in several other countries within the European Union. The surety insurance business is primarily focused on the construction industry but includes other types of contractual bonds or bonds required by governmental authorities, such as tax bonds, mining rehabilitation bonds and customs bonds. Since November 2020, the company started writing business in miscellaneous financial loss insurance, through its agent AutoProtect who provide insurance products and motor warranties to vehicle manufacturers and retailers in Ireland.

SUMMARY OF FINANCIAL INFORMATION

SEK thousand	2020	2019
INCOME STATEMENT - *for the year ended 31 December*		
Gross written premium	**225,785**	**227,015**
Gross earned premium	**184,297**	**215,312**
Available for claims	**38,358**	**44,829**
Claims paid and reserved (on own account)	-24,138	-53,126
Underwriting result from non-life insurance business	**14,220**	**-8,297**
Income from associate companies	10,002	5,447
Net forex gains / losses and investment income / losses	-6,211	3,606
Profit before taxation	18,011	756
Taxation	-64	-256
Profit for the year	**17,947**	**500**
OTHER FINANCIAL INFORMATION - *at 31 December*		
Key management ratios		
Gross claims ratio (excluding deferred aquisition costs)	24,9%	65,7%
Gross cost ratio	46,9%	41,6%
Gross combined ratio	**71,8%**	**107,3%**
FINANCIAL POSITION - *at 31 December*		
Assets		
Investment in associated companies	103,562	93,560
Insurance liabilities	202,122	230,362
Other insurance assets	223,787	187,379
	529,471	**511,301**
Equity & liabilities		
Equity and subordinated loan	193,669	164,701
Insurance liabilities	285,717	305,703
Other insurance liabilities	51,085	40,897
	529,471	**511,301**
OTHER FINANCIAL INFORMATION - *at 31 December*		
Capital strength according to Solvency II regulation:		
Capital base	214,498	193,289
Solvency capital required	148,484	138,230
Solvency ratio %	**144,5%**	**139,8%**

COMMENTARY

General

At the beginning of the year, no-one could have imagined the challenges the world would face in the months to come. The Covid-19 pandemic resulted in the company asking all staff to work from home and that remains the recommendation, 12 months later. I am pleased to report that, while certain staff members did contract Covid-19, all are currently healthy. Our business continuity plan took effect and we did not experience any downtime. All teams are operational and all offices are open, even though most staff members are working from home.

Despite the challenges associated with the pandemic the company posted an excellent set of results and ended the year with an underwriting profit of TSEK 14,220 (2019 – loss of TSEK 8,297) and a profit after taxation of TSEK 17,947 (2019 – TSEK 500). This return to profitability is a result of executing a moderate growth strategy and focusing on internal processes and procedures, improved efficiencies, risk selection and claims handling.

The impact of Covid-19 had limited impact on our business for the following key reasons:

• Across the Nordics, construction sites have remained operational and are deemed essential services. Contractors have experienced delays but remained in dialogue with employers.

• In September 2020, the company put the travel book into run-off. The decision to close this business was based on the deteriorating outlook of the travel industry, in the wake of the pandemic.

• The company adjusted its risk appetite downwards and as a result saw a decline in premium with fewer policies being written.

Despite an increased risk environment, premium rates continue to be under pressure and in certain markets continue to decrease. The expected hardening in the direct insurance markets has still not materialised despite a further hardening in the reinsurance market.

Gross written premium

Gross written premium declined by 0,5% (2019 – Increase of 5%) in the reported year. This represents a significant achievement given the circumstances and considering that the travel book was put into run-off and the roll-out of new infrastructure projects experienced delays as a result of the pandemic.

Operating expenses

Net operating expenses decreased by a further 3.5% (2019 – a decrease of 8%) during the year. This decrease was partially achieved through operational efficiencies and savings arising from reduced travel and client visits because of Covid-19 restrictions.

Claims

Nordic Guarantee saw a decline in both claims frequency and severity across all markets and ended the year with a gross claims' ratio of 24,9% (2019 – 65,7%). The claims costs included 'Covid' related claims in the amount of TSEK 8,725.

Reinsurance

We successfully renewed our reinsurance programme to June 2021 and at the time of renewal the company negotiated and secured 43% of the program to June 2022. The remaining 57% is up for renewal, in the ordinary course of business, in July 2021. The programme consists of a combination of proportional and non-proportional reinsurance providing protection against both severity and frequency losses. Our reinsurance panel comprises well respected reinsurers with a minimum of an "A" rating, (Standard & Poor's). The reinsurance structures protect our net exposure to an acceptable level and the company does not foresee any significant change to this structure.

Investments in associate companies

The company has a 31% stake in Lombard Australia Holdings Pty Limited, who in turn holds 100% in an Australian insurance company called Assetinsure Pty Limited. Assetinsure are insurance underwriters, underwriting agents and a reinsurance company based in Sydney Australia. They generated premiums of AUD$ 92,780 million (2019 - AUD$ 78,118 million) in the 12 months ended December 2020.

Nordic Guarantee has a 28,6% (2019 – 30%) interest in a Danish start-up company, Keyhole ApS. This company distributes rental guarantees to private individuals via a smart application and a landlord platform. The product was successfully launched towards the end of 2019 but the roll-out in 2020 was hampered by the pandemic, resulting in slower growth than expected. The related rental guarantee is underwritten by Nordic Guarantee and we intend to penetrate the predominantly cash deposit market with an insurance solution.

