nordic guarantee

ANNUAL REPORT 2022

CONTENTS PAGE

The Board of Directors and CEO of Nordic Guarantee Försäkringsaktiebolag hereby present the Annual Report for the financial year ended 31 December 2022.

The undersigned CEO of Nordic Guarantee Försäkringsaktiebolag, corporate identity number 516406-0112, hereby certifies that the income statement and balance sheet for the period 01/01/2022 – 31/12/2022 were adopted at the Annual General Meeting held on 28 March 2023. At this meeting, shareholders also approved the Board's proposal concerning the appropriation of the profit.

Stockholm, 28 March 2023

Erik Ljungren

CEO COMMENT

Erik Ljungren

2022

Even as we saw some light in the tunnel after the Covid-19 pandemic, the world had to face new challenges. War in Europe, accelerating inflation, increased interest rates and energy crises have certainly had effects on the financial markets, financial stability and, not least, the construction industry. Despite the challenging trading environment, we have managed to maintain our underwriting standards and grow the surety business. A reduced number of projects starts and an increased number of bankruptcies emerged towards the latter part of the year. This development has mildly affected Nordic Guarantee with higher claims frequency and a slowdown of premium growth. The motor warranty business, conducted under the insurance class miscellaneous financial loss, has faced similar challenges. A significant slow-down in the motor vehicle business, following both the pandemic and the more recently emerged financial instability, resulted in a reduction in premium income compared to the previous year.

I am, however, happy to conclude the year with an overall premium income growth of 16% and a profit for the year of SEK 15m.

PREMIUM INCOME

The premium growth came from the surety business, with the miscellaneous financial loss business being slightly down from the previous year.

In January 2022, we established a branch office in Malaga. The Spanish business grew by close to 70%, in line with budget. Other regions with impressive growth were Denmark and Finland, growing 88% and 24% respectively.

The motor warranty business in Ireland, distributed by the insurance agent AutoProtect, reduced by 16% after a challenging year with limited demand and availability of new and used cars.

We have continued to diversify our business further and from November started offering pet insurance to the French consumer market. The product is distributed via a French pet insurance agent, Kozoo. The volumes were very small in the beginning, but we are expecting premium income to grow during 2023 and the coming years.

OPERATING COSTS

Operating costs grew over the year, in line with the increased volumes and with the establishment costs for our new branch office in Spain. The growth in premium income, however, resulted in a lower cost ratio than the previous year.

CLAIMS

Attritional claims remained at a low level throughout the year, but two larger claims affected the overall results with maximum retentions and additional reinsurance costs. Our reserve level at the end of the year is conservative. Gross claims ratio for the year was 65% with the net claims ratio at 47%.

REINSURANCE AND OUR FINANCIAL POSITION

Our reinsurance treaties are placed with a panel of strong reinsurers, with whom we have had a long partnership. The credit rating (Standard & Poor's) of the panel ranges from A to AA, which enables us to offer safe and secure products to all our clients. The capacity gives room for support to large facilities. The divestment of our holding in the Australian insurance group, Assetinsure, during the year, had a significant positive impact on our Solvency II based capital position. The solvency ratio is up from 133% at the end of 2021 to 171% at the end of 2022. This gives us comfort and possibilities to more effectively utilise our capital and increase earnings on a long-term basis.

BOARD AND MANAGEMENT

The Board consists of experienced individuals from relevant insurance and construction industry fields and has remained unchanged during the year. The management of the company has been changed in a way that the business units now have separate management teams and representatives from these teams are represented in an overall company management team. These changes ensure we have the right focus on all our business segments and classes.

THANKS

Finally, I would like to express my gratitude to all managers and staff for a job well done in this challenging trading environment. We have achieved great things together and I am convinced we will continue to deliver during the economic downturn and stand strong to harvest in better times soon.

Erik Ljungren
Chief Executive Officer
22 March 2023

DIRECTORS' REPORT

NATURE OF BUSINESS

Nordic Guarantee Försäkringsaktiebolag ('the company') is a wholly owned subsidiary of Manzillo Holdings Limited, corporate identity number 69287, domiciled in Guernsey. The company's headquarters are located in Kista outside Stockholm, Sweden.

The company's main activity is the issuance of guarantees into the construction industry in the Nordic market and in Spain. A large part of the business is to provide guarantees to the construction industry, but guarantees and surety are offered to a number of different industries. 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). Up until 2020, only class 15 (surety) insurance was written. From 2020 the company started writing business in class 16 (miscellaneous financial loss) and from 2022 in class 9 (other property damage). Under class 16 (miscellaneous financial loss), motor insurance in Ireland is written and under class 9 (other property damage), pet insurance in France is written. 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. 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 in the construction industry continues to be the company's main business. This year the focus for the company has been to maintain a balanced risk in the portfolio. The macroeconomic challenges, due to the Russian Federation's invasion of Ukraine, leading to energy crisis, increased inflation and increased interest rates has given us greater challenges in our risk selection and risk appetite. Also, the delayed effects from the Covid-19 pandemic have been in focus for the company. So far, the company has seen a slowdown in new construction projects but a limited increase in claims frequency. To maintain the volume of the business, new market areas for guarantee/surety have been identified in renewable energy, as well as in various service sectors. The company has increased the focus on diversifying the company's risk exposure and expanding in other insurance classes. The exposure in miscellaneous financial loss is a significant part of the company's business and contributes to diversification and balance. Gross premium income increased in 2022 compared to previous year, however, there are uncertainties in the forecast for the coming years, particularly in surety. The company's premium income increased to TSEK 349,770 (2021; 300,353) of which miscellaneous financial loss accounted for TSEK 35,255 (2021; 42,159)

Insurance compensation for own account increased to TSEK -56,638 (2021; -30,277) during the year. This increase is a result of an increase in volume and two large claims. Claims costs for 2022 was also driven by an increased claims frequency in claims in portfolios without reinsurance.

