



nordic *g*uarantee

ANNUAL REPORT 2021

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The Board of Directors and CEO of Nordic Guarantee Försäkringsaktiebolag hereby present the Annual Report for the financial year ended 31 December 2021.

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The undersigned CEO of Nordic Guarantee Försäkringsaktiebolag, corporate identity number 516406-0112, hereby certifies that the income statement and balance sheet for the period 01/01/2021 – 31/12/2021 were adopted at the Annual General Meeting held on 22 March 2022. At this meeting, shareholders also approved the Board's proposal concerning the profit.

Stockholm, 22 March 2022



Erik Ljungren

CEO COMMENT

Erik Ljungren



2021

The past year has been challenging for all of us, both from a purely operational perspective and from an uncertain financial perspective, and this primarily stems from the effects of Covid-19.

When I took over as CEO in March 2021, we looked back on a year with the Covid-19 pandemic and the challenges it brought, but also a year of good profitability. Growth had stalled, but profitability had developed in a positive direction. The uncertainty before 2021 was substantial as it was difficult to predict the effects of the pandemic, partly the immediate effects and partly the more long-term delayed effects. We can now conclude that growth has picked up again and profitability has been improved.

It is with great pride and satisfaction that I can report that in 2021 we reached a historic milestone in our business when premium income for the first time exceeded SEK 300 million and profit before tax amounted to SEK 42.5 million, which is our best result ever.

PREMIUM INCOME

Growth on an annual basis was 33%, including our new insurance class, miscellaneous financial loss, which we started writing in November 2020.

- The surety business increased by 14% compared to 2020, which is 17% higher than budget.
- Our investment in Spain began to bear fruit and premium income increased by 150%, albeit from low levels. We have established a branch office in Malaga and recruited an experienced Country Manager. The Spanish business was up and until the end of 2021 conducted on a cross border basis. From 2022 it will be run as an established branch.
- In the Nordic region, growth was satisfactory in all regions. We had particularly strong growth in Finland where our premium income increased by 24%.
- Our exit from the travel guarantees market during the latter part of 2020 obviously resulted in reduced premium income for this product in 2021. However, we have largely succeeded in replacing this book with premiums from our other products.
- Premium income from miscellaneous financial loss, which mainly stems from motor warranty issued in Ireland, increased from small volumes at the end of 2020 to a more stable premium volume for the full year 2021.
- During the year, we continued to be conservative in our risk selection and in our underwriting due to the uncertain situation with the pandemic.
- Our reinsurance cover has given us very good capacity and contributed to limited risk-taking.

OPERATING COSTS

Our operating costs increased marginally during the year, but the increase remained well below the growth on the income side. We invested in staff and IT systems to meet our high demands for efficient risk and claims management administration enabling us to offer a higher level of customer satisfaction in the coming years. Our investments due to product and geographical expansion have also contributed to slightly increased costs.

CLAIMS

We can now see results from the most recent years' investments in improved methods for risk selection and underwriting.

- The gross claims ratio was limited to 28% compared to a budget of 41%. This is the second year in a row that we have achieved a significantly better claims result than expected.



- Improvements and investments in our work with claims handling and provisioning, in combination with a well-balanced reinsurance program, have made our results less volatile.
- The claims outcome was distributed relatively evenly between the regions, however with a couple of large claims in Denmark and Sweden. No claims were registered in our new market, Spain.
- Our ability to limit the extent of claims, once they occur, has developed further, which became clear in the spring when we successfully salvaged a large part of the cost of a major claim in Denmark.
- In miscellaneous financial loss, the claims ratio was at a higher level, which is completely in line with the dynamics of that business and in accordance with the budget.
- The run-off result in our claims portfolio has developed in a positive direction.

REINSURANCE AND OUR FINANCIAL POSITION

One of our strengths is our long-term partnership with our reinsurers, which gives us the opportunity to offer our customers a safe and secure product, as well as sufficient capacity even for the largest projects. Our reinsurance panel consists of large renowned reinsurance companies, all of which have a credit rating of at least "A" (Standard & Poor's).

The company's solvency capital requirement is determined by applying the risk-based calculation model in the current solvency regulations, Solvency 2. The Board has set an internal target for the solvency ratio of at least 120% and the company calculated the solvency ratio at the end of 2021 at 132.8%.

Our investment in the Australian insurance company Assetinsure has in recent years made a significant contribution to our result. The Board has decided to sell the shares in the company and this will contribute to a significant reduction in market risk and thus a significant increase in the solvency ratio.

BOARD OF DIRECTORS AND NEW CEO

I was appointed new CEO by the Board in March 2021. I have significant experience in the insurance industry, in claims, underwriting and risk and compliance. Before I was appointed CEO, I have held senior positions within the company since 2008, and have been a board member for the last two years. During the year, an additional board member, with solid international experience from the insurance industry was elected. The new Board member also sits on the Board of our parent company. We have a committed and experienced management team that is supported by knowledgeable and experienced staff in all the countries where we operate.

Name new board member?

THANKS!

In conclusion, I would like to express my gratitude to the board and our owner for the trust afforded me, and I would also like to extend a big thank you to our fantastic Managers and Employees for everything we have accomplished and achieved during the past year. I feel confident that we will continue in the same direction - forward and upward!

Erik Ljungren
Chief Executive Officer
22 March 2022

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 Guernsey. The company's headquarters are located in Kista outside Stockholm.

