

nordic guarantee  
ANNUAL  
REPORT 2023





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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 2023.

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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 01/01/2023 – 31/12/2023 were adopted at the Annual General Meeting held on 26 March 2024. At this meeting, shareholders also approved the Board's proposal concerning the appropriation of the profit.

Stockholm, 26 March 2024



Erik Ljungren

# CEO COMMENT

Erik  
Ljungren





## 2023

During 2023 the market environment continued to show the impact of increasing interest rates and high inflation. It was only towards the second half of the year we could see signs of inflation coming down and we expect that interest rates have peaked. These conditions in our markets have had an effect on our surety business growth and results. We have seen fewer project starts, which means declining business opportunities, especially in a competitive market with excess capacity. Competition for attractive projects has kept prices at a low level. Our Spanish surety portfolio, that is still at an early stage of development, has shown impressive growth and good results.

Our motor warranty business in Ireland developed nicely during the year with increased activity after the pandemic. The pet insurance business in France has developed well off a low base, having started in November 2022.

On the investment side, the higher interest rates have contributed to higher returns. Our risk appetite remains conservative.

Notwithstanding these challenging trading circumstances, the year ended with an overall growth in premium income of 4%, and a profit before tax of SEK 17 million.

### Premium income

The growth in premium income was attributable to growth in the Spanish surety portfolio and positive developments in motor warranty and pet insurance.

The surety books in the Nordic countries saw a reduction of 4% in volume compared to the previous year. Whilst Spain more than doubled its premium income, all other regions came in lower than the prior year. Motor warranty grew by 17% and the pet insurance book increased from almost nothing to SEK 7 million.

Looking forward, our projection is that surety will remain challenging in northern Europe. The economic downturn will continue to impact the construction industry negatively, particularly growth in the residential construction segment. Focus will be on diversification into alternative surety opportunities, with a particular focus on renewable energy, and on evaluating potential opportunities in other insurance classes.

### Operating costs

The general increase in inflation rates over the year has contributed to increases in operational costs. The overall cost ratio increased from 33% to 39%.

### Claims

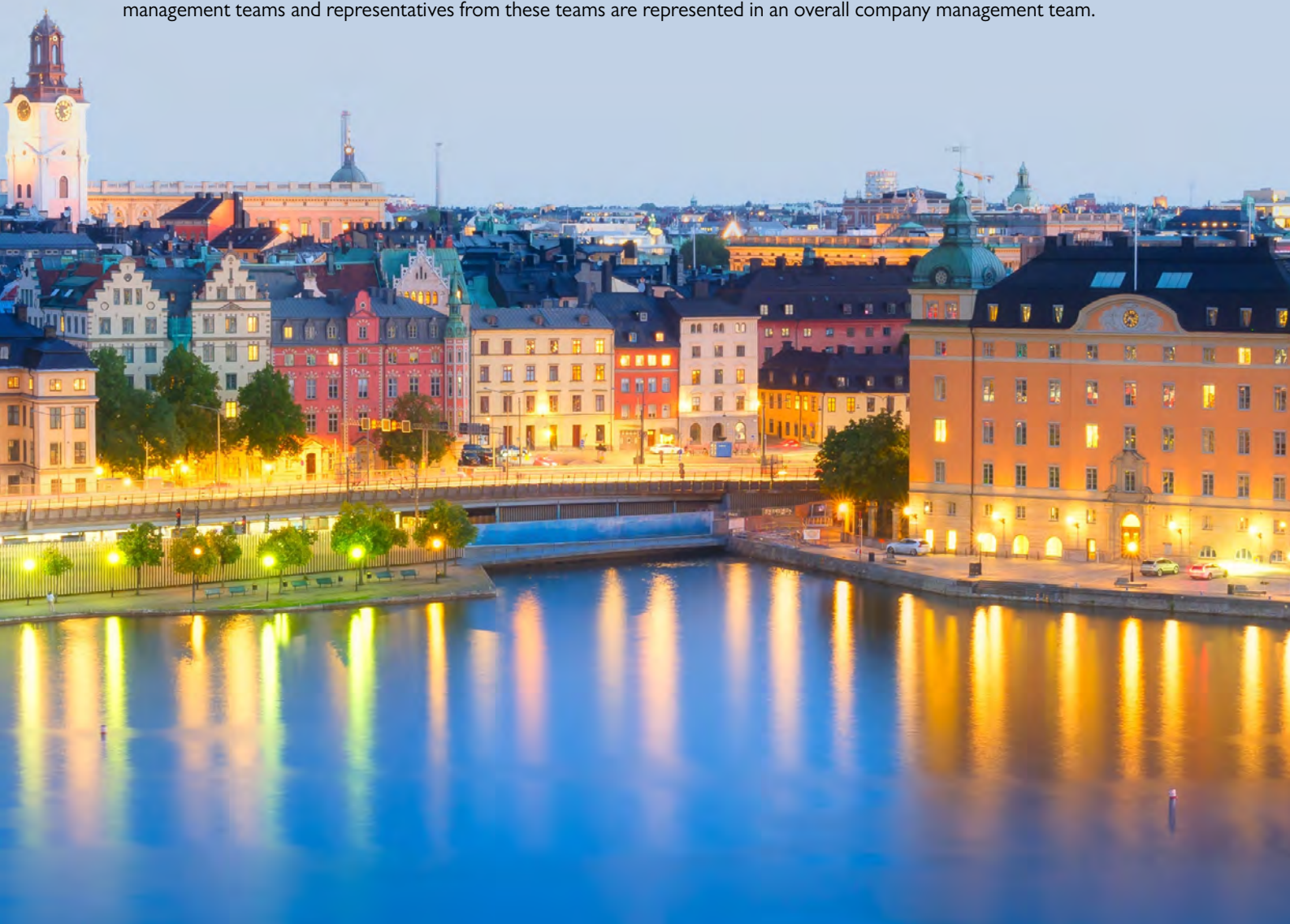
Bankruptcy rates in our markets have grown since last year and are at record high levels in some regions. The construction industry has been particularly affected by this. Both claims frequency and severity have been affected. Some larger claims were reported in the last quarter. This impacted on our claims ratio and, consequentially, our overall combined operating ratio. The claims ratio was 64% and the combined operating ratio was 103%.