The company reported a technical profit of TSEK 27,175 (2021; 25,929), and a profit before tax of TSEK 19,279 (2021; 42,524).

The company's new branch office in Spain has successfully increased the company's premium income in Spain without burdening the company with claims costs.

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, was sold during the year to the company's parent company, Manzillo Holdings Limited. The sale contributed to a significant addition of liquidity and a considerable strengthening of the company's solvency ratio.

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 40,334 (2021; 45,556) the solvency capital requirement (SCR) as TSEK 160,649 (2021; 182,225) and capital base as TSEK 274,584 (2021; 241,934).

EMPLOYEE BENEFITS

The total amount paid to employees for remuneration and benefits was TSEK 56,954 (2021; 47,996). 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 within surety 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. Risks within miscellaneous financial loss and other property damage is managed through actuarial calculation models based on historical claims- and premium data. 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 primarily of interest-bearing investments, although with the enhanced liquidity and solvency margins resulting from the sale of Lombard Australia Holdings Pty Limited, the company has started to allocate into some low risk collective investment schemes.

OUTLOOK

Notwithstanding the market uncertainty arising from the Russian Federation's invasion of Ukraine and continued weakness from the global pandemic, the prospects for the company to maintain 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.

Growth and profitability in miscellaneous financial loss and other property damage is assessed to be good. The diversification benefits of writing in various insurance classes, both from a geographic and product perspective, is expected to further reduce the volatility in the result of the company.

EVENTS AFTER THE BALANCE DATE

After the balance date, no significant events have occurred.

PROPOSAL FOR APPROPRIATION OF PROFIT

The balance sheet shows that the company has SEK 172,967,676 of non-restricted retained earnings at its disposal.

Retained earnings	158,094,910
Profit for the year	14,872,766
Retained earnings	**172,967,676**

The Board of Directors propose that SEK 172,967,676 be carried forward.

FIVE-YEAR FINANCIAL SUMMARY

SEK thousand		2022	2021	2020	2019	2018
Insurance result						
Premium income		349,770	300,353	225,785	227,015	215,415
Premium earned		266,184	192,215	184,297	215,312	203,843
Return on capital transferred from financial business		3,913	2,903	2,073	1,741	2,250
Other technical income / cost		28,091	17,462	11,792	5,652	479
Insurance compensation, ooa		-56,638	-30,277	-24,138	-53,126	-62,094
Technical profit / loss from non-life insurance business		27,175	25,929	14,220	-8,297	-27,933
Profit / Loss for the year		14,873	40,207	17,947	500	-30,099
Financial position						
Financial investment assets at fair value		297,254	186,302	154,450	138,251	174,111
Actuarial provisions ooa		226,190	170,833	121,493	102,430	137,605
Capital strength according to Solvency II regulation						
Capital base		274,584	241,934	214,498	193,289	191,461
- Tier 1		264,584	228,282	196,252	184,979	182,895
- Tier 3		10,000	13,652	18,246	8,310	8,566
Solvency capital requirement (SCR)		160,649	182,225	148,484	138,230	114,741
Minimum capital requirement (MCR)		40,334	45,556	38,351	39,774	38,486
Key ratios						
Loss ratio	1	47%	35%	31%	59 %	66 %
Operating costs ratio	2	33%	36%	54%	52 %	66 %
Combined operating ratio	3	81%	71%	85%	111 %	132 %
Yield in percent	4	0,5%	0,2%	-1,0%	0,3%	0,7%
Total return in percent	5	-0,3%	1,9%	-1,8%	1,4%	0,8%
Capital base/SCR	6	170,9%	132,8%	144,5%	139,8%	166,9%

Definitions

1 Insurance compensation as a percentage of premium income on own account
2 Total operating costs and other technical income / cost as a percentage of premium income on own account
3 Loss ratio plus operating costs ratio
4 Interest income, interest expenses and dividends on shares in relation to investment assets and liquid funds
5 Yield, capital gains and losses, unrealized changes in value in relation to investment assets and liquid funds
6 Capital base as a percentage of capital requirement according to Solvency II regulation