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 and from 2022 also in Spain. 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 even though the portfolio for miscellaneous financial loss has grown significantly .

This year the focus of the company has been to maintain a balance risk in the portfolio and to minimise the effects of the Covid-19 pandemic. So far the company has not experienced any serious effects from the pandemic. Gross premium income declined slightly in 2020 but increased again in 2021. However, the company's assessment is that there might still be delayed effects of the pandemic and thus caution has been taken both in regards to the budget for 2022 and the on-going risk-assessment. The company's premium income increased to TSEK 300,353 (2020; 225,785) of which miscellaneous financial loss accounted for TSEK 42,159 (2020; 3,978)

Insurance compensation for own account increased to TSEK -30,277 (2020; -24,138) during the year. This increase is a result of an increase in volume and expansion of miscellaneous financial loss. Claims costs for 2021 consisted of a limited number of mid-size claims distributed over the geographical areas where the company offers guarantees as well as claims in miscellaneous financial loss.

The company reported a technical profit of TSEK 25,929 (2020; 14,220), and a profit before tax of TSEK 43,212 (2020; 18,011).

The company registered a new branch office in Spain during the year. Since 2019 the company has participated in cross border activities in Spain and from 1st January 2022 it will continue this business from the new branch office.

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 2021 is TSEK 17,747 (2020; 12,443).

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 (MCR) was calculated as TSEK 45,556 (2020; 38 351), the solvency capital requirement (SCR) as TSEK 182,225 (2020; 148,484) and capital base as TSEK 241,934 (2020; 214,498).

EMPLOYEE BENEFITS

The total amount paid to employees for remuneration and benefits was TSEK 47,996 (2020; 44,412). 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. 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 market alongside the banks is characterized by a few market players. 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.

EVENTS AFTER THE BALANCE DATE

At 22 March 2022 the board of directors for Nordic Guarantee Försäkringsaktieföretag approved a sale of shares in Lombard Australia Holdings PTY LTD for the price of 120,400 TSEK. Nordic Guarantee Försäkringsaktieföretag invested in Lombard Australia Holdings PTY LTD in June 2019 and at the time purchased 31 % of the company for 83,055 TSEK. Should the sale have taken place prior to the 31st December 2021 then the solvency ratio would have been approximately 35 % higher.

Proposal for appropriation of profit

The balance sheet shows that the company has SEK 161,350,448 of non-restricted retained earnings at its disposal.

Retained earnings	121,143,851
Profit for the year	40,206,597
Retained earnings	161,350,448

The Board of Directors propose that SEK 161,350,448 be carried forward.



FIVE-YEAR FINANCIAL SUMMARY

SEK thousand	2021	2020	2019	2018	2017	
Insurance result						
Premium income	300,353	225,785	227,015	215,415	180,099	
Premium earned	192,215	184,297	215,312	203,843	160,369	
Return on capital transferred from financial business	2,903	2,073	1,741	2,250	2,740	
Other technical income / cost	17,462	11,792	5,652	479	-86	
Insurance compensation, ooa	-30,277	-24,138	-53,126	-62,094	-44,942	
Technical profit / loss from non-life insurance business	25,929	14,220	-8,297	-27,933	-4,772	
Profit / Loss for the year	40,207	17,947	500	-30,099	-6,725	
Financial position						
Financial investment assets at fair value	186,302	154,450	138,251	174,111	171,267	
Actuarial provisions ooa	170,833	121,493	102,430	137,605	106,759	
Capital strength according to Solvency II regulation						
Capital base	241,934	214,498	193,289	191,461	154,773	
- Tier 1	228,282	196,252	184,979	182,895	145,967	
- Tier 3	13,652	18,246	8,310	8,566	8,806	
Solvency capital requirement (SCR)	182,225	148,484	138,230	114,741	98,236	
Minimum capital requirement (MCR)	45,556	38,351	39,774	38,486	36,044	
Key ratios						
Loss ratio	1	35%	31%	59%	66%	46%
Operating costs ratio	2	36%	54%	52%	66%	62%
Total costs ratio	3	71%	85%	111%	132%	108%
Yield in percent	4	0,2%	-1,0%	0,3%	0,7%	-0,8%
Total return in percent	5	1,9%	-1,8%	1,4%	0,8%	-0,7%
Capital base/SCR	6	132,8%	144,5%	139,8%	166,9%	157,6%

Definitions

- 1 ooa = on own account
- 2 Insurance compensation as a percentage of premium income on own account
- 3 Total operating costs and other technical income / cost 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	Note	2021	2020
TECHNICAL ACCOUNTS			
Earned premium			
Premium income	2	300,353	225,785
Reinsurer's share of premium income		-149,478	-127,259
Change in provisions for unearned premiums and protracted risks		-108,138	-41,488
Reinsurer's share of change in provisions for unearned premiums and protracted risks		44,021	21,435
Earned premium, ooa		86,758	78,473
Return on capital transferred from financial business	3	2,903	2,073
Other technical income		17,462	11,792
Insurance compensation, ooa	4		
Insurance compensation paid		-57,960	-83,807
Reinsurer's share of insurance compensation paid		24,480	65,750
		-33,480	-18,057
Change in provisions for unsettled claims		4,798	37,912
Reinsurer's share of change in provisions for unsettled claims		-1,595	-43,993
		3,203	-6,081
Insurance compensation, ooa		-30,277	-24,138
Operating costs	5,6,8	-50,917	-53,980
Technical profit/loss from non-life insurance business		25,929	14,220
NON-TECHNICAL ACCOUNTS			
Technical profit/loss from non-life insurance business		25,929	14,220
Result from Associated companies	13	16,494	10,002
Return on capital - revenue	9	4,066	412
Return on capital - costs	9	-640	-3,717
Return on capital transferred to non-life insurance business	3	-2,903	-2,066
Forex income	10	3,600	252
Forex costs	10	-4,022	-1,092
Profit before allocations and taxation		42,524	18,011
Taxation for the year	11	-	-
Change in deferred tax	11	-2,317	-64
Profit for the year		40,207	17,947

STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December

SEK thousand	2021	2020
Profit for the year	40,207	17,947
Other comprehensive income		
Items that may be reclassified to profit or loss		
Translation differences for the year in foreign branches	-2,995	
Translation differences for tax in foreign branches	470	1,020
Comprehensive income for the year	37,682	18,967



STATEMENT OF FINANCIAL POSITION

as at 31 December

SEK thousand	Note	2021	2020
ASSETS			
<i>Intangible assets</i>			
Intangible assets	12	17,761	61
<i>Investment assets</i>			
Share in associate companies	13	120,056	103,562
Financial investment assets	14	186,302	154,451
		306,358	258,012
<i>Reinsurer's share of actuarial provisions</i>			
Unearned premiums and protracted risks		175,507	111,505
Unsettled claims		34,867	35,944
		210,374	147,449
<i>Receivables</i>			
Receivables concerning direct insurance	15	75,203	41,956
Receivables concerning reinsurers		21,729	1,366
Other receivables	16, 17	8,606	11,352
		105,538	54,674
<i>Other assets</i>			
Tangible fixed assets	18	4,342	4,563
Cash and bank balances		29,619	34,504
		33 961	39,067
<i>Prepaid expenses and accrued income</i>			
Other prepaid expenses and accrued income	19	40,801	30,208
TOTAL ASSETS	25	714,793	529,471

STATEMENT OF FINANCIAL POSITION

as at 31 December

SEK thousand	Notes	2021	2020
EQUITY, PROVISIONS AND LIABILITIES			
<i>Equity</i>			
Share capital		50,000	50,000
Statutory reserve		10,000	10,000
Restricted equity		60,000	60,000
Profit brought forward		109,994	94,572
Share premium reserve		11,150	11,150
Profit for the year		40,207	17,947
Non-restricted equity		161,350	123,669
Total equity		221,350	183,669
Subordinated loan	20	10,000	10,000
<i>Actuarial provisions</i>			
Provisions for unearned premiums and protracted risks	21	302,758	187,085
Provisions for unsettled claims	22	78,448	81,857
		381,206	268,942
Liabilities	23		
Liabilities concerning direct insurance		11,790	3,354
Liabilities concerning reinsurers		6,711	7,128
Other liabilities		15,011	5,293
		33,512	15,775
<i>Accrued expenses and deferred income</i>			
Other accrued expenses and deferred income	24	68,724	51,085
TOTAL EQUITY, PROVISIONS AND LIABILITIES		714,793	529,471

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 01/01/2020	500,000	50,000	10,000	104,702	164,702
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	183,669
Opening balance 01/01/2021	500,000	50,000	10,000	123,669	183,669
Comprehensive income for the year					
Profit for the year				40,207	40,207
Translation differences for the year in foreign branches				-2,995	-2,995
Translation in tax differences in foreign branches				470	470
Comprehensive income for the year				37,682	37,682
Closing balance, 31/12/2021	500,000	50,000	10,000	161,350	221,350

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

PERFORMANCE ANALYSIS

	Notes	Direct insurance, Swedish risks (Surety)	Direct insurance, foreign risks	Reinsurance received	Total
Earned premium, ooa	a	15,719	67,192	3,846	86,758
Return on capital transferred from financial business		1,250	1,653		2,903
Other technical revenue		1,379	16,083		17,462
Insurance compensation, ooa	b	-14,084	-15,701	-492	30,277
Operating costs		-8,385	-42,067	-465	50,917
Technical profit/loss from non-life insurance business		-4,121	27,160	2,889	25,929
Run off result		-9 617	7 785		-1 832

Change in actuarial provisions, before reinsurance					
Provisions for unearned premiums and protracted risks		-16,735	-89,080	-2,323	-108,138
Provisions for unsettled claims		-25,785	30,583		4,798
Total change in actuarial provisions, before reinsurance		-42,520	-58,497	-2,323	-103,340
Reinsurer's share of change in actuarial provisions					
Provisions for unearned premiums and protracted risks		9,109	34,908	4	44,021
Provisions for unsettled claims		12,156	-13,751		-1,595
Reinsurer's share of change in actuarial provisions		21,265	21,157	4	42,426

<i>Notes to the performance analysis</i>	Direct insurance, Swedish risks (Surety)	Direct insurance, foreign risks	Reinsurance received	Total
Note a, Premium revenue, ooa				
Premium income	53,539	239,741	7,253	300,353
Change in premium income	-16,735	-89,080	-2,323	-108,138
Premium earned before reinsurance	36,624	150,661	4,930	192,215
Reinsurer's share of Premium income	30,014	-118,377	-1,087	-149,478
Reinsurer's share of change of Premium income	9,109	34,908	4	44,021
Reinsurer's share of premium revenue	-20,905	-83,469	-1,083	-105,457
Premium revenue, ooa	15,719	67,192	3,847	86,758
Note b, Insurance compensation, ooa				
Insurance compensation paid				
-Before reinsurance	-933	-56,535	-492	-57,960
-Reinsurer's share	478	24,002		24,480
Changes in provisions for unsettled claims				
-Before reinsurance	-25,785	30,583		4,798
-Reinsurer's share	12,156	-13,751		-1,595
Insurance compensation, ooa	-14,084	-15,701	-492	-30,277



STATEMENT OF ACCOUNTING POLICIES

GENERAL INFORMATION

The annual report is submitted on 31 December 2021 and concerns Nordic Guarantee Försäkringsaktieföretag, 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 2021, 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.