### Reinsurance and our financial position

The surety reinsurance program was successfully renewed from the 1st of July, with a panel of strong reinsurers, all with credit ratings (Standard & Poor's) of A or AA. This gives us competitive capacity and safe and secure support for all our clients. Our ambitions to grow, especially within the renewable energy sector, as well as within other non-construction related insurance classes, require us to hold more capital. This coupled with some pressure from increased claims costs affected our solvency ratio, which at year end was 125%. Nevertheless, this provides a sufficient buffer in relation to the regulatory requirement. In the first quarter of 2024 we have seen good results and an increasing solvency ratio.

### 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 also remained unchanged. The business units have separate management teams and representatives from these teams are represented in an overall company management team.





## Gratitude

I am proud of our achievements during the year. We managed to grow the business and produce a profit, despite the economic downturn and challenging trading environment. Management and all teams have displayed resilience and a commitment to do their best to deliver, even in less favourable times.

Thank you!



**Erik Ljungren**  
CEO



## 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 licensed 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 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 continue to be the company's main business. The focus for the year has been to maintain the balanced risk in the Company's exposure to the construction industry, as well as diversifying the insurance offerings to other sectors and insurance class portfolios. The macroeconomic challenges, following the Russian Federation's invasion of Ukraine, increased inflation and increased interest rates have given us greater challenges in our risk selection and risk appetite. Also, delayed effects from the Covid-19 pandemic, especially within the construction industry, have been in focus for the company. So far, the company has experienced a slowdown in new construction projects and an increase in the frequency of damages. 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 2023 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 362,607 (349,770) of which miscellaneous financial loss accounted for TSEK 52,995 (35,255).

Insurance compensation for own account increased to TSEK -97,885 (-56,638) during the year. This increase is a result of the challenging situation in the market for guarantees to the construction industry, where the bankruptcy rate has risen significantly. The company faced several significant damages throughout the year.

The investment activities have remained conservative, and the higher interest rate environment has benefited the company with a good return on invested capital as well as on bank deposits. The return on capital for the year amounted to TSEK 21,123 (-1,613).

The company reported a technical profit of TSEK 646 (27,175), and a profit before tax of TSEK 16,720 (19,279). The effective tax rate for the year amounted to 23.4% (22.9%), and the net income after tax for the year amounted to TSEK 12,811 (14,873).

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 52,822 (40,334) the solvency capital requirement (SCR) as TSEK 211,286 (160,649) and capital base as TSEK 263,110 (274,584).



## Employee benefits

The total amount paid to employees for remuneration and benefits was TSEK 80,605 (56,954). 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. A smaller portion of the investment assets is invested in mortgage-backed securities, which have demonstrated stable returns.

## Outlook

Notwithstanding the market uncertainty arising from the Russian Federation's invasion of Ukraine, conflict in Middle East and continued weakness from the global pandemic, the prospects for the company to maintain premium volume and reasonable 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 167,528,987 of non-restricted retained earnings at its disposal.

Retained earnings	154,718,322
Profit for the year	<u>12,810,665</u>
<b>Retained earnings</b>	<b>167,528,987</b>

The Board of Directors propose that SEK 167,528,987 be carried forward.







## FIVE-YEAR FINANCIAL SUMMARY

SEK thousand	2023	2022	2021	2020	2019	
<b>Insurance result</b>						
Premium income	362,607	349,770	300,353	225,785	227,015	
Premium earned	343,425	266,184	192,215	184,297	215,312	
Return on capital transferred from						
Financial business	4,664	3,913	2,903	2,073	1,741	
Other technical income / cost	40,642	28,091	17,462	11,792	5,652	
Insurance compensation, ooa	-97,885	-56,638	-30,277	-24,138	-53,126	
Technical profit / loss from non-life						
Insurance business	646	27,175	25,929	14,220	-8,297	
Profit / Loss for the year	12,811	14,873	40,207	17,947	500	
<b>Financial position</b>						
Financial investment assets at fair value	335,565	297,254	186,302	154,450	138,251	
Actuarial provisions ooa	278,811	226,190	170,833	121,493	102,430	
<b>Capital strength according to Solvency II Regulation</b>						
Capital base	263,110	274,584	241,934	214,498	193,289	
-Tier 1	251,272	264,584	228,282	196,252	184,979	
-Tier 2	11,838	10,000	13,652	18,246	8,310	
Solvency capital requirement (SCR)	211,286	160,649	182,225	148,484	138,230	
Minimum capital requirement (MCR)	52,822	40,334	45,556	38,351	39,774	
<b>Key ratios</b>						
Loss ratio	1	64%	47%	35%	31%	59%
Operating costs ratio	2	39%	33%	36%	54%	52%
Combined operating ratio	3	103%	81%	71%	85%	111%
Yield in percent	4	0.9%	0.5%	0.2%	-1.0%	0.3%
Total return in percent	5	5.4%	-0.3%	1.9%	-1.8%	1.4%
Capital base/SCR	6	125%	171%	133%	144%	140%