During 2020 a convertible loan was granted to Keyhole in order to provide sufficient liquidity for the initial phase of the business. In addition to the loan note, new investors provided equity injections that diluted Nordic Guarantee's interest from 30% to 28,6%.

The company has accounted for both these investments using the equity method of accounting and has recognised profit from associates in the amount of TSEK 10,002 (2019 – TSEK 5,447) during the financial year.

Capital position

The company's solvency ratio increased to 144,5% from 121,3%. At the end of December 2019, the company reported a solvency ratio of 139,8%, however on 1 January 2020 the Solvency II Standard Model for calculating Solvency Capital Requirement (SCR) implemented changes to the parameters significantly impacting the company's solvency ratio. An adjustment, to the standard deviation parameters for Credit and Surety Premium and Reserve Risk in the Non-life Underwriting Module, resulted in the company's SCR ratio decreasing from 139,8% to 121,3%.

The Solvency Ratio at the end of 2020 was 144,5%, based on own funds of TSEK 214,498 and an SCR of TSEK 148,484. The defined risk appetite is a solvency ratio of 120%.

The company raised a subordinated loan of MSEK 10 to support the extra volume and risk triggered by the writing of the AutoProtect miscellaneous financial loss business. The impact of this business will be seen in 2021.

Entrance into the Spanish market

As reported last year, the company underwrote its first risk in Spain during January 2020. The company continued to make inroads and at the end of the current year had written MSEK 5 of gross written premium. In February 2021, the company submitted a notification to the FSA, regarding establishment of a branch office in Spain.

Appreciation

Nordic Guarantee's strength lies in its people and their skill base that has been built over many years and I am grateful for each member of staff and the leadership team. Everyone has worked tirelessly to get the company back into a profitable position and under difficult and stressful conditions, the team pulled together and took on the Covid-19 challenge head on.

I am thankful for the loyal hard-working people of Nordic Guarantee, the support of active shareholders, board members, reinsurers, clients and all other stakeholders.

Thank you.

Donnell Gouveia
Chief Executive Officer
16 March 2021

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.

The company's main activity is the issuance of guarantees into the construction industry. The company has been in operation since December 2003 and is licenced to write non-life insurance risks, classes 15 (surety). 14 (credit), 16 (miscellaneous financial loss) and 9 (other property 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 and from November 2020 the company started writing business in class 16 (miscellaneous financial loss). The company is also registered for cross-border business in a number of countries within the EU.

REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

Sales, performance and financial position

Guarantees into the construction industry continues to be the company's main business. As stated last year, the company continued with a focus to decrease the risks within the portfolio and this was accelerated by the Covid-19 pandemic. This focus culminated in the company putting its travel portfolio into run-off in September 2020. This decision was based on the deteriorating outlook of the travel industry, due to the impact of Covid-19. The increased risk environment brought about by Covid-19 meant that the company further adjusted its risk appetite and as a result the company's premium income remained close to unchanged at TSEK 225,785 compared to TSEK 227,015 in 2019.

Insurance compensation for own account decreased during the year to TSEK -24,138 (2019: -53,126). This sharp decrease is a result of the tightened underwriting process introduced over the last few years and also the improved claims mitigation strategy implemented. The 2020 claim costs were characterized by a limited number of small claims spread over the geographies we insure.

The company reported a technical profit of TSEK 14,220 (2019: loss of 8,297), and a profit before taxation of TSEK 18,011 (2019: TSEK 756).

During the year, the company's insurance license was extended to include class 16, miscellaneous financial loss. In this way, the company can become an insurer for AutoProtect MBI Limited which previously was insured by Red Sands Insurance Company (Europe) Limited. Red Sands is a sister company to Nordic Guarantee based in Gibraltar. Nordic Guarantee started writing this business from 1 November 2020 and the impact will be seen from 2021 onwards. Red Sands Insurance Company (Europe) Limited provided new capital of TSEK 10,000, via a subordinated loan, to meet the increased capital requirement driven by the new business. AutoProtect provides insurance products and warranties to vehicle manufacturers and retailers in the UK and Europe.

The company's 31% stake in Lombard Australia Holdings Pty Limited, who in turn owns 100% in an Australian insurance group, Assetinsure Holdings Pty Limited, continued to be profitable and the company's share of Lombard Australia Holdings Pty Limited profit in 2020 is TSEK 11,152 (2019: TSEK 5,923). The profit for 2020 includes an adjustment of the result for the previous year.

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 38,351 (2019:39,774), the solvency capital requirement as TSEK 148,484 (2019: 138,230) and capital base as TSEK 214,498 (2019: 193,289).

Employee benefits

The total amount paid to employees for remuneration and benefits was TSEK 44,412 (2019: 41,475). 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 customer's 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. By the end of the year the portfolio consisted only of interest-bearing investments.

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 new warranty business the company is writing has good growth potential. The diversification benefits of writing the miscellaneous financial loss business, both from a geographic and product perspective, further reduces the volatility in the result of the company.

Proposal for appropriation of profit

The balance sheet shows that the Annual General Meeting has SEK 123,668,645 at its disposal.