ooa = on own account

INCOME STATEMENT

for the year ended 31 December

SEK thousand	Note	2022	2021
TECHNICAL ACCOUNTS			
Earned premium			
Premium income	2	349,770	300,353
Reinsurer's share of premium income		-172,157	-149,478
Change in provisions for unearned premiums and protracted risks		-83,586	-108,138
Reinsurer's share of change in provisions for unearned premiums and protracted risks		25,397	44,021
Earned premium, ooa		**119,424**	**86,758**
Return on capital transferred from financial business	3	3,913	2,903
Other technical income		28,091	17,462
Insurance compensation, ooa	4		
Insurance compensation paid		-127,323	-57,960
Reinsurer's share of insurance compensation paid		76,732	24,480
		-50,591	**-33,480**
Change in provisions for unsettled claims		-48,142	4,798
Reinsurer's share of change in provisions for unsettled claims		42,095	-1,595
		-6,047	**3,203**
Insurance compensation, ooa		**-56,638**	**-30,277**
Operating costs	5,6,8	-67,615	-50,917
Technical profit/loss from non-life insurance business		**27,175**	**25,929**
NON-TECHNICAL ACCOUNTS			
Technical profit/loss from non-life insurance business		**27,175**	**25,929**
Result from Associated companies	13	901	16,494
Return on capital - net	9	-1,613	3,426
Return on capital transferred to non-life insurance business	3	-3,913	-2,903
Forex net	10	-3,271	-422
Profit before allocations and taxation		**19,279**	**42,524**
Taxation for the year	11	-	-
Change in deferred tax	11	-4,406	-2,317
Profit for the year		**14,873**	**40,207**

STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December

SEK thousand	2022	2021
Profit for the year	**14,873**	**40,207**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Translation differences for the year in foreign branches	-3,971	-2,995
Translation differences for tax in foreign branches	715	470
Comprehensive income for the year	**11,617**	**37,682**

STATEMENT OF FINANCIAL POSITION

as at 31 December

SEK thousand	Note	2022	2021
ASSETS			
Intangible assets			
Intangible assets	12	18,704	17,761
Investment assets			
Share in associate companies	13	557	120,056
Financial investment assets	14	297,254	186,302
		297,811	**306,358**
Reinsurer's share of actuarial provisions			
Unearned premiums and protracted risks		231,167	175,507
Unsettled claims		81,120	34,867
		312,287	**210,374**
Receivables			
Receivables concerning direct insurance	15	105,940	75,203
Receivables concerning reinsurers		82,527	21,729
Other receivables	16, 17	10,155	8,606
		198,622	**105,538**
Other assets			
Tangible fixed assets	18	4,204	4,342
Cash and bank balances		91,904	29,619
		96,108	**33 961**
Prepaid expenses and accrued income			
Other prepaid expenses and accrued income	20	90,215	68,813
TOTAL ASSETS	26	**1,013,747**	**742,805**

STATEMENT OF FINANCIAL POSITION

as at 31 December

SEK thousand	Notes	2022	2021
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		146,944	109,994
Share premium reserve		11,150	11,150
Profit for the year		14,873	40,207
Non-restricted equity		**172,967**	**161,350**
Total equity		**232,967**	**221,350**
Subordinated loan	21	**10,000**	**10,000**
Actuarial provisions			
Provisions for unearned premiums and protracted risks	22	405,105	302,758
Provisions for unsettled claims	23	133,371	78,448
		538,476	**381,206**
Liabilities	24		
Liabilities concerning direct insurance		51,852	11,790
Liabilities concerning reinsurers		74,399	55,972
Other liabilities		20,315	15,011
		146,566	**82,773**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	25	**85,738**	**47,476**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**1,013,747**	**742,805**

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 01/01/2021	**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
Tax translation differences 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**
Opening balance 01/01/2022	**500,000**	**50,000**	**10,000**	**161,350**	**221,350**
Comprehensive income for the year					
Profit for the year				14,873	14,873
Translation differences for the year in foreign branches				-3,971	-3,971
Translation in tax differences in foreign branches				715	715
Comprehensive income for the year				**11,617**	**11,617**
Closing balance, 31/12/2022	**500,000**	**50,000**	**10,000**	**172,967**	**232,967**

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	16,797	90,962	11,665	119,424
Return on capital transferred from financial business		660	3,253	-	3,913
Other technical revenue		1,769	26,322	-	28,091
Insurance compensation, ooa	b	-1,331	-55,192	-115	-56,638
Operating costs		-12,377	-53,734	-1,504	-67,615
Technical profit/loss from non-life insurance business		**5,518**	**11,611**	**10,046**	**27,175**
Run off result		3,055	5,090	-	8,146

Change in actuarial provisions, before reinsurance				
Provisions for unearned premiums and protracted risks	-7,475	-75,737	-374	-83,586
Provisions for unsettled claims	22,715	-70 857	-	-48,142
Total change in actuarial provisions, before reinsurance	**15,240**	**-146,594**	**-374**	**-131,728**
Reinsurer's share of change in actuarial provisions				
Provisions for unearned premiums and protracted risks	3,741	21,656	-	25,397
Provisions for unsettled claims	-11,973	54,069	-	42,096
Reinsurer's share of change in actuarial provisions	**-8,232**	**75,725**		**67,493**

Notes to the performance analysis	**Direct insurance, Swedish risks (Surety)**	**Direct insurance, foreign risks**	**Reinsurance received**	**Total**
Note a, Premium revenue, ooa				
Premium income	52,300	285,431	12,039	349,770
Change in premium income	-7,475	-75,737	-374	-83,586
Premium earned before reinsurance	*44,825*	*209,694*	*11,665*	*266,184*
Reinsurer's share of Premium income	-31,769	-140,388		-172,157
Reinsurer's share of change of Premium income	3,741	21,656		25,397
Reinsurer's share of premium revenue	*-28,028*	*-118,732*		*-146,760*
Premium revenue, ooa	**16,797**	**90,962**	**11,665**	**119,424**
Note b, Insurance compensation, ooa				
Insurance compensation paid				
-Before reinsurance	-24,147	-103,060	-115	-127,322
-Reinsurer's share	12,075	64,657		76,732
Changes in provisions for unsettled claims				
-Before reinsurance	22,715	-70,857		-48,142
-Reinsurer's share	-11,974	54,068		42,094
Insurance compensation, ooa	**-1 331**	**-55,192**	**-115**	**-56,638**