### 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	2023	2022
<b>TECHNICAL ACCOUNTS</b>			
<b>Earned premium</b>			
Premium income	2	362,607	349,770
Reinsurer's share of premium income		-191,393	-192,136
Change in provisions for unearned premiums and protracted risks		-19,182	-83,586
Reinsurer's share of change in provisions for unearned premiums and protracted risks		1,670	45,377
<b>Earned premium, ooa</b>		<b>153,702</b>	<b>119,424</b>
Return on capital transferred from financial business	3	4,664	3,913
Other technical income		40,642	28,091
<b>Insurance compensation, ooa</b>			
Insurance compensation paid	4	-79,513	-127,323
Reinsurer's share of insurance compensation paid		23,091	76,732
		<b>-56,422</b>	<b>-50,591</b>
Change in provisions for unsettled claims		-164,372	-48,142
Reinsurer's share of change in provisions for unsettled claims		122,909	42,095
		<b>-41,463</b>	<b>-6,047</b>
<b>Insurance compensation, ooa</b>		<b>-97,885</b>	<b>-56,638</b>
Operating costs	5,6,8	-100,476	-67,615
<b>Technical profit/loss from non-life insurance business</b>		<b>646</b>	<b>27,175</b>
<b>NON-TECHNICAL ACCOUNTS</b>			
<b>Technical profit/loss from non-life insurance business</b>		<b>646</b>	<b>27,175</b>
Result from Associated companies	13	-893	901
Return on capital, revenues	9	23,164	1,743
Return on capital, costs	9	-2,041	-3,356
Return on capital transferred to non-life insurance business	3	-4,664	-3,913
Forex, net	10	339	-3,271
Other income		169	-
<b>Profit before allocations and taxation</b>		<b>16,720</b>	<b>19,279</b>
Taxation for the year	11	-3,909	-4,406
<b>Profit for the year</b>		<b>12,811</b>	<b>14,873</b>



## STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December

SEK thousand

	2023	2022
<b>Profit for the year</b>	<b>12,811</b>	<b>14,873</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit or loss</b>		
Translation differences for the year in foreign branches	256	-3,971
Translation differences for tax in foreign branches	-231	715
<b>Comprehensive income for the year</b>	<b>12,836</b>	<b>11,617</b>



## STATEMENT OF FINANCIAL POSITION

as at 31 December

SEK thousand	Note	2023	2022
<b>ASSETS</b>			
<i>Intangible assets</i>			
Intangible assets	12	18,274	18,704
<i>Investment assets</i>			
Share in associate companies	13	-	557
Financial investment assets	14	335,565	297,254
		<b>335,565</b>	<b>297,811</b>
<i>Reinsurer's share of actuarial provisions</i>			
Unearned premiums and protracted risks		193,876	196,449
Unsettled claims		200,000	81,120
		<b>393,876</b>	<b>277,569</b>
<i>Receivables</i>			
Receivables concerning direct insurance	15	91,232	105,940
Receivables concerning reinsurers		59,606	82,527
Other receivables	16, 17	13,546	10,155
		<b>164,384</b>	<b>198,622</b>
<i>Other assets</i>			
Tangible fixed assets	18	3,942	4,204
Cash and bank balances		177,818	91,904
		<b>181,760</b>	<b>96,108</b>
<i>Prepaid expenses and accrued income</i>			
Other prepaid expenses and accrued income	19	101,446	90,215
<b>TOTAL ASSETS</b>	25	<b>1,195,305</b>	<b>979,028</b>

## STATEMENT OF FINANCIAL POSITION

as at 31 December

SEK thousand	Notes	2023	2022
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		50,000	50,000
Statutory reserve		10,000	10,000
Fund for development expenses		18,274	18,704
<b>Restricted equity</b>		<b>78,274</b>	<b>78,704</b>
Profit brought forward		143,568	128,240
Share premium reserve		11,150	11,150
Profit for the year		12,811	14,873
<b>Non-restricted equity</b>		<b>167,529</b>	<b>154,263</b>
<b>Total equity</b>		<b>245,803</b>	<b>232,967</b>
<b>Subordinated loan</b>	20	<b>10,000</b>	<b>10,000</b>
<b>Actuarial provisions</b>			
Provisions for unearned premiums and protracted risks	21	415,802	405,105
Provisions for unsettled claims	22	292,296	133,371
		<b>708,098</b>	<b>538,476</b>
<b>Liabilities</b>	23		
Liabilities concerning direct insurance		70,391	51,852
Liabilities concerning reinsurers		47,788	39,681
Other liabilities		19,241	20,315
		<b>137,419</b>	<b>111,847</b>
<b>Accrued expenses and deferred income</b>			
Other accrued expenses and deferred income	24	93,984	85,738
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	25	<b>1,195,305</b>	<b>979,028</b>







## STATEMENT OF CHANGES IN EQUITY

	Restricted equity			Non-restricted equity			Total equity
	Share capital	Statutory reserve	Fund for development expenses	Profit brought forward	Share premium reserve	Profit for the year	
<b>Opening balance 01/01/2022</b>	<b>50,000</b>	<b>10,000</b>	<b>17,761</b>	<b>92,232</b>	<b>11,150</b>	<b>40,207</b>	<b>221,350</b>
Profit disposition				40,207		-40,207	-
Fund for development expenses			943	-943			-
Profit for the year						14,873	14,873
Other comprehensive income for the year				-3,256			-3,256
<b>Closing balance, 31/12/2022</b>	<b>50,000</b>	<b>10,000</b>	<b>18,704</b>	<b>128,240</b>	<b>11,150</b>	<b>14,873</b>	<b>232,967</b>
<b>Opening balance 01/01/2023</b>	<b>50,000</b>	<b>10,000</b>	<b>18,704</b>	<b>128,240</b>	<b>11,150</b>	<b>14,873</b>	<b>232,967</b>
Profit disposition				14,873		-14,873	-
Fund for development expenses			-430	430			-
Profit for the year						12,811	12,811
Other comprehensive income for the year				25			25
<b>Closing balance, 31/12/2023</b>	<b>50,000</b>	<b>10,000</b>	<b>18,274</b>	<b>143,568</b>	<b>11,150</b>	<b>12,811</b>	<b>245,803</b>

The number of shares amounts to 500,000 with a par value of 100 SEK. The number of shares has remained unchanged throughout the fiscal year.