Retained earnings	105,721,930
Profit for the year	17,946,715
Retained earnings	**123,668,645**

The Board of Directors propose that SEK 123,668,645 be carried forward.

FIVE-YEAR FINANCIAL SUMMARY

SEK thousand		2020	2019	2018	2017	2016
Insurance result						
Premium income		225,785	227,015	215,415	180,099	152,446
Premium earned		184,297	215,312	203,843	160,369	121,483
Return on capital transferred from financial business		2,073	1,741	2,250	2,740	1,616
Insurance compensation, ooa		-24,138	-53,126	-62,094	-44,943	-25,696
Technical profit / loss from non-life						
insurance business		14,220	-8,297	-27,933	-4,772	4,746
Profit / Loss for the year		17,947	500	-30,099	-6,725	4,796
Financial position						
Financial investment assets at fair value		154,450	138,251	174,111	171,267	62,795
Actuarial provisions ooa		121,493	102,430	137,605	106,759	96,246
Capital strength according to Solvency II regulation						
Capital base		214,498	193,289	191,461	154,773	135,034
- Tier 1		196,252	184,979	182,895	145,967	127,852
- Tier 3		18,246	8,310	8,566	8,806	7,181
Solvency capital requirement (SCR)		148,484	138,230	114,741	98,236	105,073
Minimum capital requirement (MCR)		38,351	39,774	38,486	36,044	36,500
Key ratios						
Loss ratio	2	31%	59 %	66%	46%	29%
Operating costs ratio	3	54%	52 %	66%	62%	68%
Total costs ratio	4	85%	111 %	132%	108%	97%
Yield in percent	5	-1,0%	0,3 %	0,7%	-0,8%	0,2%
Total return in percent	6	2,6%	1,4 %	0,8%	-0,7%	0,4%
Capital base/SCR	7	144,5%	139,8%	166,9%	157,6%	128,5%

Definitions

1 ooa = on own account

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 Capital base as a percentage of capital requirement according to Solvency II regulation

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

SEK thousand	Notes	2020	2019
TECHNICAL ACCOUNTS			
Earned premium			
Premium income	2	225,785	227,015
Reinsurer's share of premium income		-127,259	-134,387
Change in provisions for unearned premiums and protracted risks		-41,488	-11,703
Reinsurer's share of change in provisions for unearned premiums and protracted risks		21,435	9,248
Earned premium, ooa		**78,473**	**90,173**
Return on capital transferred from financial business	3	2,073	1,741
Other technical income		11,792	5,652
Insurance compensation, ooa	4		
Insurance compensation paid		-83,807	-151,621
Reinsurer's share of insurance compensation paid		65,750	61,379
		-18,057	**-90,242**
Change in provisions for unsettled claims		37,912	10,192
Reinsurer's share of change in provisions for unsettled claims		-43,993	26,924
		-6,081	**37,116**
Insurance compensation, ooa		**-24,138**	**-53,126**
Operating costs	5,6,8	-53,980	-52,737
Technical profit/loss from non-life insurance business		**14,220**	**-8,297**
NON-TECHNICAL ACCOUNTS			
Technical profit/loss from non-life insurance business		**14,220**	**-8,297**
Result from Associated companies	13	10,002	5,447
Return on capital - revenue	9	412	3,271
Return on capital - costs	9	-3,717	-1,401
Return on capital transferred to non-life insurance business	3	-2,066	-1,741
Other income	10	252	5,582
Other costs	10	-1,092	-2,105
Profit before allocations and taxation		**18,011**	**756**
Taxation for the year	11	-	-
Change in deferred tax	11	-64	-256
Profit for the year		**17,947**	**500**

STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December

SEK thousand	2020	2019
Profit for the year	**17,947**	**500**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Translation differences for the year in foreign branches	1,020	-3,365
Comprehensive income for the year	**18,967**	**-2,865**

STATEMENT OF FINANCIAL POSITION

SEK thousand	Notes	2020	2019
ASSETS			
Intangible assets			
Intangible assets	12	61	422
Investment assets			
Share in associate companies	13	103,562	93,560
Financial investment assets	14	154,451	138,251
		258,012	**231,811**
Reinsurer's share of actuarial provisions			
Unearned premiums and protracted risks		111,505	93,685
Unsettled claims		35,944	82,522
		147,449	**176,207**
Receivables			
Receivables concerning direct insurance	15	41,956	34,554
Receivables concerning reinsurers		1,366	9,977
Other receivables	16, 17	11,352	9,624
		54,674	**54,155**
Other assets			
Tangible fixed assets	18	4,563	4,235
Cash and bank balances		34,504	25,208
		39,067	**29,443**
Prepaid expenses and accrued income			
Other prepaid expenses and accrued income	19	30,208	19,263
TOTAL ASSETS	25	**529,471**	**511,301**

STATEMENT OF FINANCIAL POSITION

for the year ended 31 December

SEK thousand	Notes	2020	2019
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		94,572	93,051
Share premium reserve		11,150	11,150
Profit for the year		17,947	500
Non-restricted equity		**123,669**	**104,701**
Total equity		**183,669**	**164,701**
Subordinated loan	20	**10,000**	-
Actuarial provisions			
Provisions for unearned premiums and protracted risks	21	187,085	153,977
Provisions for unsettled claims	22	81,857	124,660
		268,942	**278,637**
Liabilities	23		
Liabilities concerning direct insurance		3,354	4,135
Liabilities concerning reinsurers		7,128	13,558
Other liabilities		5,293	9,373
		15,775	**27,066**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	24	51,085	40,897
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**529,471**	**511,301**

