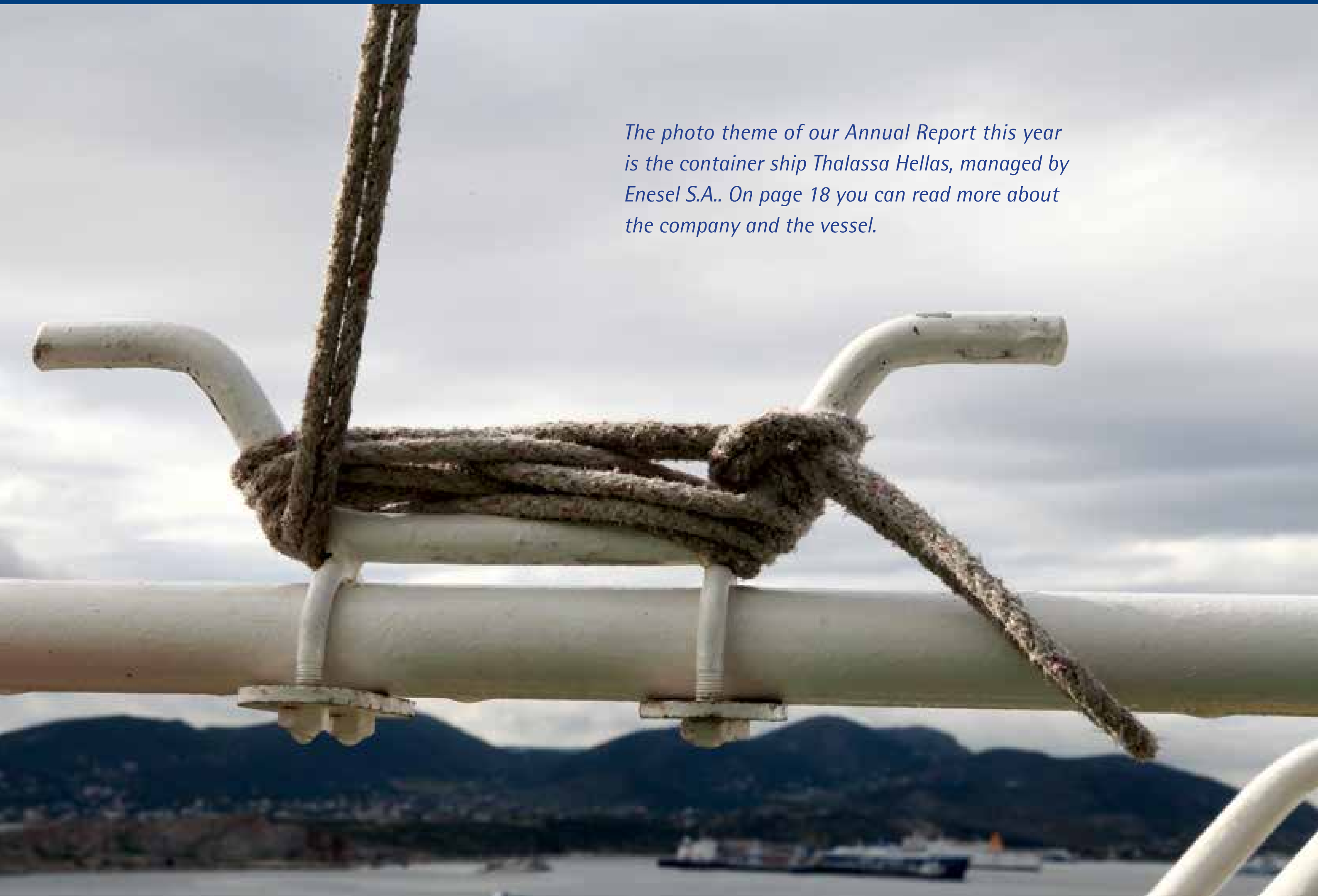
Sveriges Ångfartygs Assurans Förening
The Swedish Club
Est. 1872

Annual Report 2014

for the year ended 31 December

Contents



The photo theme of our Annual Report this year is the container ship Thalassa Hellas, managed by Enesel S.A.. On page 18 you can read more about the company and the vessel.

The year in brief

- A- rating from A.M. Best
- Strong operating performance
- Free reserves reaches USD 186.3 million
- All classes delivered combined ratio below 100%
- Diversification by new insurance products

Financial highlights

The financial year January through December:

USD thousands	2014	2013	2012	Average
Calls and premiums	180 719	172 286	170 287	174 431
Reinsurance premiums	-41 272	-46 518	-40 581	-42 790
Net claims incurred	-93 151	-90 409	-116 812	-100 124
Financial result	-304	8 897	22 446	10 346
Actual result	18 389	16 982	9 074	14 815
Loss ratio	67%	72%	90%	76%
Expense ratio	20%	22%	20%	21%
Combined ratio	87%	94%	110%	97%

Chairman's Overview

Lennart Simonsson

Delivering on a stable promise

A sound development rather than an upheaval, has been the watchword for the last 12 months with shipowners continuing to trade, in what have been tough market conditions. In general, 2014 was "just another year" for the shipping industry, as it continued its efforts to trade out of the worst financial crisis seen in a generation.

Our members remain confident in the fact that The Swedish Club is committed to the strategy of ongoing stability driven by a policy of business as usual and diversification with a purpose.

The shipping markets are so fragmented that it is like gazing into a crystal ball to try and second guess what the future will bring. But what now has to be regarded as the norm, is the very uncertainty which is facing our members on a daily basis. Yes, fast-changing political issues, such as the Russia/Ukraine situation, affect market stability as do rising tonnage levels and fragile global economies, but shipowners are resilient people and will continue to strive to adapt to the markets they find themselves in.

If an owner is only supplying tonnage into the market then the stability of the ongoing time charter commitments remains paramount. Any owner who has renewed a charter arrangement over the past year will be feeling the pinch. Let's face it, it has been pretty tough and freight rates have been pretty bad. Conversely, some shipowners with their own operations and chartering in tonnage have done well, especially if they have renewed time charter arrangements over the period.

Everyone is waiting for the business to pick up and the temptation is to 'clock-watch' for positive blips in the freight markets. But be warned, these may be seen as quick fix solutions; a more long-term strategic approach to keeping costs under control and maintaining revenue streams has to be embraced.

Economy, ecology and safety to meet the future

Cost control is at the top of every shipowner's list of priorities but as a Club we are pleased to say we have not seen any trend towards owners' cutting back on the safe operation of their vessels. A lot of this has to do with the markets our members are operating in. Highly regulated markets, like the tanker sector, set their own industry standards that owners choose to fall below at their peril. Missing out on an oil major charter because of a failed vetting inspection is not on any shipowner's agenda. They will continue to look at ways to save costs only as long as their efforts don't impinge on their chances of retaining valuable charters and as long as the environment remains protected.

Eco shipping is making its way through our industry. New vessel types which are economical to operate and provide ecological advantages, in terms of reduced emissions, will create a more and more attractive proposition for shipowners as the environmental regulatory burdens will grow. We are looking forward to the day when Eco shipping is an equally economic and ecological solution to our members.