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	15,007	129,175	9,520	153,702
Return on capital transferred from financial business		587	3,996	81	4,664
Other technical revenue		2,423	38,219	-	40,642
Insurance compensation, ooa	b	-4,468	-92,106	-1,312	-97,885
Operating costs		-13,877	-83,193	-3,406	-100,476
<b>Technical profit from non-life insurance business</b>		<b>-328</b>	<b>-3,909</b>	<b>4,883</b>	<b>646</b>
<b>Run off result</b>		<b>3,593</b>	<b>11,569</b>	<b>-</b>	<b>15,162</b>
<b>Change in actuarial provisions, before Reinsurance</b>					
Provisions for unearned Premiums and protracted risks		2,274	-18,954	-2,502	-19,182
Provisions for unsettled claims		2,465	-166,837	-	-164,372
<b>Total change in actuarial Provisions, before reinsurance</b>		<b>4,739</b>	<b>-185,791</b>	<b>-2,502</b>	<b>-183,554</b>
<b>Reinsurer's share of change in actuarial provisions</b>					
Provisions for unearned Premiums and protracted risks		-29,439	-161,954	-	-191,393
Provisions for unsettled claims		-613	123,522	-	122,909
<b>Reinsurer's share of change in Actuarial provisions</b>		<b>-30,052</b>	<b>-38,432</b>	<b>-</b>	<b>-68,484</b>

**Notes to the performance analysis**

<b>Note a, Premium Revenue, ooa</b>	<b>Direct insurance, Swedish risks (Surety)</b>	<b>Direct Insurance, Foreign risks</b>	<b>Reinsurance Received</b>	<b>Total</b>
Premium income	44,480	306,106	12,021	362,607
Change in premium income	2,273	-18,954	-2,501	-19,182
<i>Premium earned before Reinsurance</i>	46,753	287,152	9,520	343,425
Reinsurer's share of change unearned premiums	-2,307	3,977	-	1,670
Reinsurer's share of premium income	-29,439	-161,954	-	-191,393
<i>Reinsurer's share of premium revenue</i>	-31,746	-157,977	-	-189,723
<b>Premium revenue, ooa</b>	<b>15,007</b>	<b>129,175</b>	<b>9,520</b>	<b>153,702</b>
<b>Note b, Insurance compensation, ooa</b>				
Insurance compensation paid				
-Before reinsurance	-12,590	-65,610	-1,313	-79,513
-Reinsurer's share	6,270	16,821	-	23,091
Changes in provisions for unsettled claims				
-Before reinsurance	2,465	-166,837	-	-164,372
-Reinsurer's share	-613	123,522	-	122,909
<b>Insurance compensation, ooa</b>	<b>-4,468</b>	<b>-92,104</b>	<b>-1,313</b>	<b>-97,885</b>

## STATEMENT OF ACCOUNTING POLICIES

### General information

The annual report is submitted on 31 December 2023 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. The company is a wholly-owned subsidiary of Manzillo Holdings Limited and is included in the consolidated financial statements of the parent company. The consolidated financial statements of Manzillo Holdings Limited as at December 2023 may be obtained from 3rd Floor, 1 Le Truchot, St Peter Port, Guernsey, GY1 1WD.

### 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), including the amending regulations of the Swedish Financial Supervisory Authority (SFS) 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 2023, 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 17 is not applied in the legal entity. According to the Swedish Financial Supervisory Authority's regulations and general advice on annual reporting in insurance companies (FFFS 2019:23), it is stated that IFRS 17 Insurance Contracts should not be applied in the legal entity.

### 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 recognized 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 recognized 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 recognized 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	2023	2022
NOK	0,99	1,06
EUR	11,10	11,13
DKK	1,49	1,50

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

### Insurance contracts

Under FFFS 2019:23 and Annual Accounts per the Insurance Companies Act, 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 recognized 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 recognized 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. The premium reserve is earned linearly over the entire duration of each individual contract.

Provisions for unearned premiums are recognized 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 recognized 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 provision for unsettled claims is divided into provisions for incurred and reported claims, incurred but not enough reported claims, and claims handling costs. The change in unsettled claims for the period is recognized 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 recognized 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 recognized 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 recognized under return on capital, costs. This item includes interest expenses, exchange losses (net), depreciation/amortization, impairments and capital losses (net).

#### **Realized and unrealized 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 unrealized changes in value are entered as adjustment items as either unrealized gains on investment assets or unrealized losses on investment assets.

### **Taxes**

#### **Income tax**

Income tax comprises current tax and deferred tax. Income tax is recognized in the income statement, except where the underlying transaction is recognized directly in equity, in which case the associated tax effect is recognized 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 realized 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 recognized only to the extent it is likely that it will be possible to utilize these items. The value of deferred tax assets is recognized when it is no longer deemed likely that they can be utilized. Any future income tax arising in connection with dividends is recognized at the same time that the dividend is recognized as a liability.

## Intangible assets

### Other intangible assets

Other intangible assets consist of capitalized development costs for IT systems expected to provide economic benefits in the future. Development costs are capitalized only if all of the following criteria are met:

- The asset is identifiable.
- It is probable that the asset will generate future economic benefits.
- The company has control over the asset.
- The acquisition cost of the asset can be reliably measured.

Other intangible assets are valued at cost deducted by accumulated depreciation.

The amount capitalized for other intangible assets is transferred from unrestricted equity to the fund for development expenditures in restricted equity.

### Amortization methods

Amortization is recognized 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. Amortizable intangible assets are amortised from the date on which they are available for use. The estimated useful life is determined individually for each asset and is up to a maximum of 5 years.