STATEMENT OF CHANGES IN EQUITY

	Number of Shares	Restricted equity		Non-restricted equity	Total equity
	Quota value 100 SEK	Share capital	Statutory reserve	Profit brought forward, including profit for the year	
Opening balance 01/01/2019	**500,000**	**50,000**	**10,000**	**107,566**	**167,566**
Comprehensive income for the year					
Profit for the year				500	500
Translation differences for the year in foreign branches				-3,365	-3,365
Comprehensive income for the year				**-2,865**	**-2,865**
Closing balance, 31/12/2019	**500,000**	**50,000**	**10,000**	**104,701**	**164,701**
Opening balance 01/01/2020	**500,000**	**50,000**	**10,000**	**104,701**	**164,701**
Comprehensive income for the year					
Profit for the year				17,947	17,947
Translation differences for the year in foreign branches				1,020	1,020
Comprehensive income for the year				18,967	18,967
Closing balance, 31/12/2020	**500,000**	**50,000**	**10,000**	**123,669**	**183,668**

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

STATEMENT OF CASH FLOWS

for the year ended 31 December

SEK thousand	Note	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation	1	18,011	756
Adjustment for items not included in cash flow:	2	20,464	-37,442
Tax paid		-171	472
Cash flow from operating activities before changes in assets and liabilities		**38,304**	**36,214**
Changes in receivables		-17,112	-8,862
Changes in short term liabilities		3,072	484
Cash flow from changes in assets and liabilities		**-14,040**	**-8,378**
Cash flow from operating activities		**24,264**	**-44,592**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of tangible assets		-2,172	-3,242
Acquisitions of associated companies		-	-88,113
Acquisitions / Disposal of financial investment assets		-20,005	37,738
Sale of fixed assets		1,021	1,870
Cash flow from investing activities		**-21,156**	**-51,747**
CASH FLOW FROM FINANCING ACTIVITIES			
Subordinated loan		10,000	-
Cash flow from financing activities		**10,000**	**-**
Cash flow for the year		**13,108**	**-96,339**
Cash and cash equivalents at the beginning of the year		25,208	123,300
Currency translation difference in cash and cash equivalents		-3,812	-1,753
Cash and cash equivalents at the end of the year		34,504	25,208
Note 1			
Interest received		18	6
Interest paid		-11	-21
Total		**7**	**-15**
Note 2			
Depreciation		1,272	4,764
Loss on disposal of fixed assets		-123	-49
Share in result from associated companies		-10,002	-5,447
Changes in provisions		25,620	-34,831
Change in fair value in financial investments		3,697	-1,880
Total		**20,464**	**37,442**

PERFORMANCE ANALYSIS

	Notes	Direct insurance, Swedish risks (Surety)	Direct insurance, foreign risks	Total
Earned premium, ooa	a	10,186	68,287	78,473
Return on capital transferred from financial business		486	1,587	2,073
Other technical revenue		1,971	9,821	11,792
Insurance compensation, ooa	b	-7,147	-16,991	-24,138
Operating costs		-12,543	-41,437	-53,980
Technical profit/loss from non-life insurance business		**-7,047**	**21,266**	**14,220**
Run-off result		**1,247**	**3,343**	**4,589**
Change in actuarial provisions, before reinsurance				
Provisions for unearned premiums and protracted risks		-7,598	-33,890	-41,488
Provisions for unsettled claims		-15,859	53,771	37,912
Total change in actuarial provisions, before reinsurance		**-23,456**	**19,880**	**-3,576**
Reinsurer's share of change in actuarial provisions				
Provisions for unearned premiums and protracted risks		4,685	16,750	21,435
Provisions for unsettled claims		7,143	-51,136	-43,993
Total reinsurer's share of change in actuarial provisions		**11,828**	**-34,386**	**-22,558**
Notes to the performance analysis				
Note a, Premium revenue, ooa				
Premium income		49,408	176,378	225,785
Change in premium income		-7,598	-33,890	-41,488
Premium earned before reinsurance		41,810	142,487	184,297
Reinsurer's share of Premium income		-36,308	-90,950	-127,259
Reinsurer's share of change of Premium income		4,685	16,749	21,435
Reinsurer's share of premium revenue		-31,623	-74,201	-105,824
Premium revenue, ooa		**10,186**	**68,287**	**78,473**
Note b, Insurance compensation, ooa				
Insurance compensation paid				
-Before reinsurance		-1,432	-82,376	-83,807
-Reinsurer's share		3,000	62,750	6,750
Changes in provisions for unsettled claims				
-Before reinsurance		-15,859	53,771	37,912
-Reinsurer's share		7,143	-51,136	-43,993
Insurance compensation, ooa		**-7,147**	**-16,991**	**-24,138**

STATEMENT OF ACCOUNTING POLICIES

General information

The annual report is submitted on 31 December 2020 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 2019:23 and FFFS 2020:24), including the amending regulations of the Swedish Financial Supervisory Authority (SFSA) 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 2020, 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.