IFRS 17

Full IFRS is not applied in legal entity. Following the introduction of IFRS 17 the SFSA has stated that unlisted insurance companies shouldn't apply IFRS 17 in their accounting. The policies that will have to be applied when IFRS 4 starts to get implemented are similar to those applied today and thus no new policies will have a significant impact on Nordic Guarantee.

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	2021	2020
NOK	1,03	0,95
EUR	10,23	10,04
DKK	1,38	1,35

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 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 based on 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, which includes interest income, exchange gains (net), reversed impairments and capital gains (net), and the company's share of the result in associated companies. 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 and are amortised over 5 years.

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 of the 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 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 22 March 2022. The income statement and balance sheet will be presented for adoption to the Annual General Meeting on 22 March 2022.



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 certain risk-management activities 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, with policies and procedures being 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 meaningful risks to which the company is exposed. Another important aim is to ensure that the company has adequate solvency in relation to the identified risks. The Board of Directors has primary responsibility for identification and management of the meaningful 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 is responsible for ensuring that the company has functioning internal controls and a framework for risk management. The second line of defence includes the Compliance function and the Risk function. 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 and miscellaneous and financial loss. 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 associate 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 and Miscellaneous and Financial loss

Risks attributable to surety insurance and miscellaneous and financial loss are managed primarily by means of pricing, product design, risk selection, investment strategy and rating. Where risks cannot be mitigated to within an acceptable tolerance via these methods, then the company utilises 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).

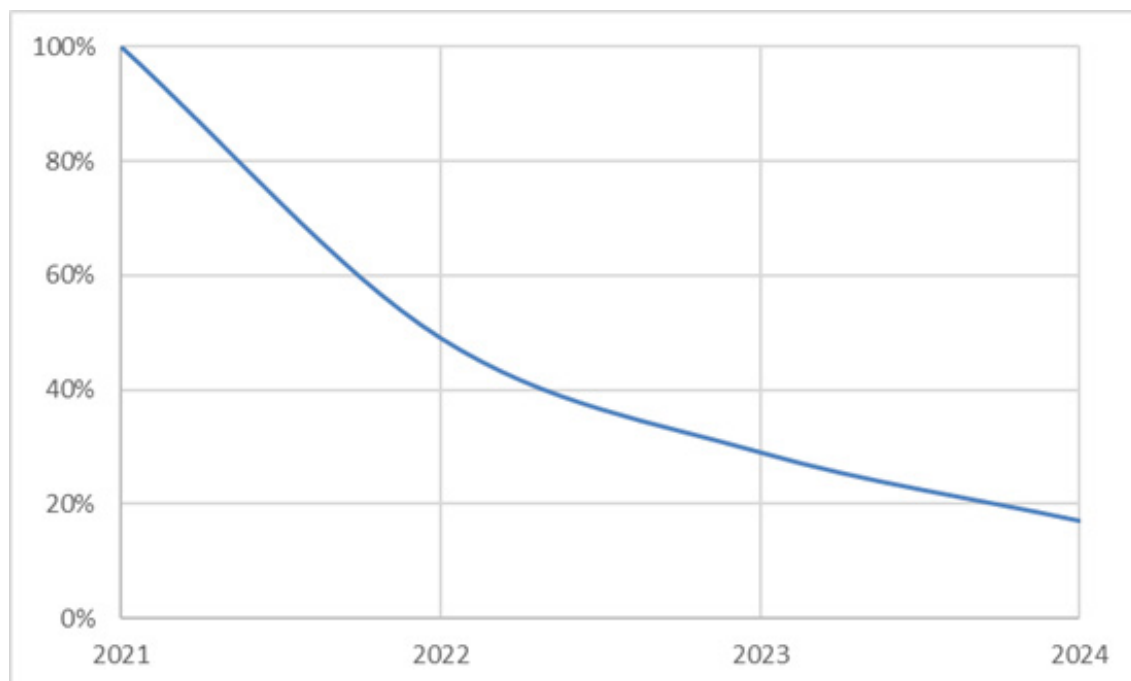
The company follows up on insurance risks, among other items via the customer's rating. At year-end, the exposure was divided into the rating classes presented in the table below, where AAA is the best rating. Rating classification is obtained from an external party.

Recently formed companies and companies without a rating class consists of companies that are not given an official rating. However, these companies insurance risks are secured with sureties from their holding company in the rating class A-AAA.