STATEMENT OF ACCOUNTING POLICIES

GENERAL INFORMATION

The annual report is submitted on 31 December 2022 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 2022, 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 the legal entity. Following the introduction of IFRS 17 the SFSA communicated during 2021 that IFRS 17 is not applicable to unlisted insurance companies. The proposed principles when IFRS 4 has been phased out are similar to those applied today, therefore no new accounting principles are expected to 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	2022	2021
NOK	1,06	1,03
EUR	11,13	10,23
DKK	1,50	1,38

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. Management of the company seek to ensure that the company's assets follow the 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 level 1 (quoted prices in an active market) or level 2 (valuation model based on observable market data). 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.

PENSION THROUGH 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 28 March 2023. The income statement and balance sheet will be presented for adoption to the Annual General Meeting on 28 March 2023

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 five committees, the Investment Committee, 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 Investment Committee consists of people from the Company's board and the Company's CFO. The Investment Committee makes decisions about the company's investment strategy. 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 to report on risks identified as potential material to the board. 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, other property damage 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, other property damage 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).
- Other property damage refers to pet insurance. The insurance covers, up to a predetermined amount, the risk of the pet needing to visit a veterinary practice for treatment or the liability from damage caused by a pet.
- Miscellaneous financial loss refers to motor warranty insurance. The insurance provides extended warranty cover in relation to new or used vehicle sales.

In relation to surety, 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	35,76%
AA	41,22%
A	13,93%
B	6,99%
C	0,38%
Recently formed companies and companies without a rating class	1,72%
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 company's average duration of the insurance classes is:

- Surety: 2.6 years
- Miscellaneous Financial loss: 2.5 years
- Other property damage: 1 year

Of the total exposure, the ten largest exposures account for 29.8% (28.5%), which is shown in the table below. Rating classification is obtained from an external party.

10 largest exposures	Rating	Percentage
No. 1	AAA	5,83%
No. 2	AAA	3,89%
No. 3	AA	3,74%
No. 4	AAA	2,75%
No. 5	B	2,73%
c/f		**18,94%**

10 largest exposures	Rating	Percentage
c/f		18,94%
No. 6	AA	2,35%
No. 7	AAA	2,31%
No. 8	AA	2,31%
No. 9	B	2,22%
No. 10	AA	1,72%
Total before reinsurance		**29,86%**

In relation to other property damage and miscellaneous financial loss, the exposures have shorter exposure periods and have a much lower severity profile but occur with greater frequency, making these products more statistically probable. These are therefore managed via regular actuarial review of claims development and frequent amendment to contract wordings and underwriting.

Cost for claim years 2010-2022 ooa

The table below shows the estimated cost in 2022 of unsettled claims (net) related to prior years.

Claims ooa	2010-2018	2019	2020	2021	Total
Opening reserve	14,675	-9,849	41,600	32,045	78,470
Insurance compensation paid	- 1,269	12,319	-29,091	-8,326	-26,366
External claims handling costs	-625	-33	-885	-688	-2,231
Currency translation impact	176	4	1,475	5,104	6,759
Sub total	**12,957**	**2,441**	**13,099**	**28,135**	**56,632**
Closing reserve	2,426	3,038	8,425	24,750	**38,639**
Gross settlement result	**10,531**	**-597**	**4,674**	**3,385**	**17,993**

Reinsurer's share					
Opening receivable	7,052	-4,993	18,509	14,273	34,841
Insurance compensation recovered	-153	6,519	-14,531	-3,639	-11,804
External claim handling cost	,	,	,	,	
Currency translation impact	179	-208	987	3,225	4,183
Sub total	**7,078**	**1,318**	**4,965**	**13,859**	**27,220**
Closing receivable	2,217	690	3,354	11,112	17,373
Settlement result	-4,861	-628	-1,611	-2,747	**-9,847**
Net settlement result	**5,670**	**- 1,225**	**3,063**	**638**	**8,146**

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	2022
Bonds and other interest-bearing securities	278,256
Loan	18,998
Bank balances	91,904
Total	**389,158**

Credit quality

Financial Investment Assets	AAA	AA	A	BBB	BB	No rating	Total
Bonds and other interest-bearing securities:							
- Swedish government	19.05%					1.81%	**20.86%**
- Other Swedish issuers	3.30%		0.19%	1.02%	0.67%	13.77%	**18.94%**
- Foreign governments	0.44%	0.07%				1.90%	**2.41%**
- Other foreign issuers	2.21%	0.65%	3.85%	4.51%	0.51%	17.57%	**29.29%**
Bank balances			23.62%				**23.62%**
Loan						4.88%	**4.88%**
Total	**25.00%**	**0.72%**	**27.65%**	**5.53%**	**1.18%**	**39.92%**	**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 2022, there were receivables from reinsurers amounting to TSEK 82,527.