With the base in our long tradition in marine insurance, paired with a pliability to customise our services to the market conditions, we are adapting to the turns of the shipping industry. For the moment, we see a positive trend in the tanker market, and the container business seem to follow their lead. For bulker owners it still seems a bit rough before the upsurge makes its appearance.

Managing Director's Comments

Lars Rhodin

Maintaining a steady course driven by strategy and progress

2014 was a stable year for The Swedish Club, where the underwriting result outperformed the financial performance. It was also a year when all our insurance products returned a staunch to a high surplus and where we continued to benefit from our diversification policies as well as the risk transfer arrangements introduced in 2010.

This solid operating result was significant given the claims experience and the on-going market conditions, with the Club recording an overall surplus of USD 18.4 million while the free reserves reached USD 186 million. The Club's investment portfolio generated a return of 1.6% against a benchmark at the same level. The consolidated net combined ratio of 87% was more than satisfactory and benefits were seen from the diversity of product mix generating good balance and some welcome synergies. The risk transfer arrangement was also structured to add benefit.

Rising gross tonnage (GT) numbers for P&I and Marine

On the P&I side, last year saw a frequency rise in claims, driven largely by an increase in crew injury and illness claims. There is no immediate reason as yet for this rise, however, we are looking into the standards being set – and ultimately being met – for seafarer pre-employment medical examinations (PEME). P&I claims frequency have been on the rise since 2009 but ended last year at a level in excess of 0.6 claims per vessel/year.

During 2014, The Swedish Club's turnover continued to grow. Buoyed up in part by new members, we saw our P&I fleet reach the 62 million GT level (including owned entries which passed the 41.5 million GT mark). This result reflects our view on how to develop the company into the future. Though a club never can control the claims environment, we have the financial as well as the reinsurance pillar to rely on, which in a long-term perspective should work to our favour.

In the Marine business sector, we reported stable to increasing volumes over the period. We have seen a frequency at 0.2 claims per vessel/year with a considerably lower severity reported overall, part of which can be explained by very competitive ship repair prices and good repair terms. Pricing on the Marine products side remains soft, a factor which will benefit our members. During the year we have further developed several member accounts to take a lead position and this work will continue in 2015.

Loss prevention remains a cornerstone of our operation and we continued our programme last year of producing a range of informative publications for the industry. These included: 'Ice — Advice for trading in polar regions', as well as how owners can make light work of 'Heavy Weather'. These products are important sources of information and of value to our members as they work to keep the frequency of their claims down.

Despite the International Group once again experiencing a relatively high instance of claims, The Swedish Club is pleased to report that it had no pool claims during the policy year. Reinsurance and the allocation of Group excess reinsurance costs remain at the top of the IG's agenda as do other issues such as Passenger Liability Regulations and the Athens Protocol; international sanctions and amendments to the Maritime Labour Convention related to unpaid wages. The Swedish Club has taken a decision to certify crew back wages in the instance of vessels being aban-

doned, to the internationally-agreed limit of four months as determined by the recent amendments to the Maritime Labour Convention. Whether we provide the cover ourselves or offset that risk still has to be agreed but we have decided to certify the amendment by the 2016 deadline.

Living the changes

The Club took two major strategic decisions back in 2013: to further reinforce its commitment to the Norwegian market and to take action to accelerate the uptake of Maritime Resource Management (MRM). In order to provide best service to our members, 2014 was chosen as a year of organisational consolidation and small tiller movements to ensure correct course. Sometimes it is good to take a breather and gain a helicopters perspective; see the changes settle and develop. Seen from such angle our major developments was under the mantra "festina lente" — or hurry up slowly.

In our business you cannot jeopardise quality. With that in mind, we are a club in constant movement and our role as a diversified one-stop-shop, developed further during last year. Insurance products launched in 2013 gained momentum and 2014 saw the introduction of new insurance offers to the market such as Builders Risk, Kidnap & Ransom and Extended Charterer's Liability. Any diversification we undertake is carried out with the aim of offering our members comprehensive solutions, while also reducing volatility. Additional user-friendly products are in the pipeline. It is essential that we communicate healthy growth against a backdrop of stable pricing. In insurance you are selling the service as well as the financial stability. That is what is important.

Excellent financial strength from A.M Best

Major elements of the Solvency II model were put into operational use in 2014. These included key issues such as systems of governance, submission of the fourth ORSA (Own Risk and Solvency Assessment) as well as a number of regulatory reporting functions.

The year ended on a good note with A.M. Best Ratings Services Ltd awarding The Swedish Club a financial strength rating of A- (Excellent) and an issuer credit rating of "a-", with a stable outlook, claiming the Club is expected to maintain an excellent risk-adjusted capitalisation throughout 2015. As a mutual association, the Club accepts some volatility in underwriting performance, it said, but, with five years of profitable operations out of the last six, free reserves have increased from USD 105.9 million at year-end 2008 to USD 164.8 million at year-end 2013.

A.M. Best said in a statement: "The Club reported a good profit for 2013 of USD 17.0 million before tax and transfer to safety reserve (2012: USD 9.1 million), reflecting a strong technical result and solid investment earnings. In 2014, a good pre-tax profit is again expected."

"The Club has a strong underwriting record with a five year (2009-2013) average combined ratio of 99.2%, in spite of the combined ratio being around 110% for 2011 and 2012. Investment earnings also have been subject to some volatility, due in part to the high proportion of equity investments," A.M. Best stressed.

Risk Management
Just Arne Storvik
Acting Risk Manager

Compliance and added value

2014 turned out to be a very strong year and well above expectations. This was largely due to the productive nature of the business mix on offer and our ability to reduce some of our top exposures, which helped to produce an unusually low number of larger losses. The slowdown in global trade and the resultant under-utilisation of the shipping capacity around the world has helped to keep the frequency of losses down.

Our work to develop and implement a Solvency II infrastructure has progressed to such an extent that the question now is how do we take advantage of the investment we have made in systems and skills?

Introducing something as complex as Solvency II across the insurance sector has meant a lot of cost and the fact that it has been a drawn-out process hasn't helped. So we have to ask ourselves, how do we take advantage of the situation? To what extent do we tweak the business mix we are offering, what business should we be trying to write, and how do we further optimise diversification, taking correlation between business lines and individual insured objects into consideration. One thing is for sure, we are in a strong position now to use the toolkit we developed to effectively analyse the business mix we offer our members.

Strong capital position

The board made a decision during the year not to seek approval of the internal capital model for Solvency II pillar I purposes, but instead use the standard model to satisfy the needs of the regulators in calculating the capital adequacy. A key reason is that The Swedish Club is in a very strong capital position, whether we run the standard model, our own internal model or ratings agency models, such as those maintained by AM Best and S&P. Looking at capitalisation in isolation, most would agree we have a capitalisation equivalent to a AA or AAA rating. Choosing the internal capital model route is very time-consuming with both the regulator and the regulated having to commit around 1,000 man hours to the approval process. This would have reduced our ability to start making use of the toolkit we have produced for practical decision-making support. So if there is no constraint on your capital and you are satisfied having your capitalisation calculated in the standard model, then there is no upside in getting approval for the internal capital model.