Rating	Percentage
AAA	25%
AA	41%
A	18%
B	2%
C	0%
Recently formed companies and companies without a rating class	14%
Total	100%

Source: Bisnode

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 28.5% (27.7%), 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		18.0%
No. 1	AAA	4.9%	No. 6	AAA	2.3%
No. 2	AA	4.6%	No. 7	AA	2.2%
No. 3	AAA	3.1%	No. 8	AAA	2.2%
No. 4	AA	3.1%	No. 9	AA	2.0%
No. 5	AA	2.3%	No. 10	AA	1.8%
c/f		18.0%	Total before reinsurance		28.5%

Cost for claim years 2010-2020 ooa

The table below shows the estimated cost in 2021 of unsettled claims (net) related to prior years.

Claims ooa	2010-2017	2018	2019	2020	Total
Opening reserve	5,262	21,496	16,300	39,255	82,312
Insurance compensation paid	-2,511	1,784	-23,638	-13,748	-38,112
External claims handling costs	-241	-504	-3,958	-325	-5,028
Currency translation impact	0	0	0	955	955
Subtotal	2,510	22,776	-11,296	26,138	40,128
Closing reserve	508	14,166	-9,849	41,600	46,425
Gross settlement result	2,001	8,610	-1,447	-15,462	-6,298
Reinsurer's share					
Opening receivable	2,608	8,601	6,361	18,551	36,122
Insurance compensation recovered	584	930	-12,470	-6,742	-17,698
External claim handling cost	,	,	-2,635	,	-2,635
Currency translation impact	0	0	0	315	315
Subtotal	3,192	9,531	-8,744	12,124	16,103
Closing receivable	1,814	5,238	-4,993	18,509	20,569
Settlement result	-1,378	-4,293	3,751	6,385	4,466
Net settlement result	623	4,317	2,304	-9,077	-1,832

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	2021
Bonds and other interest-bearing securities	167,629
Loan	18,674
Bank balances	29,619
Total	215,922

Financial Investment Assets	Credit quality						Total
	AAA	AA	A	BBB	BB	No rating	
Bonds and other interest-bearing securities:							
- Swedish government	0.94%						0.94%
- Other Swedish issuers	0.91%	1.27%	2.90%	2.89%	0.03%	12.68%	20.66%
- Foreign governments		0.56%		0.08%			0.64%
- Other foreign issuers	4.7%	6.47%	19.08%	17.45%	0.42%	7.23%	55.39%
Bank balances			13.72%				13.72%
Loan						8.65%	8.65%
Total	6.59%	8.30%	35.70%	20.42%	0.45%	28.55%	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 2021, there were receivables from reinsurers amounting to TSEK 21,728.

Percentage	AA	A	Total
Underwriting year 2014	37%	63%	100%
Underwriting year 2015	37%	64%	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%
Underwriting year 2021	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	141,102	2,6
Miscellaneous financial loss	29,760	2,0

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

Remaining terms	<3 months	3-12 months	1-5 years	>5 years	Without term	Average term (years)
Bonds and other interest-bearing securities	-	-	167,629	-	-	1,85
Loan	-	-	18,674	-	-	4,0
Bank balances	-	-	0	-	29,619	-
Total	-	-	186,303	-	29,619	

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	2021		2020	
	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	13 050	70	11 571	80
Handelsbanken Euro Ranta	55 147	143	47 524	67
Handelsbanken Foretagsobl Cri	15 849	21	22 101	35
Handelsbanken Företagsobligation Investment Grade	16 458	13	0	0
Handelsbanken Høyrente	10 203	3	0	0
Handelsbanken Inst KortRa Cri	0	0	19 569	6
Handelsbanken Kort Rente Norge	19 430	4	0	0
Handelsbanken Ranteavkastning	16 246	50	22 127	133
Handelsbanken Likviditet	0	0	18 059	4
Handelsbanken Obligasjon	16 817	76	6 394	13
Danish ship	4 430	0	4 408	1
	167 629	381	151 752	338

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, Spain, Ireland and Australia, it has currency exposures against the currencies of these countries. In below table 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

<i>tsek</i>	DKK	EUR	NOK	AUD	Total
Net position 2021	279	12,056	1,774	123,293	137 403
10 % change in currency rates, foreign currencies against SEK 2021	28	1,206	177	12,329	13 740
Net position 2020	1,640	8,483	5,555	100,129	115 807
10 % change in currency rates, foreign currencies against SEK 2020	164	848	555	10,013	11 581

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 45,556 (38,351) and the solvency capital requirement is TSEK 182,255 (148,484). The Company's own funds, according to Solvency II regulatory valuation rules, were TSEK 241,934 (214,498). Own funds' development in relation to solvency capital is monitored on a quarterly basis throughout the financial year.

Note 2 – Premium income ooa

	2021	2020
Direct insurance, Sweden	53,359	53,385
Direct insurance, foreign	246,994	172,400
Premium income ooa	300,353	225,785

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 2021 was 1.5% (2020: 1.5%).