## Financial instruments

Financial instruments recognized 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 recognized 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 recognized in the balance sheet when the company becomes a party to the terms and conditions of the instrument. Accounts receivable are recognized in the balance sheet when an invoice has been sent. A liability is recognized 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 recognized when the invoice has been received.

A financial asset is recognized from the balance sheet when the rights in the contract are realized or mature or the company loses control of them. This also applies to parts of financial assets. A financial liability is recognized 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 recognized 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 recognized 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.

### **Impairment of tangible and intangible assets**

#### **Impairment test for 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 recognized 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 recognized 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.

### Shareholders' contributions

The company recognises Group contributions and shareholders' contributions in accordance with RFR 2. Shareholders' contributions are recognized 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 26 March 2024. The income statement and balance sheet will be presented for adoption to the Annual General Meeting on 26 March 2024.





# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Amounts in SEK thousand, unless stated otherwise

## Note 1 – Information about risks

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### 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 defense 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 defense includes the internal audit function.

### 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 associated with the insurance. There are various methods for reducing underwriting risks. These include the company diversifying its portfolio over time and/or between different types of insurance risk. The company's principal method for managing underwriting risks is the business plan and the own risk and solvency assessment which is drawn up every year and adopted by the Board of Directors.

#### Reserve allocation risks

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

#### Surety insurance, Other property damage 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 and risk selection. Where risks cannot be mitigated to within an acceptable tolerance



via these methods, then the company utilities 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

Rating	Percentage
AAA	40.75%
AA	30.19%
A	23.80%
B	3.95%
C	0.26%
Recently formed companies and companies without a rating class	1.05%
<b>Total</b>	<b>100%</b>

Source: Bisnode and Informa for the Spanish risks

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: 2.16 years
- Miscellaneous Financial loss: 2.34 years
- Other property damage: 1 year

Of the total exposure, the ten largest exposures account for 28.88% (29.8%), 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		18.83%
No. 1	AAA	5.30%	No. 6	AAA	2.68%
No. 2	AAA	4.00%	No. 7	AAA	2.00%
No. 3	A	3.6%	No. 8	A	1.95%
No. 4	AA	3.06%	No. 9		1.83%
No. 5	AAA	2.87%	No. 10	AAA	1.59%
<b>c/f</b>		<b>18,83%</b>	<b>Total before reinsurance</b>		<b>28.88%</b>

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, deviations from expected outcomes can be adjusted through changes in pricing and terms.

#### Cost for claim years 2008-2022 ooa

The table below shows the estimated cost in 2023 of unsettled claims (net) related to prior years.

	2008-2019	2020	2021	2022	Total prior years	2023	Total
<b>Claims ooa</b>							
Opening reserve	5,464	8,425	24,750	94,732	133,371	0	<b>133,371</b>
Insurance compensation paid	3,778	826	3,919	-26,969	-18,446	-55,934	<b>-74,380</b>
External claims handling costs	-136	-486	-515	-2,583	-3,720	-1,413	<b>-5,133</b>
Currency translation impact	-10	193	-378	-1,337	-1,532	-3,915	<b>-5,447</b>
<b>Subtotal</b>	<b>9,096</b>	<b>8,958</b>	<b>27,775</b>	<b>63,844</b>	<b>109,673</b>	<b>-61,262</b>	<b>48,411</b>
Closing reserve	3,281	-9,418	19,616	69,295	82,774	209,521	<b>292,296</b>
<b>Gross settlement result</b>	<b>5,814</b>	<b>18,376</b>	<b>8,159</b>	<b>-5,452</b>	<b>26,898</b>	<b>-270,784</b>	<b>-243,885</b>
<b>Reinsurer's share</b>							
Opening receivable	2,907	3,354	11,112	63,747	81,120	0	<b>81,120</b>
Insurance compensation recovered	1,806	413	1,887	-8,430	-4,323	-16,450	<b>-20,773</b>
External claim handling cost	0	0	0	-2,318	-2,318	0	<b>-2,318</b>
Currency translation impact	-10	144	-270	-965	-1,100	-2,928	<b>-4,028</b>
<b>Subtotal</b>	<b>4,703</b>	<b>3,911</b>	<b>12,730</b>	<b>52,035</b>	<b>73,378</b>	<b>-19,378</b>	<b>54,001</b>
Closing receivable	2,532	-4,558	9,107	54,561	61,642	138,358	<b>200,000</b>
<b>Settlement result</b>	<b>-2,171</b>	<b>-8,468</b>	<b>-3,623</b>	<b>2,526</b>	<b>-11,736</b>	<b>157,736</b>	<b>146,000</b>
<b>Net settlement result</b>	<b>3,643</b>	<b>9,908</b>	<b>4,537</b>	<b>-2,925</b>	<b>15,162</b>	<b>-113,048</b>	<b>-97,885</b>

## 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	2023
Financial investment assets	304,599
Loan	13,574
Deposits	17,392
Bank balances	177,818
<b>Total</b>	<b>513,383</b>

Financial Investment Assets	Credit quality						Total
	AAA	AA	A	BBB	BB	No rating	
Bonds and other interest-bearing securities:							
- Swedish government						3.99%	<b>3.99%</b>
- Foreign governments	0.11%	0.30%				2.98%	<b>3.39%</b>
- Other Swedish issuers	4.43%		0.50%	1.05%	0.75%	19.33%	<b>26.07%</b>
- Other foreign issuers	2.39%	0.70%	4.37%	5.01%	0.34%	13.08%	<b>25.88%</b>
Loan						2.64%	<b>2.64%</b>
Deposits		3.32%				0.07%	<b>3.39%</b>
Bank balances			34.64%				<b>34.64%</b>
<b>Total</b>	<b>6.94%</b>	<b>4.33%</b>	<b>39.51%</b>	<b>6.06%</b>	<b>1.09%</b>	<b>42.08%</b>	<b>100.00%</b>

## 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 2023, there were receivables from reinsurers amounting to TSEK 59,606.