IFRS17

Full IFRS is not applied in legal entity and in 2020, through the issuance of the amending regulations (FFFS 2020: 24) to the annual accounts regulations (2019:23), the SFSA also gave unlisted insurance companies the opportunity not to apply full IFRS in the consolidated accounts but also apply statutory IFRS here. When applying IFRS 17, legal entities must adapt the application with Swedish legislation. As IFRS 17 in several respects does not comply with Swedish legislation, Nordic Guarantee makes the assessment that IFRS 17 will only have a minor impact on the company.

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 are 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	2020	2019
NOK	0,95	1,06
EUR	10,04	10,43
DKK	1,35	1,40

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.

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.

Revenue recognition/premium income

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.

Actuarial provisions

Actuarial provisions consist of provisions for unearned premiums and protracted risks, plus provisions for unsettled claims.

Provisions for unearned premiums and protracted risks

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 considered.

Provisions for unearned premiums are recognised in full for all 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 based on 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 beinsufficient, 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.

HOLDINGS IN ASSOCIATED COMPANIES

The company's holdings in associated companies are reported in accordance with the equity method specified in IAS 28. According to the equity method, holdings in an associated company are initially recognized at cost. The carrying amount is then increased or decreased to take into account the owner's share of the investment object's earnings after the acquisition date. The owner's share of the investment object's profit is included in the owner's profit. Dividends received from the investment object reduce the carrying value ofthe holding. It may also be necessary to adjust the carrying amount to reflect changes in the owner's share of the investment object arising from changes in the investment object's other comprehensive income. Such changes include changes arising from revaluation of property, plant and equipment and exchange rate differences. The owner's share of the changes must be included in the owner's other comprehensive income.

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 subordinated loan, accounts payable and other liabilities. Cash and cash equivalents consist of bank balances. Nordic Guarantee applies IFRS 9 Financial Instruments which comprises the following three areas: Classification and Valuation of Financial Instruments, Impairment, and General Hedge accounting.

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

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.

Impairment
The 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. The risk of default on the company's financial instruments valued at accrued acquisition value is assessed as minimal and the expected loan losses are deemed to be non-existent.

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.

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 3 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 16 March 2021. The income statement and balance sheet will be presented for adoption to the Annual General Meeting on 16 March 2021.

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. The coordinator for the Compliance function is outsourced to third party who report directly to the Risk and Audit Committee. The third line of defence includes the internal audit function. The coordinator for the internal audit function is outsourced to third party who reports directly to the Risk and Audit committee.

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, Miscellaneous and Financial loss
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.

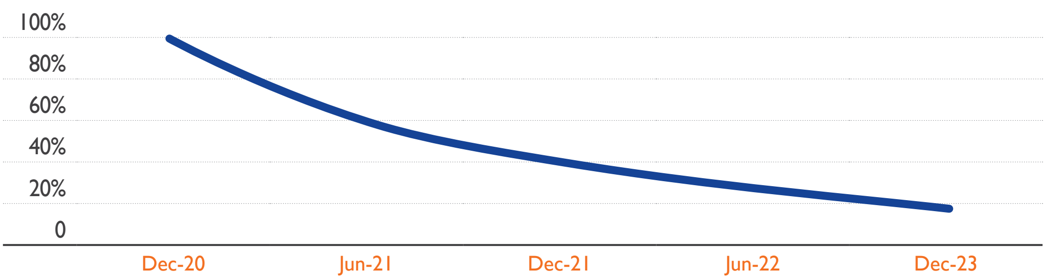
CONCENTRATION OF INSURANCE RISK AND SENSITIVITY

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	28%
AA	32%
A	24%
B	6%
C	2%
Recently formed companies and companies without a rating class	8%
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 27.7% (31.0%), which is shown in the table below. Rating classification is obtained from an external party. Of the total exposure, the ten largest exposures account for 27.7% (31.0%), 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
			c/f		18.1%
No. 1	AA	4.6%	No. 6	AAA	2.7%
No. 2	AAA	3.9%	No. 7	AAA	2.5%
No. 3	AA	3.3%	No. 8	AA	1.6%
No. 4	AA	3.2%	No. 9	AA	1.4%
No. 5	AA	3.1%	No. 10	AA	1.4%
c/f		**18.1%**	**Total before reinsurance**		**27.70%**

Cost for claim years 2006-2019 ooa

The table below shows the estimated cost in 2020 of unsettled claims (net) related to prior years.

Claims ooa	2006-2016	2017	2018	2019	Total
Opening reserve	1,436	3,907	36,901	81,836	124,080
Out payments	1,409	-664	-12,615	-54,491	-66,362
External claims handling costs	-180	-204	-1,156	-377	-1,917
Currency translation impact	-	-	-	-3,856	-3,856
Closing reserve	657	4,604	21,496	16,300	43,057
Gross settlement result	**2,007**	**-1,565**	**1,634**	**6,812**	**8,888**
Reinsurer's share					
Opening receivable	1,132	4,937	12,856	62,776	81,700
Paid in	501	-2,017	-3,599	-52,778	-57,892
External claim handling cost	-	-	-353	-	-353
Currency translation impact	-	-	-	-1,586	-1,586
Closing receivable	329	2,279	8,601	6,361	17,570
Settlement result	**-1,304**	**-641**	**-302**	**-2,051**	**-4,299**
Net settlement result	**703**	**-2,206**	**1,332**	**4,760**	**4,589**