Note 4 – Insurance compensation, ooa

	2021	2020
<i>Claim costs attributable to the business for the year:</i>		
Insurance compensation paid	-13,779	-14,914
Reinsurer's share of insurance compensation paid	4,147	7,504
Change in provisions for unsettled claims	-29,165	-39,255
Reinsurer's share	14,273	18,551
	-24,524	-28,114
<i>Claim costs attributable to the business for previous years:</i>		
Insurance compensation paid	-38,112	-66,362
Reinsurer's share of insurance compensation paid	17,698	58,246
Change in provisions for unsettled claims	34,904	78,059
Reinsurer's share	-15,553	-62,545
	-1,063	7,398
Claims handling costs	-5,330	-3,422
Currency effect	640	
Total	-30,277	-24,138

Note 5 – Operating costs	2021	2020
Acquisition costs	10,651	-3,612
Administrative expenses	-61,657	-50,368
Total	-50,917	-53,980

Operating costs divided into cost types	2021	2020
Staff	-69,981	-63,648
Premises	-5,146	-5,079
Depreciation/amortisation	-1,078	-1,272
Reinsurer's commission	30,035	13,682
Change in DAC	34,907	30,630
Other operational costs	-39,653	-28,293
Total	-50,917	-53,980

Note 6 – Operating costs, staff	2021		2020	
	Average number of employees	Gender distribution proportion of women %	Average number of employees	Gender distribution proportion of women %
Sweden	24	37%	22	33%
Norway	9	54%	8	63%
Finland	9	35%	7	38%
Denmark	2	0%	1	0%
Total	44	38%	38	39%

	2021	2020
Gender distribution, Board of Directors, Proportion of women	0%	0%
Gender distribution, CEO and senior executives, Proportion of women	1%	0%

Recognized remunerations, pensions and social fees	2021	2020
Remunerations	-47,996	-44,412
Pensions	-9,545	-7,452
Social fees	-12,440	-11,452
	-69,981	-63,316

Recognized remunerations	2021	2020
Chairman of the board	-275	-250
-where variable remuneration		
Board and senior executives	-10,116	-10,654
-where variable remuneration		
Other employees	-37,605	-33,508
	-47,996	-44,412

Remuneration of senior executives - The members and Chair of the Board receive fixed annual remuneration or, where appropriate, are remunerated through other entities of the group. 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 Försäkringsaktieföretag ('the company') is a wholly owned subsidiary of Manzillo Holdings Limited (registered in Guernsey).

Other associate companies

Other associate companies are Red Sands Group Holdings Limited (registered in Gibraltar), with wholly owned subsidiaries Red Sands Insurance Company (Europe) Limited and Red Sands Life Assurance Company (Europe) Limited; and Polar Risk Managers AB (registered in Sweden). Both Red Sands Group Holdings Limited and Polar Risk Managers AB are wholly owned direct subsidiaries of Manzillo Holdings Limited.

Nordic Guarantee Försäkringsaktieföretag owns 31% of Lombard Australia Holdings PTY Limited (registered in Australia) which is the owner of Assetinsure Pty Limited.

Nordic Guarantee owns 23.16 %. During the year, Keyhole issued new shares, to new investors, who injected capital. This resulted in Nordic Guarantee's share reducing from 28,58 % to 23.16 %. Keyhole Founders Holdco ApS owns 9.62 % of Keyhole ApS.

Overview transactions with close related parties

	2021	2020
Assets		
Red Sands Insurance Company (Europe) Limited -premium reserve ceded linear	9,702	
Red Sands Insurance Company (Europe) Limited -claim reserve		
Red Sands Insurance Company (Europe) Limited -receivables related to reinsurance	208	
	2,552	
	12,432	
Subordinated loan		
Red Sands Insurance Company (Europe) Limited	10,000	10,000
Loans issued		
Polar Risk Managers AB	9,594	
Keyhole ApS	413	
Keyhole Founders Holdco ApS	3,265	
	13,272	
Current liabilities		
Red Sands Insurance Company (Europe) Limited – accrued costs	-12,492	
	-12,492	
Income		
Polar Risk Managers AB – interest	438	
Keyhole ApS -interest	14	
Keyhole Founders Holdco ApS -interest	80	
Red Sands Group Holdings Limited -quota share premium	-10,540	
Red Sands Group Holdings Limited -change reinsurers prem reserve line	8,652	
	-132	
Costs		
Red Sands Group Holdings Limited -reinsuranciers share of claims paid	1,260	
Red Sands Group Holdings Limited -reinsuranciers share of change claims reserve	204	
Red Sands Group Holdings Limited -operating costs	1,775	
	2,329	

Note 8 – Auditors' and other consulting fees	2021	2020
EY, auditors' fees	-704	-617
KPMG, internal auditors' fees	-90	-266
Other consultancy fees	-447	-384
Total	-1,241	-1,267

Note 9 – Return on capital, net	2021	2020
Interest income, bonds and other interest-bearing securities	908	203
Other interest income	36	18
Realised profit on shares and other securities	245	-
Realised profit on bonds and other securities	309	190
Unrealised profit on investment assets	2,568	-3,688
Exchange gain	3	
Financial expenses	-640	-28
Write-downs of long-term receivables		
Total	3,426	-3,305

Note 10 – Other income/costs	2021	2020
Exchange gains	3,600	253
Exchange losses	-4,022	-1,092
Total	-422	-839

Note 11 – Taxation for the year	2021	2020
Income tax	-6,343	-2,750
Change in deferred tax	-2,317	-64
Tax on not activated loss carried forward	6,343	2,750
	-2,317	-64

Reconciliation of effective rate of taxation		
Profit before tax	42,524	18,011
Tax at current rate	-8,760	-3,854
Non-deductible costs	-1,032	-172
Non-taxable income	3,448	2,140
Tax on currency translations in foreign branches		-864
Utilization of tax losses brought forward from prior years	4,027	2,750
Impact in deferred tax due to decreased tax rate	0	-64
Recognised effective tax	-2,317	-64

Total loss carried forward is TSEK 31,060 (2020: 59,572)