Percentage	AA	A	Total
Underwriting year 2019	56%	44%	100%
Underwriting year 2020	55%	45%	100%
Underwriting year 2021	55%	45%	100%
Underwriting year 2022	37%	63%	100%
Underwriting year 2023	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	207,191	2.16
Miscellaneous financial loss	71,077	2.34
Property damage	542	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	-	-	304,599	-	-	2.37
Loan	-	-	10,040	3,534	-	2.88
Deposits	-	17,057	335	-	-	1.10
Bank balances	-	-	-	-	177,818	-
<b>Total</b>	-	-	<b>314,639</b>	<b>3,534</b>	<b>177,818</b>	

### 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	2023		2022	
Bonds and other interest bearing securities	Book value	Change in value at 1% unit parallel change in interest rate level	Book value	Change in value at 1% unit parallel change in interest rate level
Handelsbanken Euro Obligation	10,335	28	4,836	6
Handelsbanken Euro Ranta	21,416	9	24,860	15
Handelsbanken Företagsobl Cri	80,000	560	43,949	154
Handelsbanken Företagsobligation Investment Grade	78,284	274	43,964	66
Handelsbanken Høyrente	1,847	-	3,792	-
Handelsbanken Kort Rente Norge	3,522	-	7,520	-
Handelsbanken Ranteavkastning	77,255	742	43,327	230
Handelsbanken Obligasjon	2,766	1	6,093	6
Svenska Staten SGB 1057	-	-	74,280	186
	<b>275,425</b>	<b>1 614</b>	<b>252,621</b>	<b>663</b>

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 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 2023	13,906	79,148	20,387	12,715	579	<b>126,735</b>
10 % change in currency rates, foreign currencies against SEK 2023	1,391	7,915	2,039	1,272	58	<b>12,674</b>
Net position 2022	24,958	78,071	15,135	1,344	862	<b>120,370</b>
10 % change in currency rates, foreign currencies against SEK 2022	2,496	7,807	1,513	134	86	<b>12,037</b>

### 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 52,822 (40,334) and the solvency capital requirement is TSEK 211,286 (160,649). The Company's own funds, according to Solvency II regulatory valuation rules, were TSEK 263,110 (274,584). Own funds' development in relation to solvency capital is monitored on a quarterly basis throughout the financial year and amounts to 124.5% at the balance sheet date (170.9%).

<b>Note 2 – Premium income ooa</b>	<b>2023</b>	<b>2022</b>
Direct insurance, Sweden	44,480	52,300
Direct insurance, foreign	318,127	297,470
<b>Premium income ooa</b>	<b>362,607</b>	<b>349,770</b>

### **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 2023 was 1.5% (1.5%).

<b>Note 4 – Insurance compensation, ooa</b>	<b>2023</b>	<b>2022</b>
<i>Claim costs attributable to the business for the year:</i>		
Insurance compensation paid	-55,934	-97,398
Reinsurer's share of insurance compensation paid	16,450	62,976
Change in provisions for unsettled claims	-203,626	-89,869
Reinsurer's share	138,358	63,747
	<b>-104,752</b>	<b>-60,544</b>
<i>Claim costs attributable to the business for previous years:</i>		
Insurance compensation paid	-18,446	-26,366
Reinsurer's share of insurance compensation paid	4,323	11,804
Change in provisions for unsettled claims	44,585	35,915
Reinsurer's share	-19,478	-17,469
	<b>10,984</b>	<b>3,884</b>
Claims handling costs	-2,698	-2,554
Currency effect	-1,419	2,576
<b>Total</b>	<b>-97,885</b>	<b>-56,638</b>

<b>Note 5 – Operating costs</b>	<b>2023</b>	<b>2022</b>
Acquisition costs	-46,505	-3,021
Administrative expenses	-53,971	-64,594
<b>Total</b>	<b>-100,476</b>	<b>-67,615</b>



<b>Operating costs divided into cost types</b>	<b>2023</b>	<b>2022</b>
Staff	-105,390	-79,820
Premises	-6,471	-5,978
Depreciation/amortization	-1,993	-860
Reinsurer's commission	66,455	50,555
Change in DAC	-5,164	12,883
Other operational costs	-47,913	-44,395
<b>Total</b>	<b>-100,476</b>	<b>-67,615</b>

**Note 6 – Operating costs, staff**

	<b>2023</b>		<b>2022</b>	
	Average number of employees	Gender distribution proportion of women %	Average number of employees	Gender distribution proportion of women %
Sweden	25	44%	22	43%
Norway	7	60%	7	56%
Finland	10	30%	10	30%
Denmark	2	0%	2	0%
Spain	7	29%	4	27%
<b>Total</b>	<b>51</b>	<b>40%</b>	<b>45</b>	<b>39%</b>

	<b>2023</b>	<b>2022</b>
Gender distribution, Board of Directors, Proportion of women	0%	0%
Gender distribution, CEO and senior executives, Proportion of women	43%	33%

	<b>2023</b>	<b>2022</b>
<b>Recognized salaries, remunerations, pensions and social fees</b>		
Salaries	-80,605	-56,954
Pensions	-10,895	-10,392
Social fees	-13,890	-12,474
	<b>-105,390</b>	<b>-79,820</b>

## Recognized salaries and remunerations

Chairman of the board	-275	-275
-where variable remuneration	-	-
CEO	-2,752	-2,590
-where variable remuneration	-444	-412
Other employees	-77,578	-54,089
	<b>-80,605</b>	<b>-56,954</b>

**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 1,300 in pension contributions, excluding payroll tax, and social security contributions of 865 tsek were incurred 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 associated companies

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

Nordic Guarantee owns 24.3% in Keyhole Aps, registered in Denmark.