It can be argued that the standard model may not capture as fully the benefits of a company's individual reinsurance arrangements, nor possibly the full value of the shared risk transfer and mitigation methods implemented within the International Group. However, we calculated that if we maintain our own internal capital model and continue to work on the documentation, we reserve that option to switch at some stage in the future should there be a rationale to do so.

Solid risk model

Formation of two internal committees – the Reserve Committee and the Risk Committee – reached fruition during the year. The more operationally focused Reserve Committee meets on a regular basis and brings together competence across the board. We looked at issues such as what is our run-off experience, which are the larger complex cases we have, what do we need to be aware of, what are the uncertainties and where do the new and emerging threats come in.

The Risk Committee has worked hard in terms of mapping out risks across the organisation. It has held workshops in different departments and in different offices, naming risk owners close to the coalface. We have noticed how small the residual risks are within the organisation beyond what is already reflected in our models.

Legal
Anders Leissner
Director Corporate Legal and FD&D

The ever changing regulatory chart

Insurance continued to be a key element in maritime liability legislation in 2014. The Nairobi Wreck Removal Convention contains a regime that is dependent on P&I clubs providing financial guarantees for the removal of wrecks. The same can be said about changes made to the Maritime Labour Convention, which will result in an expanded P&I cover to encompass four months' worth of unpaid wages for seafarers abandoned because of shipowner bankruptcies.

Clearly, the guiding thought for the world's policy makers is to cater for stability and minimize the risks for unpleasant surprises, and insurance companies will play an increasingly important role in our future society in fulfilling that goal.

The increasing significance of insurance can also be seen at a micro level where a bareboat charterer's Hull insurance has been held to be sufficient reason to preempt a recourse action for an unsafe port claim against the time charterer (the OCEAN VICTORY).

EU and US sanctions have continued to cause turmoil for marine insurers. In 2014, there was an increased interaction by government agencies against the P&I clubs within the International Group, about alleged sanction breaches by the clubs' members. Many of the incidents have concerned alleged illegal transshipment of Iranian oil in the Persian Gulf and agencies have apparently identified clubs as appropriate vehicles to enforce sanctions legislation.

In 2014, we also saw an increase in regulatory requirements regarding corporate governance. We have allocated significant resources to ensure compliance with various tax regimes and the preparatory guidelines for Solvency II, to name some.

Summing up the FD&D year

We can summarise a positive Freight Demurrage and Defence (FD&D) year with a combined ratio – that is premiums in relation to claims and internal costs – of 72%. The result was a surplus of USD 2 million. The combined ratio for the FD&D business for the last three years is 75%, which is remarkably good given the tough trading conditions our members have encountered since 2008. There has certainly not been a shortage of legal disputes, but good case management and solution-oriented approaches by the our FD&D lawyers have contributed in keeping external legal costs under control.

The Club has insured 820 vessels totalling 34.2 million GT for FD&D risks – an increase from 723 vessels of 29.5 million GT in 2013. Growth is particularly notable in the Asian market with the result that Team Asia now manages more than half of our total FD&D business. Total premium income for 2014 was slightly above USD 6 million.

The default of Korean operator STX Pan Ocean in 2013 had severe implications for our members and resulted in numerous legal disputes for our FD&D lawyers to deal with. The costs for these disputes correspond to about 30% of the FD&D premium income for 2013.

History repeated itself in 2014 when OW Bunker – with operations in 29 countries – filed for bankruptcy. What complicates the matter is that the company acted as an intermediate. Hence, local bunker suppliers pursue innocent owners and charterers who already have paid OW Bunker. This is a reminder that shipping is a network of dependencies and one party's default can have severe global implications.

We expect insolvency issues in the shipping industry to continue to generate complex and costly disputes for our members in 2015 as well as the claims cost for 2014 to increase, given the long tail of the FD&D business.

Review of Operations

Tord Nilsson
Director Underwriting & Risk Control

Jacob Vierö
Director Marketing & Business Development

Lars A. Malm
Director Strategic Business Development & Client Relationship

Operations better than anticipated

2014 turned out to be a successful underwriting year, with both better than anticipated results as well as higher than expected business volumes. We continued to benefit from a positive underwriting performance across all major categories: P&I, H&M, Energy and FD&D due to a benign claims environment. Combined ratios for all individual lines of business were below 100% and the overall combined ratio set a record for recent years of 87%, to be compared with 94% in 2013.

As we have a goal of being below 100% on an overall basis, we are satisfied with the outcome but we also realise that marine insurance is a business with ups and downs. The 87% combined ratio translates into an underwriting surplus of USD 18.4 million when including investment income. All four teams posted positive underwriting figures and even outperformed the goals set.

To summarise: Team Gothenburg targeted the task of increasing and balancing the portfolio between P&I, H&M and associated classes and saw good results, Team Piraeus reported a significant volume growth in their P&I book, Team Norway substantially extended the writing of Offshore Service Vessels (OSV) insurance and Team Asia saw the Charterer's and Owners P&I portfolio grow above expectations.

Steady growth

In 2014 we reaped the benefits of diversification and by having a reinsurance programme catering to protect us from the downside and conserve the upside. We take on more risk today compared to what we used to, and we have therefore modified our business model to make sure that we maximise our risk and reward ratio. The effect of the reinsurance programme's ability to conserve the upside was highlighted in 2014 with every line of business showing a strong operating performance and black figures.

The strong result over the last few years has enabled us to keep overall premiums at low levels and to offer some of the lowest P&I General Increases when comparing with our peers in the International Group. Many segments of shipping have been in dire straits for a long time and it is important for us to make sure that we keep premiums low to support our members, but at the same time ensure that we are financially strong and able to deal with the large exposures and claims that we were set up to handle.

A few years ago we set out on a journey with a strategy of steady progress within a mutual framework. The vision was managed growth, positive results, strong free reserves and a more diversified offering, coupled with the hallmark high service levels. In 2014 the Club reached record tonnage figures for P&I as well as Marine and Energy. The P&I book now stands at 62 million GT, including Charterers' entries and the Marine and Energy book has grown more than 50% in number of units insured over the last three years.

Diversification of the portfolio

We must not forget that we are in the business to cover claims and while some insurance classes may be under pressure from a decline in rates, our decision to offer a diversified range of products is important to our goal of producing a balanced result. In 2014 we added Kidnap and Ransom and Builder's Risk to our offering. In 2013 we started insuring offshore supply vessels and the expansion into this market continued during 2014 in accordance with the plans set out. We also extended our Charterer's Liability

insurance to include a range of add-on covers that extends and enhances the offering. The aim of our policy of diversification and responsiveness to the needs of the market, is that it will pay dividends to us and our members, which it did in 2014.