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	2020
Bonds and other interest bearing securities	151,752
Loan	2,698
Bank balances	34,504
Total	**188,954**

	Credit Quality					
Financial Investment Assets	**AAA**	**AA**	**A**	**BBB**	**No rating**	**Total**
Bonds and other interest- bearing securities:						
- Swedish government	0.81%				0.65%	**1.46%**
- Other Swedish issuers	6.63%	0.11%	0.44%	0.45%	19.23%	**26.86%**
- Foreign governments	0.63%	1.72%	0.00%	2.39%	1.31%	**6.05%**
- Other foreign issuers	4.57%	2.80%	8.89%	14.80%	14.88%	**45.94%**
Bank balances			18.26%			18.26%
Loan			1.43%			1.43%
Total	**12.64%**	**4.64%**	**29.02%**	**17.64%**	**36.07%**	**100.00%**

Credit risks concerning reinsurers

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. As at 31 December 2020, there were receivables from reinsurers amounting to TSEK 4,506.

Percentage	AA	A	Total
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%**
Underwriting year 2019	56%	44%	**100%**
Underwriting year 2020	55%	45%	**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	121,493	2.5

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	>5years	Without term	Average term (years)
Bonds and other interest-bearing securities	-	-	151,452	-	-	2,5
Loan		-	2,698	-	-	1,5
Bank balances	-	-	-	-	34,504	-
Total	**-**	**-**	**154,150**	**-**	**34,504**	

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

tsek	2020		2019	
Bonds and other interest bearing securities	**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	11,571	80	11 496	**71**
Handelsbanken Euro Ranta	47,524	67	49 591	**119**
Handelsbanken Foretagsobl Cri	22,101	35	14 848	**15**
Handelsbanken Inst KortRa Cri	19,569	6	16 025	**6**
Handelsbanken Ranteavkastning	22,127	133	15 102	**44**
Handelsbanken Likviditet	18,059	4	19 811	**6**
Handelsbanken Obligasjon	6,394	13	6 686	**17**
Danish ship	4,408	1	4 692	**3**
	151,752	**338**	**138,251**	**281**

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. The calculation assumes that changes in the exchange rate will not affect other risk parameters such as the interest rate.

SENSITIVITY ANALYSIS, CURRENCY RISK IN ACTUARIAL PROVISIONS

tsek	DKK	EUR	NOK	Total
Net position 2020	1,640	8,483	5,555	15,678
10 % change in currency rates, foreign currencies against SEK 2020	164	848	555	1,568
Net position 2019	202	15,505	4,768	20,475
10 % change in currency rates, foreign currencies against SEK 2019	20	1,550	477	2,047

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 38,351 (39,774) and the solvency capital requirement is TSEK 148,484 (138,230). The Company's own funds, according to Solvency II regulatory valuation rules, were TSEK 214,498 (193,289). Own funds' development in relation to solvency capital is monitored on a quarterly basis throughout the financial year.

Note 2 – Premium income ooa	2020	2019
Direct insurance, Sweden	53,385	49,234
Direct insurance, foreign	172,400	177,781
Premium income ooa	**225,785**	**227,015**

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 2020 was 1.5% (2019: 1.5%).

Note 4 – Insurance compensation, ooa	**2020**	**2019**
Claim costs attributable to the business for the year:		
Insurance compensation paid	-14,914	-74,673
Reinsurer's share of insurance compensation paid	7,504	31,141
Change in provisions for unsettled claims	-39,255	-81,836
Reinsurer's share	18,551	62,776
	-28,114	-62,592
Claim costs attributable to the business for previous years:		
Insurance compensation paid	-66,362	-74,572
Reinsurer's share of insurance compensation paid	58,246	30,239
Change in provisions for unsettled claims	78,059	90,608
Reinsurer's share	-62,545	-35,852
	7,398	10,423
Claims handling costs	-3,422	-957
Total	**-24,138**	**-53,126**

Note 5 – Operating costs	**2020**	**2019**
Acquisition costs	3,612	5,492
Administrative expenses	50,368	47,245
Total	**53,980**	**52,737**

Operating costs divided into cost types	**2020**	**2019**
Staff	63,648	60,789
Premises	5,079	4,941
Depreciation/amortisation	1,272	4,764
Reinsurer's commission	-13,682	-42,531
Change in DAC	-30,630	-
Other operational costs	28,293	24,774
Total	**53,980**	**52,737**

Note 6 – Operating costs, staff	**2020**		**2019**	
	Average number of employees	Gender distribution proportion of women %	Average number of employees	Gender distribution proportion of women %
Sweden	22	33%	25	32%
Norway	8	63%	9	44%
Finland	7	38%	8	38%
Denmark	1	0%	1	0%
Total	**38**	**39%**	**43**	**35%**

	2020	**2019**
Gender distribution, Board of Directors, Proportion of women	0%	0%
Gender distribution, CEO and senior executives, Proportion of women	0%	0%

	2020	**2019**
Recognized remunerations, pensions and social fees		
Remunerations	44,412	41,475
Pensions	7,452	8,742
Social fees	11,452	10,572
	63,315	**60,789**
Recognized remunerations		
Chairman of the board	250	250
-where variable remuneration	-	-
Board and senior executives	10,654	9,362
-where variable remuneration	-	-
Other employees	33,508	31,863
	44,412	**41,475**

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.