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%**
Underwriting year 2021	55%	45%	**100%**
Underwriting year 2022	37%	63%	**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	168,014	2.6
Miscellaneous financial loss	58,174	2.5
Property damage	1	1.0

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)
Financial investment assets	-	73,891	204,365	-	-	1.89
Loan		-	15,445	3,552	-	3.1
Bank balances	-	-	0	-	91,904	-
Total	**-**	**73,891**	**219,810**	**3,552**	**91,904**	

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	2022		2021	
Bonds and other interest bearing securities	**Book value**	**Change in value at 1% unit parallel change in interest rate level**	**Book value**	**Change in val-ue at 1% unit parallel change in interest rate level**
Handelsbanken Euro Obligation	4,836	6	13 050	70
Handelsbanken Euro Ranta	24,860	15	55 147	143
Handelsbanken Foretagsobl Cri	43,949	154	15 849	21
Handelsbanken Företagsobliga-tion Investment Grade	43,964	66	16 458	13
Handelsbanken Høyrente	3,792	0	10 203	3
Handelsbanken Kort Rente Nor-ge	7,520	0	19 430	4
Handelsbanken Ranteavkast-ning	43,327	230	16 246	50
Handelsbanken Obligasjon	6,093	6	16 817	76
Danish ship	0	0	4 430	0
R1057	74,280	186	0	0
	252,621	**663**	**167 629**	**381**

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, France and Australia, it has currency exposures against the currencies of these countries. In the 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

tsek	DKK	EUR	NOK	AUD	GBP	Total
Net position 2022	24,958	78,071	15,135	1,344	862	120,370
10 % change in currency rates, foreign currencies against SEK 2022	2,496	7,807	1,513	134	86	12,037
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

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 40,334 (45,556) and the solvency capital requirement is TSEK 160,649 (182,225). The Company's own funds, according to Solvency II regulatory valuation rules, were TSEK 274,584 (241,934). Own funds' development in relation to solvency capital is monitored on a quarterly basis throughout the financial year and amounts to 170,9% at the balance sheet date (132,8%).

Note 2 – Premium income ooa	2022	2021
Direct insurance, Sweden	52,300	53,359
Direct insurance, foreign	297,470	246,994
Premium income ooa	**349,770**	**300,353**

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 2022 was 1.5% (2021: 1.5%).

Note 4 – Insurance compensation, ooa	2022	2021
Claim costs attributable to the business for the year:		
Insurance compensation paid	-97,398	-13,779
Reinsurer's share of insurance compensation paid	62,976	4,147
Change in provisions for unsettled claims	-89,869	-29,165
Reinsurer's share	63,747	14,273
	-60,544	-24,524
Claim costs attributable to the business for previous years:		
Insurance compensation paid	-26,366	-38,112
Reinsurer's share of insurance compensation paid	11,804	17,698
Change in provisions for unsettled claims	35,915	34,904
Reinsurer's share	-17,469	-15,553
	3,884	1,063
Claims handling costs	- 2,554	-5,330
Currency effect	2,576	640
Total	**-56,638**	**-30,277**

Note 5 – Operating costs	2022	2021
Acquisition costs	-3,021	10,651
Administrative expenses	-64,594	-61,657
Total	**-67,615**	**-50,917**

Operating costs divided into cost types	2022	2021
Staff	-79,820	-69,981
Premises	-5,978	-5,146
Depreciation/amortisation	-860	-1,078
Reinsurer's commission	50,555	30 035
Change in DAC	12,883	34,907
Other operational costs	-44,395	-39,653
Total	**-67,615**	**-50,917**

Note 6 – Operating costs, staff		2022		2021
	Average number of employees	Gender distribution proportion of women %	Average number of employees	Gender distribution proportion of women %
Sweden	22	43%	24	37%
Norway	7	56%	9	54%
Finland	10	30%	9	35%
Denmark	2	0%	2	0%
Spain	4	27%	-	-
Total	**45**	**39%**	**44**	**38%**

	2022	2021
Gender distribution, Board of Directors, Proportion of women	0%	0%
Gender distribution, CEO and senior executives, Proportion of women	33%	0%

Recognized salaries, remunerations, pensions and social fees	2022	2021
Salaries	-56,954	-47,996
Pensions	-10,392	-9,545
Social fees	-12,474	-12,440
	-79,820	**-69,981**
Recognized salaries and remunerations		
Chairman of the board	-275	-275
-where variable remuneration	-	-
CEO	-2,590	-2,198
-where variable remuneration	*-412*	*-257*
Other employees	-54,089	-45,523
	-56,954	**-47,996**

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 and social fees - During the year, TSEK 1,215 in pension contributions, excluding payroll tax and 848 ksek in social security contributions was carried as an expense for the Chief Executive Officer.

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. For the CEO, the notice of termination is 18 months.

Note 7 – Associate companies

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

Other associate companies

Nordic Guarantee Försäkringsaktiebolag previously owned 31% of Lombard Australia Holdings PTY Limited (registered in Australia) which is the owner of Assetinsure Pty Limited. This share was sold in the first part of 2022 to parent company, Manzillo Holdings Limited.