Note 12 – Intangible assets	2021	2020
<i>Intangible assets:</i>		
Opening accumulated cost	23,624	23,624
Acquisitions for the year	17,761	-
Closing accumulated cost	41,386	23,624
<hr/>		
Opening accumulated amortisation	-23,563	-23,202
Amortisation for the year	-61	-361
Closing accumulated amortisation	-23,624	-23,563
Closing residual value according to plan	17,761	61

Note 13 – Share in associate companies	2021	2020
At the beginning of the year	103,562	93,560
Share of results of associates	16,494	10,002
Carrying amount at year-end using the equity method	120,056	103,562

Company, Registered office	Share of equity	Number of shares held	Carrying value
Keyhole ApS, based in Copenhagen, Denmark	23,16%	21,433	2,143
Lombard Australia Holdings PTY LTD, based in Sidney, Australia	31%	1,265	117,913

Company	Registration number	Total Profit/Loss for the year	Total Equity
Keyhole ApS	40320377	-4,243,547 DKK	1,409,957 DKK
Lombard Australia Holdings PTY LTD	ACN 629 197 431	13,056,900 AUD	61,445,810 AUD

Note 14 – Financial investment assets	Acquisition cost		Market value		Book value	
	2021	2020	2021	2020	2021	2020
Bonds and other interest-bearing securities	167,274	153,763	167,629	151,752	167,629	151,752
Loan	18,674	2,821	18,674	2,698	18,674	2,698
Total	185,947	156,584	186,302	154,450	186,302	154,450

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

Type of issuer	Nominal value	%	Market value	%	Book value	%
The Swedish government	1,727	1%	2,033	1%	2,033	1%
Other Swedish issuers	44,300	27%	44,616	27%	44,616	27%
Foreign governments	1,150	1%	1,382	1%	1,382	1%
Other foreign issuers	116,700	71%	119,599	71%	119,599	71%
Total	163,877	100%	167,629	100%	167,629	100%

Note 15 – Receivables concerning direct insurance	2021	2020
Receivables from policyholders	75,203	41,956
Total	75,203	41,956

Note 16 – Other receivables	2021	2020
Deferred tax assets	6,398	8,246
Other receivables	2,208	3,106
Total	8,606	11,352

Note 17 – Deferred tax assets	2021	2020
Total loss carried forward	31,060	60,214
Activated loss carried forward	31,060	40,029
Non activated loss carried forward	-	20,185
Deferred tax	6,398	8,245
Tax rate	20,6%	20,6%
Change in deferred tax asset	-1,847	-64
- Where of change in deferred tax asset in income statement	-2,317	-64
- Where of change in deferred tax asset in other comprehensive income	470	0

Financial year	Tax rate	Loss carried forward expected to be used	Expected deferred tax
2022	20.60%	11,982	2,468
2023	20.60%	19,078	3,930
		31,060	6,398

Note 18 – Tangible fixed assets	2021	2020
<i>Equipment:</i>		
Opening accumulated cost	5,962	5,657
Currency impact	28	-38
Purchases for the year	1,246	2,172
Disposal/sale	-698	-1,829
Closing accumulated cost	6,538	5,962
Opening accumulated amortisation	-1,399	-1,422
Currency impact	-7	9
Amortisation for the year	-1,017	-912
Disposal/sale	227	926
Closing accumulated amortisation	-2,196	-1,399
Closing residual value according to plan	4,342	4,563
Note 19 – Other prepaid expenses and accrued income	2021	2020
Accrued interest income	757	199
Prepaid rental charges	917	862
Reinsurance commission	38,197	18,879
Prepaid development costs, insurance system	-	9,889
Other	930	379
	40,801	30,208
Note 20 – Subordinated loan	2021	2020
Company loan I	10,000	10,000
	10,000	10,000

Specification	Loan	Currency	Issue date	Nominal value	Interest rate	Maturity date
Company loan I	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	2021	2020
Opening balance	187,085	153,977
Change in provisions for unearned premiums and protracted risks	108,138	41,488
Currency impact due to consolidation	7,535	-8,380
Closing balance	302,758	187,085

Note 22 – Provisions for unsettled claims	2021	2020
Opening balance	81,857	124,660
Change in provisions for unsettled claims	-4,798	-37,912
Currency impact due to consolidation	1,389	-4,891
Closing balance	78,448	81,857

Note 23 – Liabilities	2021	2020
Liabilities to reinsurers	6,711	7,128
Liabilities to insurance intermediaries	3,283	1,586
Liabilities to policyholders	8,507	1,768
Accounts payable	6,423	2,519
Other	8,588	2,774
	33,512	15,775

Note 24 – Other accrued expenses and deferred income	2021	2020
Staff-related expenses	16,636	13,841
Premium paid to reinsurers	50,719	34,957
Other	1,369	2,287
	68,724	51,085

Note 25 – Expected recovery times for assets and liabilities	No more than 1 year	Longer than 1 year	Total
Other intangible assets	-	17,761	17,761
Carrying value of associated companies	117,913	2,143	120,056
Other financial investment assets	-	186,302	186,302
Receivables concerning direct insurance	75,203	-	75,203
Reinsurers share of unearned premiums and protracted risks	80,240	95,267	175,507
Receivables from reinsurers, unsettled claims	34,867	-	34,867
Receivables concerning reinsurance, settled claims	21,728	-	21,728
Other receivables	8,606	-	8,606
Tangible fixed assets	-	4,342	4,342
Bank balances	29,619	-	29,619
Other prepaid expenses and accrued income	19,242	21,559	40,801
Total assets	269,505	445,286	714,792