The emphasis has been on discipline and managed growth. We have to be disciplined in the way we underwrite and make sure that we insure the right risks, at the right premium and under the right conditions. We are proud of the fact that over the last five to six years we have had a number of large claims, and yet when looking at our results, the impact has been minimal. This shows a number of things: mainly that we are able to effectively handle the larger claims, something we receive a lot of credit for from our members, but it also shows that financially, we are able to cope with the bigger hits without them being too much of a burden on our bottom line.

We continue to see very high retention levels for our members of nearly 100%, a factor we attribute to the important relationships we have built with our members over the years. We want to be a mutual where shipowners feel that they are part of a club, where they are looked after well and where they feel that their best interests are at the heart of what we do.

The Swedish Club's way of interacting with the market

In a business environment where the speed of change is increasing, interacting with members and the market is becoming ever more important. Communicating The Swedish Club's values through printed media such as our magazine Triton, our website and our LinkedIn page, has become the new norm, and we furnish members and business partners with comprehensive information through these channels.

Information flowing in our direction is potentially even more important in shaping the Club, which has made visits to members and business partners a higher priority. In addition, through one-2-one meetings and events located in major shipping hubs, we receive direct input on market trends, business feedback and concrete suggestions for information sharing. As a result of all the feedback, we are now launching an improved version of our extranet – SCOL – where every member receives direct insight to the insurance aspects covering their fleet and the statistics surrounding it. Every implemented change made in the system is driven by members' wishes.

Insightful underwriting, information sharing and agile claims handling are essential factors for any club today, but most of all, we are a support organisation for our members to trust. We know that prompt action and clear information, within the playing field of marine insurance, is expected of us and we are all striving to deliver that every day. In addition, The Swedish Club is taking it a

> ...most of all, we are a support organisation for our members to trust.

step further through a lean, transparent company culture, where service infuses all aspects of our working environment. These are values that bring us closer to our members.

Managing the claims environment

While the number of claims last year remained at the same level as the previous, there was an absence of larger ones in 2014. On H&M there is a clear correlation between fewer larger claims and the general market conditions. The reduced losses are primarily driven by lower repair costs fuelled by lower steel prices and greater repair yard availability, as well as lower freight rates. Consequently, vessels are cheaper to repair and if they go off-hire because of a casualty, then the insurance payout is significantly less today compared to what would be the case in a booming market.

On P&I this correlation is not as clear. Without doubt, the main cost drivers in large P&I claims continue to remain location and authority intervention. Having a grounding or a pollution incident in the wrong place, will negatively impact the overall cost.

As mentioned initially, the number of claims has remained on a par with the previous year. Turning to navigational claims, contacts, collisions and groundings it appears as if human error remains the most common immediate cause of these incidents. To this end, finding experienced and fit crew continues to be a top priority. The shipping markets may be depressed but there is still a lot of activity going on and vessels need to be crewed. While we wouldn't argue that the crew out there is less educated than they should be – if fact the opposite is probably true – they are in general less experienced. Operating a vessel is not only about theoretical knowledge, it is also about practical knowledge.

Ongoing loss prevention efforts

Far more important than finding experienced and well-educated crew is to implement a sustainable safety culture in the organisation. This applies on board as well as ashore and also requires buy-in from top to bottom at the organisation. This is why we launched our Maritime Resource Management (MRM) campaign in 2014, where we offer free licences to our members for two years. We truly believe that, if implemented correctly, this is the most powerful response to the issue of preventing future claims. Our view on loss prevention is that if we can just take out one claim, it can prove to have saved our members and the industry as a whole yet another significant loss. You never know, the casualty we assisted in avoiding could prove to be the costliest of them all.

The MRM programme is an important initiative and while members enjoy the benefit of free licenses for the moment, the effort of implementation rests with them. In this respect our Swedish Club Operations Review (SCORE) provides a bridge between MRM and the more operational issues that members are facing on a daily basis.

We know for a fact that MRM works – if implemented correctly – with the result that an owner will enjoy the benefits of a reduced frequency of claims. We will continue to assist and support members adopting and implementing MRM, as it has proved to make a significant difference.

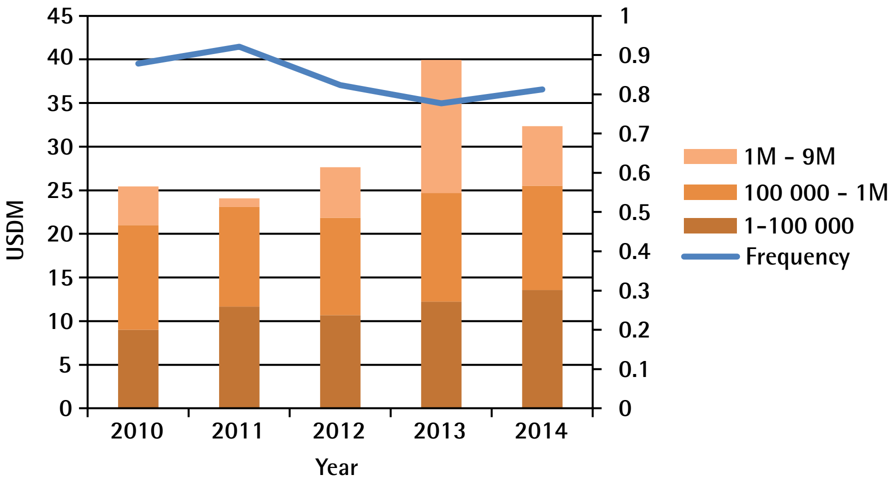
> ...our membership includes a wide range of loss prevention products.

Keeping members informed

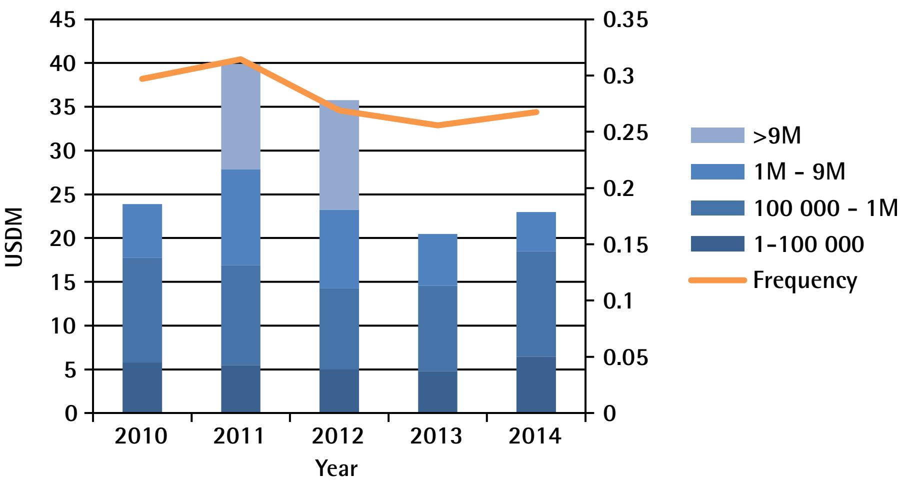
When we detect areas of concern in relation to claims, our immediate response is to inform our members about what is going on and where they should be focusing their attention. We have a comprehensive range of loss prevention publications designed to specifically do that. Coupled with the MRM campaign, our membership includes a wide range of loss prevention products within the areas of navigational claims, cargo, injury and illness claims, as well as main engine damage claims. In addition, SCORE enables members to collaborate with the Club, find the root cause of a casualty and adopt preventive measures to avoid a recurrence.