Pension - During the year, TSEK 1,664 in pension contributions, excluding payroll tax, was carried as an expense for the 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 – Associate companies

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

Other associate companies

Other associate companies are Red Sands Group (registered in Gibraltar), with subsidiary Red Sands Insurance Company (Europe) Limited, and Polar Risk Managers AB (registered in Sweden), both companies are wholly owned subsidiaries of Manzillo Holdings Limited

Overview transactions with close related parties

Subordinated loan	2020	2019
RED SANDS INSURANCE COMPANY (EUROPE) LIMITED	10,000	0

Note 8 – Auditors' and other consulting fees

	2020	2019
EY, auditors' fees	617	537
KPMG, internal auditors' fees	266	297
Other consultancy fees	384	45
Total	**1,267**	**879**

Note 9 – Return on capital, net

	2020	2019
Interest income, bonds and other interest-bearing securities	203	546
Other interest income	18	6
Realized profit on bonds and other securities	190	249
Unrealized profit/loss on investment assets	-3,688	2,470
Financial expenses	-28	-21
Write-downs of long-term receivables	-	-1,380
Total	**-3,305**	**1,870**

Note 10 – Other income/costs

	2020	2019
Exchange gains	253	5,582
Exchange losses	-1,092	-2,105
Total	**-839**	**3,477**

Note 11 – Tax on profit for the year	2020	2019
Income tax for the year	-2,750	781
Change in deferred tax	-64	-256
Tax on not activated loss carried forward	2,750	-781
	-64	**-256**
Reconciliation of effective rate of taxation		
Profit before tax	18,011	756
Tax at current rate	-3,854	-162
Non-deductible costs	-172	-223
Non-taxable income	2,140	1 166
Increase of loss carried forward without activation	-	-781
Tax on currency translations in foreign branches	-864	-
Utilization of tax losses brought forward from prior years	2,750	-
Impact in deferred tax due to decreased tax rate	-64	-256
Recognised effective tax rate	**-64**	**-256**
Tax effective	-0.36%	-33.85%

Total loss carried forward is 60,214 tsek (2019: 73,065)

Note 12 – Intangible assets	2020	2019
Intangible assets:		
Opening accumulated cost	23,624	23,624
Closing accumulated cost	**23,624**	**23,624**
Opening accumulated amortisation	-23,202	-19,248
Amortisation for the year	-361	-3,954
Closing accumulated amortisation	**-23,563**	**-23,202**
Closing residual value according to plan	**61**	**422**

Note 13 – Share in associate companies	2020	2019
At the beginning of the year	93,560	-
Acquisitions	-	88,113
Share of results of associates	10,002	5,447
Carrying amount at year-end using the equity method	**103,562**	**93,560**

Company, Registered office	Share of equity	Number of shares held	Carrying value
Keyhole ApS, based in Copenhagen, Denmark	28,58%	21,433	3,432
Lombard Australia Holdings PTY LTD, based in Sydney, Australia	31%	1,265	100,129
Total value of shares in associate companies		**22,698**	**103,562**

Company	Registration number	Total Profit/Loss for the year	Total Equity
Keyhole ApS	40320377	-2,839,759 DKK	243,775 DKK
Lombard Australia Holdings PTY LT	ACN 629 197 431	6,329,029 AUD	49,430,927 AUD

Lombard Australia Holdings Pty Ltd is the sole shareholder of Assetinsure Holdings Pty Limited, who in turn is the sole shareholder of Assetinsure Pty Limited. Assetinsure Pty Limited (Assetinsure) and Assetinsure Holdings Pty Limited (Assetinsure Holdings) are regulated by the Australian Prudential Regulation Authority (APRA) under the Insurance Act 1973. APRA has power to impose prudential standards on, and give directions to, insurance companies and their non-operating holding companies in respect of the payment of dividends and returns of capital by those companies (which includes APRA approval in some cases). For that reason, Assetinsure and Assetinsure Holdings require APRA's approval for the payment of dividends and returns of capital.

Note 14 – Financial investment assets	Acquisition cost		Market value		Book value	
	2020	2019	2020	2019	2020	2019
Bonds and other interest-bearing securities	153,763	136,455	151,752	138,251	151,752	138,251
Loan	2,821	0	2,698	0	2,698	0
Total	**156,584**	**136,455**	**154,450**	**138,251**	**154,450**	**138,251**

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

Type of issuer	Nominal value	%	Market value	%	Book value	%
The Swedish government	2,140	1%	2,766	2%	2,766	2%
Other Swedish issuers	8,905	6%	11,429	8%	11,429	8%
Foreign governments	53,739	37%	50,759	33%	50,759	33%
Other foreign issuers	80,650	55%	86,799	57%	86,799	57%
Total	**145,435**	**100%**	**151,752**	**100%**	**151,752**	**100%**

Note 15 – Receivables concerning direct insurance	2020	2019
Receivables from policyholders	41,956	34,554
Total	**41,956**	**34,554**