<b>Overview transactions with close related parties</b>	<b>2023</b>	<b>2022</b>
<b>Subordinated loan</b>		
Red Sands Insurance Company (Europe) Limited	10,000	10,000
<b>Loans issued</b>		
Polar Risk Managers AB	9,594	9,594
Keyhole ApS	447	449
Keyhole Founders Holdco ApS	3,533	3,552
	<b>13,574</b>	<b>13,595</b>
<b>Current liabilities</b>		
Red Sands Insurance Company (Europe) Limited – accrued costs	-202	-152
	<b>-202</b>	<b>-152</b>
<b>Income</b>		
Assetinsure Pty Limited – Consultant fee	2,517	1,840
Polar Risk Managers AB – interest	480	480
Keyhole ApS -interest	23	22
Keyhole Founders Holdco ApS -Interest	292	282
	<b>3,312</b>	<b>2,624</b>
<b>Costs</b>		
Red Sands Insurance Company (Europe) Limited - Interest	814	476
	<b>814</b>	<b>476</b>



<b>Note 8 – Auditors' and other consulting fees</b>	<b>2023</b>	<b>2022</b>
EY, auditors' fees	-1,225	-762
Other consultancy fees	-782	-422
<b>Total</b>	<b>-2,007</b>	<b>-1,184</b>

<b>Note 9 – Return on capital, net</b>	<b>2023</b>	<b>2022</b>
Interest income, bonds and other interest-bearing securities	1,915	1,689
Other interest income	2,379	7
Realized profit on shares and other securities	-	-316
Realized profit on bonds and other securities	1,095	48
Unrealized profit on investment assets	16,642	-2,017
Financial expenses	-	-998
Other interest expense	-908	-26
<b>Total</b>	<b>21,123</b>	<b>-1,613</b>

<b>Note 10 – Forex, net</b>	<b>2023</b>	<b>2022</b>
Exchange gains	245,454	23,306
Exchange losses	-245,115	-26,577
<b>Total</b>	<b>339</b>	<b>-3,271</b>

<b>Note 11 – Effective tax</b>	<b>2023</b>	<b>2022</b>
Income tax	-1,432	-
Current foreign tax	-	-5,011
Deferred tax attributable to unpaid foreign tax	-1,277	5,011
Change in deferred tax	1,277	-4,406
Tax on not activated loss carried forward	-2,477	-
	<b>-3,909</b>	<b>-4,406</b>

<b>Reconciliation of effective rate of taxation</b>		
Profit before tax	16,720	19,278
Tax at current rate (20.6%)	-3,444	-3,971
Non-deductible costs	-467	-620
Non-taxable income	3	185
Current foreign tax	-	-5,011
Utilization of tax losses brought forward from prior years	-	5,011
<b>Recognized effective tax</b>	<b>-3,909</b>	<b>-4,406</b>

Total loss carried forward is TSEK 0 (2022: 13,145)

<b>Note 12 – Intangible assets</b>	<b>2023</b>	<b>2022</b>
<i>Intangible assets:</i>		
Opening accumulated cost	42,328	41,386
Acquisitions for the year	879	942
<b>Closing accumulated cost</b>	<b>43,207</b>	<b>42,328</b>
Opening accumulated amortization	-23,624	-23,624
Amortization for the year	-1,309	
<b>Closing accumulated amortization</b>	<b>-24,933</b>	<b>-23,624</b>
<b>Closing residual value according to plan</b>	<b>18,274</b>	<b>18,704</b>

<b>Note 13 – Share in associate companies</b>	<b>2023</b>	<b>2022</b>
At the beginning of the year	557	120,056
Share acquisition	336	
Disposal sale		-120,400
Gain on desposal		2,867
Shares in the associated company's results	-893	-1,966
<b>Carrying amount at year-end using the equity method</b>	<b>0</b>	<b>557</b>

<b>Company, Registered office</b>	<b>Share of equity</b>	<b>Number of shares held</b>	<b>Carrying value</b>
Keyhole ApS, based in Copenhagen, Denmark	24.3%	28,325	0

<b>Company</b>	<b>Registration number</b>	<b>Total Profit/Loss for the year</b>	<b>Total Equity</b>
Keyhole ApS	40320377	-3,928,413 DKK	-3,082,717 DKK

Note 14 – Financial investment assets	Acquisition cost		Market value		Book value	
	2023	2022	2023	2022	2023	2023
Bonds and other interest-bearing securities	289,146	279,866	304,599	278,256	304,599	278,256
Loan	13,574	18,998	13,574	18,998	13,574	18,998
Deposits	17,392	-	17,392	-	17,392	-
<b>Total</b>	<b>320,112</b>	<b>298,863</b>	<b>335,565</b>	<b>297,254</b>	<b>335,565</b>	<b>297,254</b>

TSEK 275,931 (252,232) of the financial investment assets are valued at prices according to level 1 (quoted prices in an active market) and TSEK 28,668 ksek (26,024) 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	20,074	7%	20,483	7%	20,483	7%
Other Swedish issuers	127,669	47%	133,822	44%	133,822	44%
Foreign governments	18,276	7%	17,406	6%	17,406	6%
Other foreign issuers	105,242	39%	132,889	44%	132,889	44%
<b>Total</b>	<b>271,260</b>	<b>100%</b>	<b>304,599</b>	<b>100%</b>	<b>304,599</b>	<b>100%</b>

Note 15 – Receivables concerning direct insurance	2023	2022
Receivables from policyholders	91,232	105,940
<b>Total</b>	<b>91,232</b>	<b>105,940</b>

Note 16 – Other receivables	2023	2022
Deferred tax assets	3,734	7,719
Other receivables	9,812	2,436
<b>Total</b>	<b>13,546</b>	<b>10,155</b>