	No more than 1 year	Longer than 1 year	Total
Subordinated loan	-	10,000	10,000
Provisions for unearned premiums and protracted risks	116,502	186,256	302,758
Provisions for unsettled claims	52,299	26,149	78,448
Liabilities concerning direct insurance	11,790	-	11,790
Liabilities concerning reinsurers	6,711	-	6,711
Other liabilities	15,011	-	15,011
Other accrued expenses and deferred income	68,724	-	68,724
Total provisions and liabilities	271,037	222,405	493,442

Note 26 – Class analysis	Surety	Other	Total
2021			
Premium income ooa	143,012	-	143,012
Premium revenue ooa	86,758	-	86,758
Insurance compensation ooa	-30,278	-	-30,277
Operating costs ooa	-54,724	-	-55,979
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

Note 27 – Other information	2021	2020
Pledged assets		
Registered assets to cover actuarial provisions, ooa	216,194	189,041
Contingent liabilities	None	None
Commitments	None	None

Stockholm 22 March 2022

Peter Lindblad
Chair

Per Nielsen
Director

Robert John Symmonds
Director

Donnell Gouveia
Director

Erik Ljungren
Director and CEO

Shaun Cawdery
Director

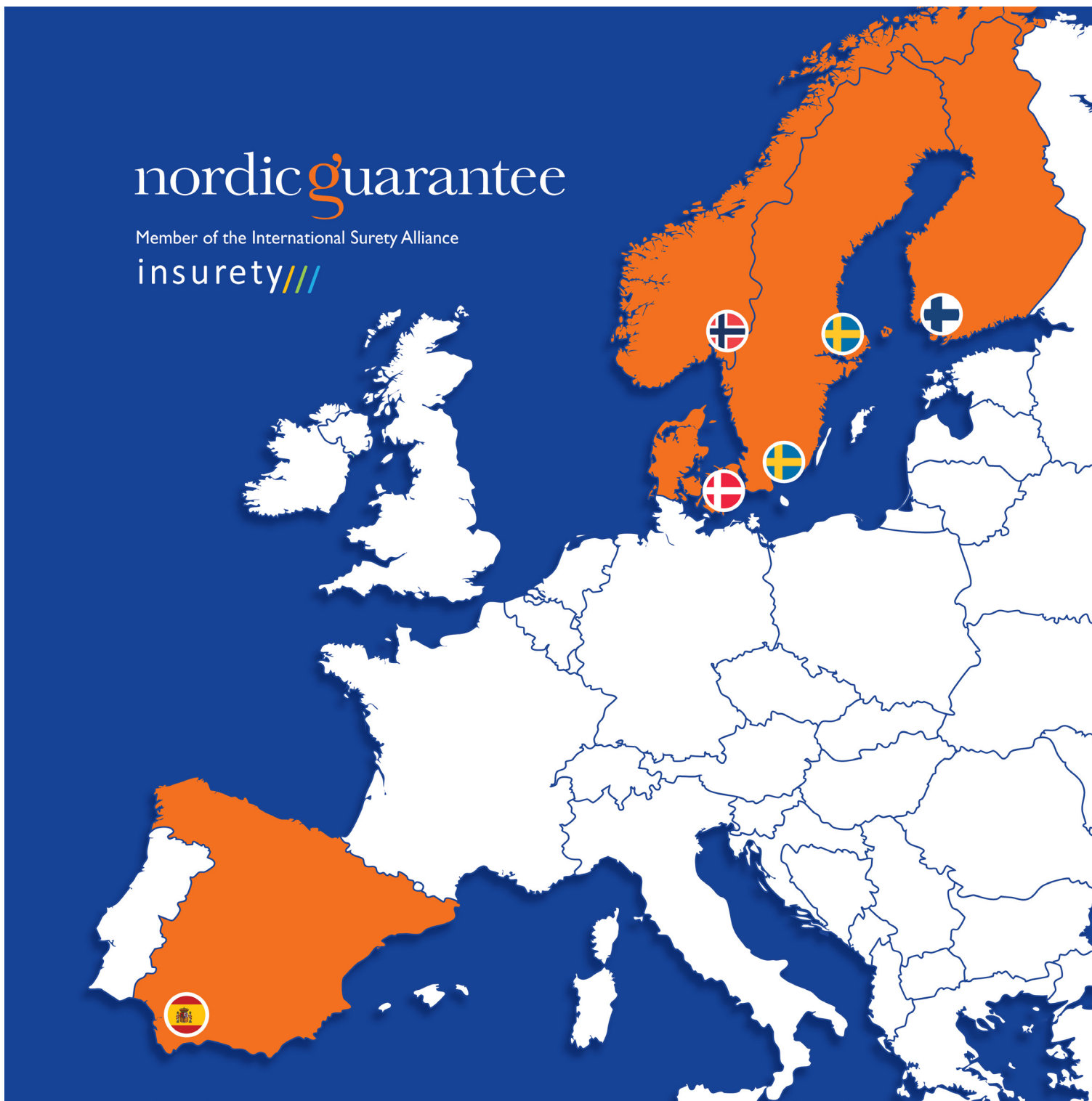
Our audit report was submitted on
22 March 2022
Ernst&Young

Daniel Eriksson
Authorised Public Accountant

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