Furthermore, SCORE offers benchmarking opportunities to members whereby they can easily detect the areas of their operations where there could be room for improvement in order to minimise risks. We strongly believe that shipowners and managers with organisations dedicated towards safety, can prevent most casualties. This will be achieved by a proactive safety culture instead of a reactive one – an area where The Swedish Club is more than willing to support.

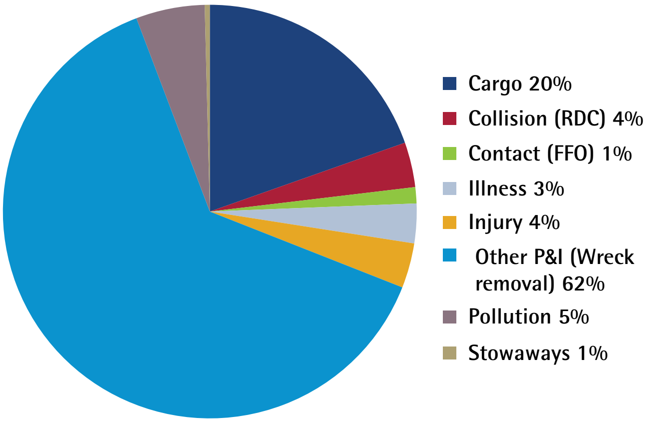
P&I claims values 2010 – 2014



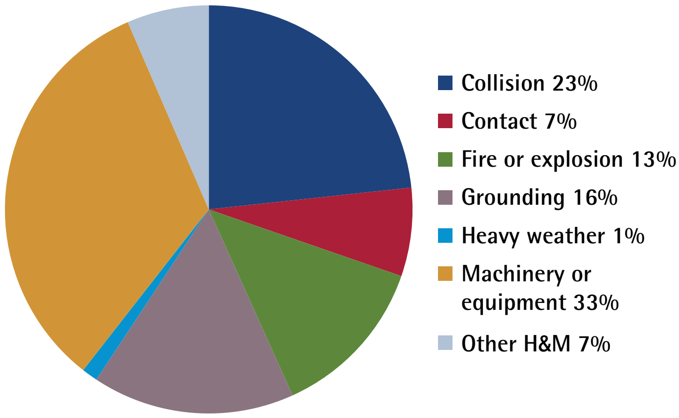
H&M claims values 2010 – 2014



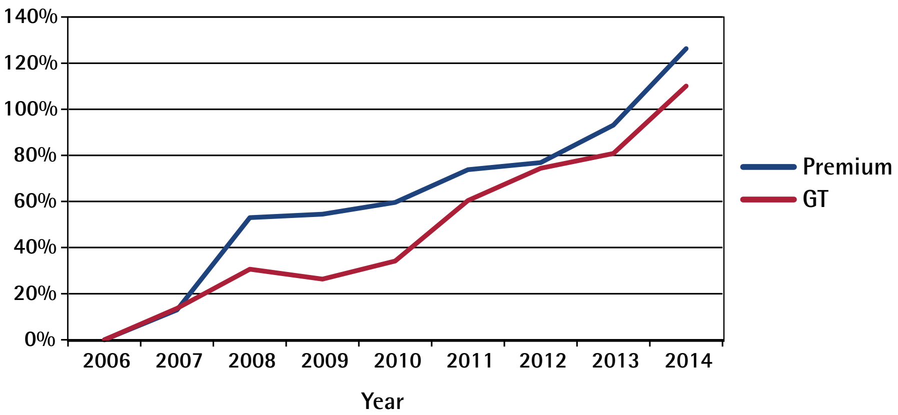
P&I claims cost 2010 – 2014



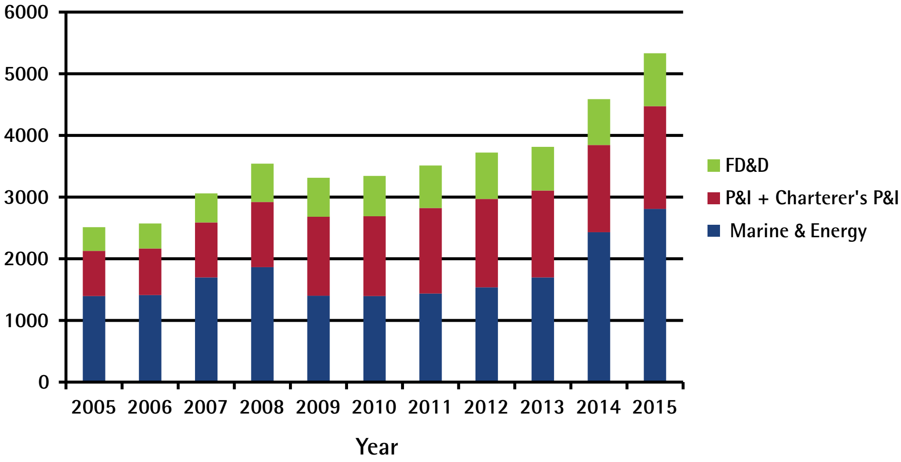
H&M claims cost 2010 – 2014



P&I premium and GT growth



Number of vessels insured



Human Resources
Helena Wallerius Dahlsten
Director Human Resources

Our staff is our greatest asset

The Swedish Club is only as good as the people who work here, which is why attracting the right people to a career at our company is a crucial part of our Human Resources activities. We like to think of ourselves as a knowledge company. While we sell insurance products and financial protection to the shipping market, we are ultimately selling our knowledge and our expertise. This is why our employees need to have the relevant education and experience.

But this is not the sole key to success; we also pay attention to attitude and behaviour when we select our staff. If you enjoy adding value to everything you do, then you are a potential Swedish Club candidate. Understanding members' needs, having the Club's best interests at heart and being keen on sharing knowledge with colleagues, are other qualities that are highly ranked. Quite simply – commitment to our mission to serve our members.

The market perception and Employer Value Proposition

All companies have an employer brand whether they like it or not. Managing your Employer Value Proposition is important if you want to attract and retain the best in the business. It is a lot about getting across the value that we can add to our staff. We need to state who we are and understand what our future staff members will be looking for.

A recent survey of young Swedish professionals stated that the most important factor when looking for a career, was a dynamic and creative work environment. The nature of our business offers exactly that plus daily interaction with people from different cultures. This helps in promoting many of the roles we recruit for. The survey also showed that young professionals wanted leaders who were prepared to support their career development and they sought a working culture where employees were treated with respect. This is something that we place great importance on at The Swedish Club. Good leadership and promoting development is always high on the agenda. In addition, the survey established that a good balance between work and private life was essential, as well as job security and an intellectual challenge.

Sharing knowledge

We have a longstanding tradition of in-house training and education. Young professionals, often armed with legal, engineering or shipping degrees, join our trainee programmes, and we are proud to say that our trainees and other young employees are well cared for and supported in their development.