Wholly owned subsidiaries to Manzillo Holdings Limited:

- Red Sands Group Holdings Limited (registered in Gibraltar), with the subsidiary's:
  - Red Sands Insurance Company (Europe) (registered in Gibraltar)
  - Red Sands Life Assurance Company (Europe) (registered in Gibraltar)
- Polar Risk Managers AB (registered in Sweden)

Other subsidiary's to Manzillo Holdings Limited:

- Lombard Australia Holdings PTY Limited, with subsidiary:
  - Assetinsure PTY Limited

Nordic Guarantee owns 23.16% in Keyhole Aps, registered in Denmark.

OVERVIEW TRANSACTIONS WITH CLOSE RELATED PARTIES

	2022	2021
Assets		
Red Sands Insurance Company (Europe) Limited -premium reserve ceded linear	0	9,702
Red Sands Insurance Company (Europe) Limited -claim reserve	0	208
Red Sands Insurance Company (Europe) Limited -receivables related to reinsurance	0	2,552
	0	**12,432**
Subordinated loan		
Red Sands Insurance Company (Europe) Limited	10,000	10,000
Loans issued		
Polar Risk Managers AB	9,594	9,594
Keyhole ApS	449	413
Keyhole Founders Holdco ApS	3,552	3,265
	13,595	**13,272**
Current liabilities		
Red Sands Insurance Company (Europe) Limited – accrued costs	-152	-12,492
	0	**-12,492**
Income		
Assetinsure Pty Limited – Consultant fee	1,840	1,220
Polar Risk Managers AB – interest	480	438
Keyhole ApS -interest	22	14
Keyhole Founders Holdco ApS -interest	282	80
Red Sands Group Holdings Limited -quota share premium	0	-10,540
Red Sands Group Holdings Limited -change reinsurers prem reserve line	0	8,652
	2,624	**-136**
Costs		
Red Sands Group Holdings Limited -reinsurers share of claims paid	0	1,260
Red Sands Group Holdings Limited -reinsurers share of change claims reserve	0	204
Red Sands Insurance Company (Europe) Limited - Interest	476	400
Red Sands Group Holdings Limited -operating costs	0	1,775
	476	**-2,329**

Note 8 – Auditors' and other consulting fees	2022	2021
EY, auditors' fees	-762	-704
KPMG, internal auditors' fees	-422	-90
Other consultancy fees	-422	-447
Total	**-1,606**	**-1,241**

Note 9 – Return on capital, net	2022	2021
Interest income, bonds and other interest-bearing securities	1,689	908
Other interest income	7	36
Realised profit on shares and other securities	-316	245
Realised profit on bonds and other securities	48	309
Unrealised profit on investment assets	-2,017	2,568
Financial expenses	-998	-640
Other interest expense	-26	0
Total	**-1,613**	**3,426**

Note 10 – Forex, net	2022	2021
Exchange gains	23,306	3,600
Exchange losses	-26,577	-4,022
Total	**-3,271**	**-422**

Note 11 – Taxation for the year	2022	2021
Income tax	0	-6,343
Current foreign tax	-5,011	
Deferred tax attributable to unpaid foreign tax	5,011	
Change in deferred tax	-4,406	-2,317
Tax on not activated loss carried forward	0	6,343
	-4,406	**-2,317**

Reconciliation of effective rate of taxation		
Profit before tax	19,278	42,524
Tax at current rate (20.6%)	-3,971	-8,760
Non-deductible costs	-620	-1,032
Non-taxable income	185	3,448
Utilization of tax losses brought forward from prior years		4,027
Recognised effective tax	**-4,406**	**-2,317**

Total loss carried forward is TSEK 13,145 (2021: 31,060)

Note 12 – Intangible assets	2022	2021
Intangible assets:		
Opening accumulated cost	41,386	23,624
Acquisitions for the year	942	17,761
Closing accumulated cost	**42,329**	**41,386**
Opening accumulated amortisation	-23,624	-23,563
Amortisation for the year		-61
Closing accumulated amortisation	**-23,624**	**-23,624**
Closing residual value according to plan	**18,704**	**17,761**

Note 13 – Share in associate companies	2022	2021
At the beginning of the year	120,056	103,562
Disposal sale	-120,400	16,494
Gain on desposal	2,867	
Shares in the associated company's results	-1,966	
Carrying amount at year-end using the equity method	**557**	**120,056**

Company, Registered office	Share of equity	Number of shares held	Carrying value
Keyhole ApS, based in Copenhagen, Denmark	23,16%	21,433	557

Company	Registration number	Total Profit/Loss for the year	Total Equity
Keyhole ApS	40320377	-4,727,825 DKK	-508,911 DKK

Note 14 – Financial investment assets	Acquisition cost		Market value		Book value	
	2022	2021	2022	2021	2022	2021
Bonds and other interest-bearing securities	279,866	167,274	278,256	167,629	278,256	167,629
Loan	18,998	18,674	18,998	18,674	18,998	18,674
Total	**298,863**	**185,947**	**297,254**	**186,302**	**297 254**	**186,302**

252,232 ksek (167,629 ksek) of the financial investment assets are valued at prices according to level 1 (quoted prices in an active market) and 26,024 ksek (0 ksek) are valued in accordance with level 2 (valuation model based on observable market data).