Note 17 – Deferred tax assets	2023	2022
Total loss carried forward	-	13,145
Activated loss carried forward	-	13,145
Deferred tax	-	2,708
Tax rate	20,6%	20,6%
Foreign tax not settled	3,734	5,011
Deferred tax related to unpaid foreign tax	3,734	5,011
<b>Total deferred tax</b>	<b>3,734</b>	<b>7,719</b>
Change in deferred tax asset	3,985	1,320
-Where of change in deferred tax asset in income statement	3,754	605
-Where of change in deferred tax asset in other comprehensive income	231	715

<b>Note 18 – Tangible fixed assets</b>	<b>2023</b>	<b>2022</b>
<i>Equipment:</i>		
Opening accumulated cost	6,570	6,538
Currency impact	-5	163
Purchases for the year	1 465	1,485
Disposal/sale	-1 828	-1,616
<b>Closing accumulated cost</b>	<b>6,202</b>	<b>6,570</b>
Opening accumulated amortization	-2,366	-2,195
Currency impact	27	-5
Amortization for the year	-699	-609
Disposal/sale	778	443
<b>Closing accumulated amortization</b>	<b>-2,260</b>	<b>-2,366</b>
<b>Closing residual value according to plan</b>	<b>3,942</b>	<b>4,204</b>
<b>Note 19 – Other prepaid expenses and accrued income</b>	<b>2023</b>	<b>2022</b>
Accrued interest income	1,378	963
Prepaid rental charges	874	935
Deferred Acquisition Cost	78,709	85,524
Other	20,485	2,793
	<b>101,446</b>	<b>90,215</b>
<b>Note 20 – Subordinated loan</b>	<b>2023</b>	<b>2022</b>
Company loan I	10,000	10,000
	<b>10,000</b>	<b>10,000</b>

<b>Specification</b>	<b>Loan</b>	<b>Currency</b>	<b>Issue date</b>	<b>Nominal value</b>	<b>Interest rate</b>	<b>Maturity date</b>
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



<b>Note 21 – Provisions for unearned premiums and protracted risks</b>	<b>2023</b>	<b>2022</b>
Opening balance	405,105	302,758
Change in provisions for unearned premiums and protracted risks	19,182	83,586
-of which, premium income for the year	362,607	349,770
-of which, release premium reserve for the year	-343,425	-266,184
Currency impact due to consolidation	-8,485	18,761
<b>Closing balance</b>	<b>415,802</b>	<b>405,105</b>

<b>Note 22 – Provisions for unsettled claims</b>	<b>2023</b>	<b>2022</b>
Opening balance	133,371	78,448
Change in provisions for unsettled claims	164,372	48,142
Currency impact due to consolidation	-5,448	6,781
<b>Closing balance</b>	<b>292,296</b>	<b>133,371</b>

<b>Note 23 – Liabilities</b>	<b>2023</b>	<b>2022</b>
Liabilities to reinsurers	47,788	39,681
Liabilities to insurance intermediaries	1,738	3,612
Liabilities to policyholders	68,652	48,240
Accounts payable	9,902	5,803
Other	9,340	14,512
	<b>137,419</b>	<b>111,847</b>



<b>Note 24 – Other accrued expenses and deferred income</b>	<b>2023</b>	<b>2022</b>
Staff-related expenses	20,522	19,332
Commission reinsurance	61,700	62,139
Commission insurance intermediaries	1,557	1,612
Other	10,205	2,655
	<b>93,984</b>	<b>85,738</b>

<b>Note 25 – Expected recovery times for assets and liabilities</b>	<b>No more than 1 year</b>	<b>Longer than 1 year</b>	<b>Total</b>
Other intangible assets	1,728	16,546	18,274
Other financial investment assets	507	335,058	335,565
Receivables concerning direct insurance	91,232	-	91,232
Reinsurers share of unearned premiums and protracted risks	141,245	52,631	193,876
Receivables from reinsurers, unsettled claims	94,904	105,096	200,000
Receivables concerning reinsurance, settled claims	59,606	-	59,606
Other receivables	13,546	-	13,546
Tangible fixed assets	1,028	2,914	3,942
Bank balances	177,818	-	177,818
Other prepaid expenses and accrued income	59,192	42,254	101,446
<b>Total assets</b>	<b>640,805</b>	<b>554,500</b>	<b>1,195,305</b>



	No more than 1 year	Longer than 1 year	Total
Subordinated loan	-	10,000	10,000
Provisions for unearned premiums and protracted risks	243,010	172,792	415,802
Provisions for unsettled claims	138,700	153,596	292,296
Liabilities concerning direct insurance	70,391	-	70,391
Liabilities concerning reinsurers	47,788	-	47,788
Other liabilities	19,241	-	19,241
Other accrued expenses and deferred income	73,979	20,005	93,984
<b>Total provisions and liabilities</b>	<b>593,109</b>	<b>356,393</b>	<b>949,502</b>

Note 26 – Class analysis	Surety	Miscellaneous Financial loss	Other property damage	Total
2023:				
Premium income ooa	142,786	52,995	6,975	202,756
Premium revenue ooa	106,839	39,946	6,917	153,702
Insurance compensation ooa	-77,660	-14,391	-5,834	-97,885
Operating costs ooa	-78,303	-18,873	-3,300	-100,476
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

Note 27- Other information	2023	2022
<b>Pledged assets</b>		
Registered assets to cover actuarial provisions, ooa	427,160	336,994
<b>Contingent liabilities</b>		
	None	None
<b>Commitments</b>		
	None	None

## Stockholm 26 March 2024

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Peter Lindblad  
*Chair*

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Per Nielsen  
*Director*

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Robert John Symmonds  
*Director*

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Donnell Gouveia  
*Director*

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Erik Ljungren  
*Director and CEO*

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Shaun Cawdery  
*Director*

Our audit report was submitted on  
26 March 2024  
*Ernst & Young*

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Erik Benjaminsson Castlin  
*Authorised Public Accountant*



# OUR EUROPEAN FOOTPRINT



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