Qualities we regard as attractive to potential job candidates include belonging to a highly qualified and committed team, having a positive and generous attitude in their daily work – where sharing information and knowledge is seen as a strength and a prerequisite – and interacting with people from different cultures. We are a financially strong company with a long history, proactive management and our leadership style builds on our Scandinavian heritage of organizational efficiency. At the same time we offer a good and efficient working environment.

Another important issue is ensuring that our staff remains up to speed with developments in their specific fields of operation. While our employees are very well educated, the global marine insurance business requires more than that – continual up-dating of knowledge is vital, as is learning from experience in a company-wide context. It is key that we find ways to transform all acquired knowledge into action that can be used in our employees' daily work. Knowledge sharing between colleagues is a strong part of our culture, as is learning by doing.

Finance
Jan Rydenfelt
Director Finance, Reinsurance & IT

Investments in line with benchmark

The Swedish Club's investment portfolio produced a result of USD 5.7 million in 2014, corresponding to a yield of 1.6%. The result was on par with our benchmark, but below the budget expectation. Within the portfolio, and in line with the financial market in general, the variation in returns between different holdings was substantial. The biggest setback was from currency effects due to the depreciation of the Swedish krona and the euro against the dollar.

The average portfolio size was USD 317 million in 2014. The value at year end was USD 336 million. The benchmark we use for our portfolio is a 20/80 mix between equities and bonds. Our asset mix has been relatively close to the benchmark throughout the year.

During 2014, MSCI Global Equity index was up 4.9%. Our global equity holdings outperformed the market by around 1%. Among our global equity holdings, Carnegie Worldwide was the most successful last year, delivering a 10% return. There was also substantial dissimilarity in the development across regions. In dollar terms, North America was up 12% and the Euro area was down 8%. The world index excluding USA was actually down 4%.

Canyon Balanced Fund produced good return

In the emerging markets, the discrepancy was even larger. The MSCI emerging market index was down 2%, but while Asian and African markets were up 4-5%, Russia, affected by falling oil prices and the crises in Ukraine was down almost 50%! Our exposure to emerging markets is primarily through our investment in Vontobel Emerging Market Equity Fund. The fund is overweighted in companies working in the domestic markets, such as retail and infrastructure. However, the fund has little or no direct exposure to the energy sector, which, overall, has a major impact on emerging markets. With a return of almost 6%, the fund substantially outperformed its benchmark.

For equities, there was also a good spread in the performance from different sectors. Utilities, Health Care and Technology all performed well, while Energy was the worst performer.

Most of our investments are in bonds. We have almost 70% of our holdings in the US bond and credit market. The market was characterized by falling yields. The top performer was 30-year Treasuries, which is a consequence of lower expectations for long-term inflation. During the second half of the year, the yield difference between a 30-year Treasury bond and a 5-year Treasury shrunk from 1.75% to slightly more than 1%. Most high-yield bonds struggled, particularly those exposed to the energy sector. Most of our fixed income managers met or exceeded their benchmarks in 2014. Among our investments in US bonds and credits, the best performer was the Canyon Balanced Fund with a return of 6%. The fund is specialised in stressed and distressed credits.

In order to match liabilities, we have around 10% of our investments in EUR bonds and we also have 3% in SEK bonds. Due to the depreciation of these currencies, of 11% and 17% respectively during the year, these investments suffered in dollar terms.

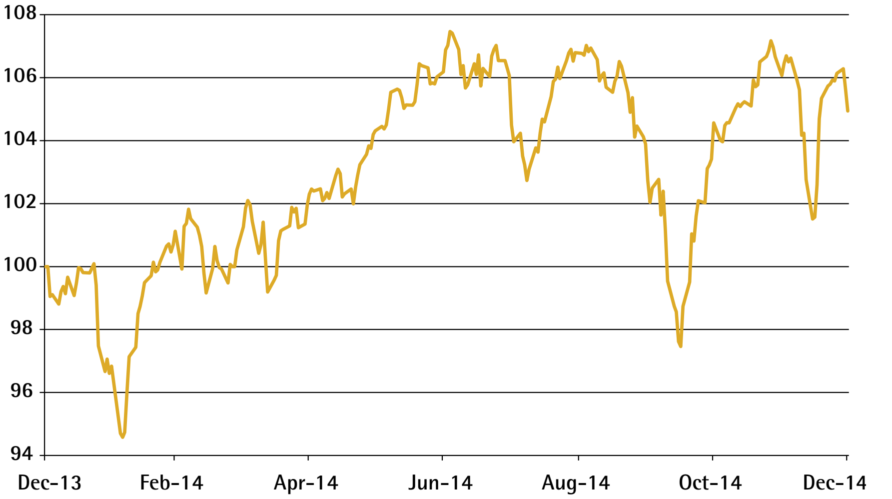
For this year, we expect that the dollar will continue to appreciate against the euro. The euro area is still struggling with high unemployment and low GDP (Gross Domestic Product) growth. For the last two years we have hardly seen any GDP growth, while the USA has had an aggregated growth of almost 5% for the same period. The gap is expected to increase even further this year. The European Central Bank is doing its outmost to get the wheels rolling. If there are no major shocks in the market, we expect that low interest rates will continue to support a relatively strong equity market. In the investment portfolio, we have reduced holdings in high yield bonds compared to last year and slightly reduced the duration of the bond portfolio. We have also roughly maintained the 20/80 mix between equities and bonds.

Reinsurance

For the International Group of P&I Clubs in general, as well as for The Swedish Club in particular, 2014 was a benign claims year. As of 20 December 2014, only four pool claims had been reported in excess of USD 25 million, and none in excess of USD 80 million. However, there was further development during 2014 on the 2011/12 policy year, which produced the first and third largest ever claims on group pool. In total, these two claims, Costa Concordia and Rena, accounted for an increase of USD 330 million in 2014. Despite this deterioration and thanks to benign claims years not only 2014 but also for the two previous policy years, the group is able to offer reduced group reinsurance cost for tankers by 8% and for dry cargo by 6%. For passenger vessels, the group reinsurance cost is unchanged.

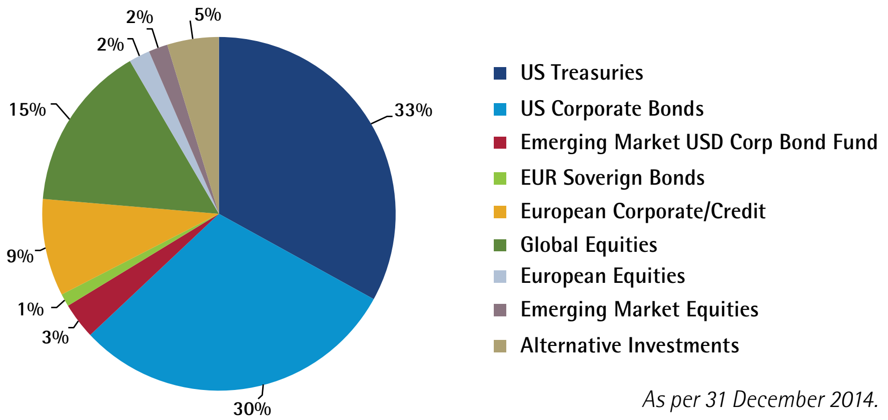
The Swedish Club's sole reinsurance programme also had a favourable outcome last year. We only had one claim reported in excess of USD 2 million. The casualty has a USD 4.5 million reserve. Thanks to the good results of the programme for the last two years, we were able achieve favourable terms for 2015. We have kept the strategy that was introduced in 2010, where we pay considerably less for reinsurance in exchange for maintaining more risk in years with an expected claims outcome. In a "freak year" the reinsurance kicks in and gives an extensive cover. The structure is obtained by an Annual Aggregated Deductible in the claims layer USD 8 excess USD 2 million.