Note 16 – Other receivables	2020	2019
Deferred tax assets	8,246	8,310
Other receivables	3,106	1,314
Total	**11,352**	**9,624**

Note 17 – Deferred tax assets	2020	2019
Total loss carried forward	60,214	73,065
Activated loss carried forward	40,029	40,029
Non activated loss carried forward	20,185	33,036
Deferred tax	8,246	8,310
Tax rate	20,6%	21.4%

Impact in deferred tax because of changed tax rate

Financial year	Tax rate	Loss carried forward expected to be used	Expected deferred tax
2021	20.60%	40,029	8,246
		40,029	**8,246**

Note 18 – Tangible fixed assets	2020	2019
Equipment:		
Opening accumulated cost	5,657	6,212
Currency impact	-38	9
Purchases for the year	2,172	3,257
Disposal/sale	-1,829	-3,821
Closing accumulated cost	**5,962**	**5,657**
Opening accumulated amortisation	-1,422	-2,593
Currency impact	9	-7
Amortisation for the year	-912	-810
Disposal/sale	926	1,988
Closing accumulated amortisation	**-1,399**	**-1,422**
Closing residual value according to plan	**4,563**	**4,235**

Note 19 – Other prepaid expenses and accrued income	2020	2019
Accrued interest income	199	90
Prepaid rental charges	862	857
Reinsurance commission	18,879	13,492
Prepaid development costs, insurance system	9,889	3,336
Other	379	1,488
	30,208	**19,263**

Note 20 – Subordinated loan		2020	2019
Company loan 1	10,000	-	-
	10,000	-	-

Specification

tkr	Loan	Currency	Issue date	Nominal value	Interest rate	Maturity date
Company loan 1	RED SANDS INSURANCE COMPANY (EUROPE) LIMITED	SEK	2020-12-18	10 000	Base rate given by Sveriges Riksbank + a margin of 4%	2031-01

Note 21 – Provisions for unearned premiums and protracted risks	2020	2019
Opening balance	153,977	140,928
Change in provisions for unearned premiums and protracted risks	41,488	11,346
Currency impact	-8,380	1,703
Closing balance	**187,085**	**153,977**

Note 22 – Provisions for unsettled claims	**2020**	**2019**
Opening balance	124,660	132,914
Change in provisions for unsettled claims	-37,912	-10,192
Currency impact due to consolidation	-4,891	1,938
Closing balance	**81,857**	**124,660**

Note 23 – Liabilities	**2020**	**2019**
Liabilities to reinsurers	7,128	13,558
Liabilities to insurance intermediaries	1,586	535
Liabilities to policyholders	1,768	3,600
Accounts payable	2,519	4,524
Other	2,774	4,849
	15,775	**27,066**

Note 24 – Other accrued expenses and deferred income	**2020**	**2019**
Staff-related expenses	13,841	8,172
Premium paid to reinsurers	34,957	29,879
Other	2,287	2,846
	51,085	**40,897**

Note 25 – Expected recovery times for assets and liabilities	**No more than 1 year**	**Longer than 1 year**	**Total**
Other intangible assets	-	61	61
Carrying value of associated companies	-	103,562	103,562
Other financial investment assets	-	154,450	154,450
Receivables concerning direct insurance	41,956	-	41,956
Reinsurers share of unearned premiums and protracted risks	60,285	51,220	111,505
Receivables from reinsurers, unsettled claims	35,944	-	35,944
Receivables concerning reinsurance, settled claims	1,366	-	1,366
Other receivables	11,352	-	11,352
Tangible fixed assets	-	4,563	4,563
Bank balances	34,504	-	34,504
Other prepaid expenses and accrued income	30,208	-	30,208
Total assets	**215,615**	**313,856**	**529,471**

	No more than 1 year	**Longer than 1 year**	**Total**
Subordinated loan		10,000	10,000
Provisions for unearned premiums and protracted risks	99,402	87,683	187,085
Provisions for unsettled claims	54,571	27,286	81,857
Liabilities concerning direct insurance	3,354	-	3,354
Liabilities concerning reinsurers	7,128	-	7,128
Other liabilities	5,293	-	5,293
Other accrued expenses and deferred income	51,085	-	51,085
Total provisions and liabilities	**220,833**	**124,969**	**345,802**

Note 26 – Class analysis	Surety	Other	Total
2020:			
Premium income ooa	98,527	-	98,527
Premium revenue ooa	78,473	-	78,473
Insurance compensation ooa	-24,138	-	-24,138
Operating costs ooa	-53,980	-	-53,980
2019:			
Premium income ooa	92,628	-	92,628
Premium revenue ooa	90,173	-	90,173
Insurance compensation ooa	-53,126	-	-53,126
Operating costs ooa	-52,737	-	-52,737

Note 27 – Other information	2020	2019
Pledged assets		
Registered assets to cover actuarial provisions, ooa	189,041	163,549
Contingent liabilities	None	None
Commitments	None	None

Note 28 – Events after the balance date

No events after the balance date have been reported.

Stockholm 16 March 2021

Peter Lindblad
Chair

Per Nielsen
Director

Robert John Symmonds
Director

Donnell Gouveia
Director and CEO

Erik Ljungren
Director

Our audit report was submitted on 16 March 2021
Ernst&Young

Daniel Eriksson
Authorised Public Accountant

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