Type of issuer	Nominal value	%	Market value	%	Book value	%
The Swedish government	82,208	29%	81,163	29%	81,163	29%
Other Swedish issuers	76,953	27%	73,723	26%	73,723	26%
Foreign governments	10,042	4%	9,390	3%	9,390	3%
Other foreign issuers	116,579	41%	113,981	41%	113,981	41%
Total	**285,782**	**100%**	**278,256**	**100%**	**278,256**	**100%**

Note 15 – Receivables concerning direct insurance	2022	2021
Receivables from policyholders	105,940	75,203
Total	**105,940**	**75,203**

Note 16 – Other receivables	2022	2021
Deferred tax assets	7,719	6,398
Other receivables	2,436	2,208
Total	**10,155**	**8,606**

Note 17 – Deferred tax assets	2022	2021
Total loss carried forward	13,145	31,060
Activated loss carried forward	13,145	31,060
Non activated loss carried forward	0	-
Deferred tax	2,708	6,398
Tax rate	20,6%	20,6%
Foreign tax not settled	5,011	-
Deferred tax related to unpaid foreign tax	5,011	-
Total deferred tax	7,719	6 398
Change in deferred tax asset	1,320	-1,847
- Where of change in deferred tax asset in income statement	605	-2,317
- Where of change in deferred tax asset in other comprehensive income	715	470

Financial year	Tax rate	Loss carried forward expected to be used	Expected deferred tax
2023	20.60%	13,145	2,708
		13,145	**2,708**

Note 18 – Tangible fixed assets	2022	2021
Equipment:		
Opening accumulated cost	6,538	5,962
Currency impact	163	28
Purchases for the year	1,485	1,246
Disposal/sale	-1,616	-698
Closing accumulated cost	**6,570**	**6,538**
Opening accumulated amortisation	-2,195	-1,399
Currency impact	-5	-7
Amortisation for the year	-609	-1,017
Disposal/sale	443	227
Closing accumulated amortisation	**-2,366**	**-2,196**
Closing residual value according to plan	**4,204**	**4,342**

Note 19 – Reclassification

To better reflect the financial position of the company some of the financial statement line items have been reclassified during the year. As a result of the reclassification in 2022, the comparative figures for 2021 also have been adjusted for.

Overview reclassification	Amount 2021 acc. PY AR	Reclassification	Amount 2021 acc. this AR
Other prepaid expenses and accrued income			
Reinsurance commission	38,197	-38,197	-
Deferred Acquisition Cost	-	66,209	66,209
Liabilities			
Liabilities to reinsurers	6,711	49,260	55,971
Other accrued expenses and deferred income			
Premium paid to reinsurers	50,719	-50,719	-
Commission insurance intermediaries	-	1,459	1,459
Reinsurance commission	-	28,012	28,018
		0	

Note 20 – Other prepaid expenses and accrued income	2022	2021
Accrued interest income	963	757
Prepaid rental charges	935	917
Deferred Acquisition Cost	85,524	66,209
Other	2,793	930
	90,215	**68,813**

Note 21 – Subordinated loan	2022	2021
Company loan 1	10,000	10,000
	10,000	**10,000**

Specification	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 22 – Provisions for unearned premiums and protracted risks	2022	2021
Opening balance	302,758	187,085
Change in provisions for unearned premiums and protracted risks	83,586	108,138
Currency impact due to consolidation	18,761	7,535
Closing balance	**405,105**	**302,758**

Note 23 – Provisions for unsettled claims	2021	2020
Opening balance	78,448	81,857
Change in provisions for unsettled claims	48,142	-4,798
Currency impact due to consolidation	6,781	1,389
Closing balance	**133,371**	**78,448**

Note 24 – Liabilities	2022	2021
Liabilities to reinsurers	74,399	55,972
Liabilities to insurance intermediaries	3,612	3,283
Liabilities to policyholders	48,240	8,507
Accounts payable	5,803	6,423
Other	14,512	8,588
	146,566	**82,773**

Note 25 – Other accrued expenses and deferred income	2022	2021
Staff-related expenses	19,332	16,636
Commission reinsurance	62,139	28,012
Commission insurance intermediaries	1,612	1,459
Other	2,655	1,369
	85,738	**47,476**

Note 26 – Expected recovery times for assets and liabilities	**No more than 1 year**	**Longer than 1 year**	**Total**
Other intangible assets	-	18,704	18,704
Carrying value of associated companies	-	557	557
Other financial investment assets	73,891	223,363	297,254
Receivables concerning direct insurance	105,940	-	105,940
Reinsurers share of unearned premiums and protracted risks	125,909	105,258	231,167
Receivables from reinsurers, unsettled claims	35,016	46,104	81,120
Receivables concerning reinsurance, settled claims	82,527	-	82,527
Other receivables	10,155	-	10,155
Tangible fixed assets	-	4,204	4,204
Bank balances	91,904	-	91,904
Other prepaid expenses and accrued income	41,849	48,366	90,215
Total assets	**567,191**	**446,556**	**1,013,747**

	No more than 1 year	**Longer than 1 year**	**Total**
Subordinated loan	-	10,000	10,000
Provisions for unearned premiums and protracted risks	202,238	202,867	405,105
Provisions for unsettled claims	57,570	75,801	133,371
Liabilities concerning direct insurance	51,582	-	51,582
Liabilities concerning reinsurers	74,399	-	74,399
Other liabilities	20,314	-	20,314
Other accrued expenses and deferred income	58,320	27,418	85,738
Total provisions and liabilities	**464,693**	**316,086**	**780,779**

Note 27 – Class analysis	**Surety**	**Miscellaneous Financial loss**	**Other property damage**	**Total**
2022:				
Premium income ooa	142,299	35,255	59	177,613
Premium revenue ooa	98,259	21,107	59	119,424
Insurance compensation ooa	-45,379	-11,245	-14	-56,638
Operating costs ooa	-60,092	-6,394	-1,130	-67,616

A retroactive recalculation of the table for 2021 has been made as the insurance class Other property damage was incorrectly included under the insurance class Surety 2021.