Graph 1: World Equity Index



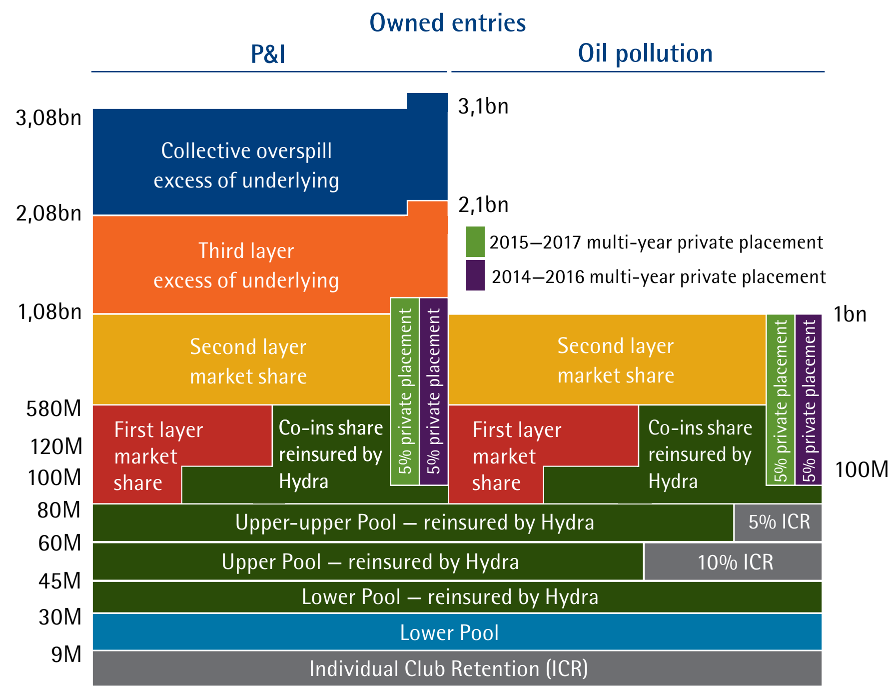
Information taken from MSCI Inc.

Graph 2: Financial investments by type

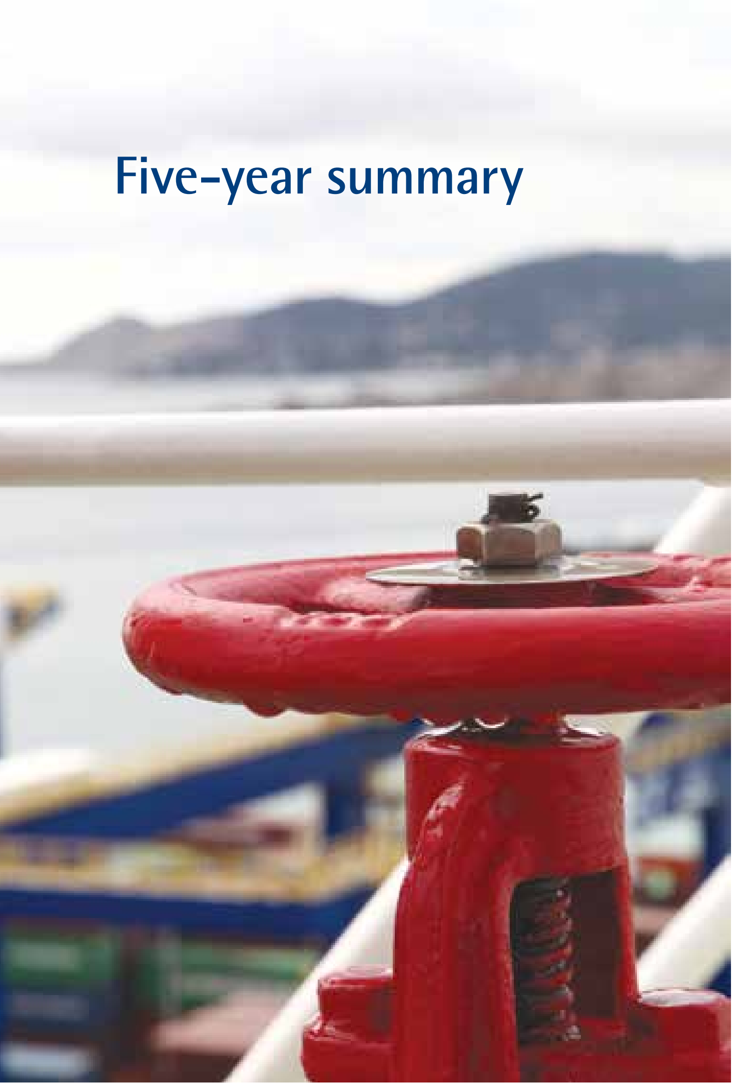


As per 31 December 2014.

Graph 3: IG reinsurance programme



Five-year summary



Insurance facts	2015	2014	2013	2012	2011
P&I insurance, 20 February					
Number of vessels	1 076	1 040	1 013	1 032	994
Gross tonnage (Million)	41.5	37.1	34.8	33.9	30.9
FD&D insurance, 20 February					
Number of vessels	868	724	710	754	753
Gross tonnage (Million)	36.5	29.6	28.5	30.0	29.1
Marine H&M insurance incl. OSV's, 1 January					
Number of vessels	2 653	2 061	1 501	1 365	1 436
Gross tonnage (Million)	92.6	71.7	60.0	56.3	60.2
Insurance value (USD Million)	82 183	66 306	51 025	48 807	50 960
of which the Club has insured (USD Million)	10 350	10 512	10 696	12 050	12 226

Call history, policy year	2015/16	2014/15	2013/14	2012/13	2011/12
P&I insurance					
General increase	2.5%	7.5%	7.5%	5%	2.5%
Additional call/Estimated additional call	0%	0%	0%	0%	0%
Open/Closed	Open	Open	Open	Closed	Closed
FD&D insurance					
General increase	5%	5%	5%	5%	10%
Additional call/Estimated additional call	0%	0%	0%	0%	0%
Open/Closed	Open	Open	Open	Closed	Closed

Enesel S.A.

The pictures in this annual report show a 14,328 teu vessel (built at Hyundai Heavy Industries in 2014) managed by Enesel S.A. – a ship-management company based in Athens, Greece.