2021 after adjustment				
Premium income ooa	119,256	31,619	-	150,875
Premium revenue ooa	81,093	5,664	-	86,758
Insurance compensation ooa	-25,886	-4,391	-	-30,277
Operating costs ooa	-50,068	-848	-	-50,917

2021 before adjustment	**Surety**	**Other**	**Total**
Premium income ooa	143,012	-	143,012
Premium revenue ooa	86,758	-	86,758
Insurance compensation ooa	-30,278	-	-30,277
Operating costs ooa	-50,917	-	-50,917

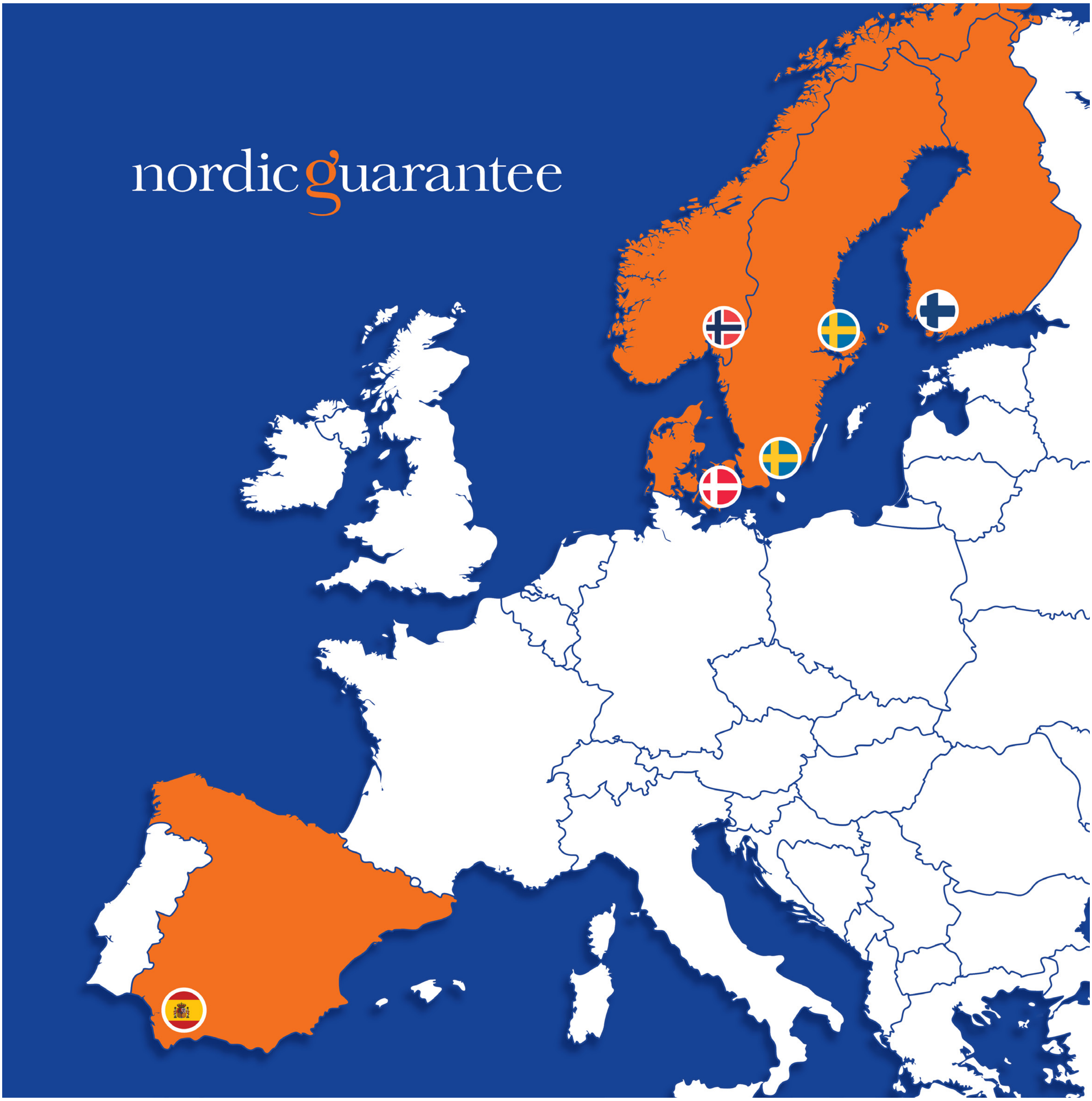
Note 28 – Other information	2022	2021
Pledged assets		
Registered assets to cover actuarial provisions, ooa	336,994	216,194
Contingent liabilities	None	None
Commitments	None	None

Stockholm 28 March 2023

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
28 March 2023
Ernst&Young

Daniel Eriksson
Authorised Public Accountant



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