The company history can be traced back over 160 years to 1848, when Georgios C. Lemos acquired a small share in a sailing ship. In 1937, Lemos & Pateras Ltd. was set up in London. Nearly 50 years later, N.S. Lemos & Co. Ltd. was established by Captain Nikolas S. Lemos, to act as agent for Avra Shipmanagement S.A. which was founded in the late 1950s, and subsequently for Sealuck Shipping Corporation, founded in 1993. These two entities were merged to create Enesel S.A. in 2003.

The Group has operated dry cargo vessels, container ships, multipurpose ships, OBOs and large crude tankers. Enesel S.A. currently manages 4 tankers – 2 VLCC and 2 aframax – and 14 Ultra Large Eco-Design Containerships. The average age of the fleet is 3.2 years. The entire Containership fleet is chartered to high quality Charterers on long term time-charters. Enesel S.A.'s core focus is based on the provision of reliable, safe and economically efficient services. By reducing market risk through long-term charters and strategic partnership, Enesel S.A ensures that it can continue to invest in this core competency and navigate a steady and sustainable course into the future.

Thalassa Hellas

Type of ship: container ship
IMO: 9665592
MMSI: 563377000
Call Sign: 9V2228
Flag: Singapore (SG)
AIS type: cargo – hazard A (Major)
Gross Tonnage: 148667
Deadweight: 152343 t
Length × Breadth: 368.45m × 51m

Financial statements

Contents

Financial statements

Board of Directors' report

The Board and the Managing Director of The Swedish Club (Sveriges Ångfartygs Assurans Förening) hereby present their annual report for the year 2014, its 142nd year of operation.

Principal activities and structure

The Swedish Club (also referred to in this report as "the Club") is a marine mutual insurer, headquartered in Gothenburg, Sweden, with offices in Hong Kong and Piraeus. The service office in Oslo was restructured in 2014 to a branch office. The Swedish Club is both owned and directly controlled by its members.

The Club's activities concern marine insurance, in the following classes of non-life insurance: Ship (Marine & Energy), Ship liability (Protection and Indemnity, P&I) and Defence (Freight Demurrage & Defence, FD&D).

Reinsurance acceptances are in run-off, with a remaining provision for outstanding claims of USD 0.2 million.

The Club also has a subsidiary which, in accordance with the Swedish Annual Accounts Act 7:5, has not been consolidated as it is of lesser importance with regard to true and fair view requirements. The Club also owns a captive company in Bermuda. This captive company, Hydra, is part of a segregated cell group, of which the other cells are owned respectively by the other members of International Group of P&I Clubs. Because the Club lacks a controlling interest in Hydra, it has not been consolidated either. The value of Hydra is reported under "Other financial investment assets".

Significant events during the year

Since 2002, The Swedish Club has obtained a credit rating from Standard & Poor´s and the current rating is BBB+. During fall 2014, the Club also engaged A.M. Best for a credit rating. On 17 December, A.M. Best gave the Club a credit rating of A-. A.M. Best is the market-leading credit rating company for insurance companies. The Club views its credit rating of A- from A.M. Best as an important stamp of quality.
During 2014, the Club paid a capital contribution of USD 5.3 million to Hydra. At year end, the Club had an assessed market value corresponding to USD 9 million. The value of Hydra is reported in the balance sheet under the heading "Other financial investment assets".

The total claim provision (P&I) for the cargo ship, Rena, which ran aground in October 2011 was increased during 2014 by USD 75 million. The increase was covered by the Club's reinsurance programme. Additionally, the reserve for the claim pertaining to the freighter ship, Flash, from 2012 was increased by USD 12 million. This increase was covered by the Club's pool arrangement with International Group of P&I Clubs.

An H&M claim that occurred in 2008 was settled in 2014 and for it, the Club has accumulated interest on the preliminary settlement, which is reported under "Accrued interest". Upon final settlement of the claim, however, it was determined that this did not comply with the terms and conditions of the insurance agreement. Therefore, a write-off of the accumulated interest for USD 3.1 million impacted the financial result.

Financial overview

The following is a brief commentary on the income statement and balance sheet. For more detailed information, please see the Notes and performance analysis per class of insurance.

Result for the period

For 2014, the result before appropriations and tax was USD 18.4 (17.0) million. The Club's assets are larger than its liabilities in foreign currency, resulting in exchange losses of USD -6.1 (-0.3) million.

The relationship between the result expressed in USD and SEK is shown below as a change in solvency capital:

Solvency capital	USDm	SEK/USD	SEKm
31 December 2013	168.0	6.5084	1 093.1
31 December 2014	186.3	7.8117	1 455.6
Result	18.4		362.5

Insurance activities

Gross premiums written in 2014 amounted to USD 190 (175) million. Following the deduction of outward reinsurance premiums totalling USD 42 (47) million, premiums written amounted to USD 149 (128) million. Earned premiums, net of reinsurance, amounted to USD 139 (126) million.

Part of investment income is reallocated to insurance activities. The amount is based on the expected return on the investment portfolio and the current year's average technical provisions for own account. The amount of transferred investment income was USD 3.8 (3.7) million.

Claims incurred, net of reinsurance, amounted to USD 93 (90) million. In relation to earned premiums, net of reinsurance, this corresponds to 67 (72)%.

For 2014, 16 (20) claims were reported in excess of USD 500,000. For 1 (3) of the claims, the cost before reinsurers' share amounted to more than USD 2 million.

Operating expenses for insurance activities amounted to USD 28 (27) million, which in relation to earned premiums, net of reinsurance, corresponds to 20 (22)%.

The balance on the technical account totalled USD 22 (12) million.

Result by class of insurance

The combined ratio for P&I was 95 (113) %. Earned premiums, net of reinsurance, amounted to USD 79 (67) million. The claims cost for other clubs' pool claims increased from USD 12 million in 2013 to USD 19 million in 2014. Claims incurred, net of reinsurance, amounted to USD 60 (60) million. The loss ratio for the year was 76 (90)%.

As of 31 December 2014, the P&I portfolio, including charterer's liability, consisted of 1 514 (1 397) vessels with gross tonnage of 62 (54) million.

The combined ratio for FD&D was 72 (82)%. As of 31 December 2014, the FD&D portfolio consisted of 865 (752) vessels with gross tonnage of 36 (31) million. Earned premiums, net of reinsurance, amounted to USD 6 (6) million. Claims incurred, net of reinsurance, amounted to USD 4 (4) million. The loss ratio for the year was 61 (69)%.

The combined ratio for Marine & Energy was 76 (70)%. Within the business area, developments for the subclasses, H&M and Loss of Hire, were positive. 2014 was a good year for the largest subclass, H&M, which, as in 2013, reported a surplus. Loss of Hire also reports a profit, which is slightly higher than the amount for 2013. Other subclasses reported good results in line with 2013. Earned premiums, net of reinsurance, amounted to USD 54 (53) million. Claims incurred, net of reinsurance, increased from USD 26 million in 2013 to USD 30 million in 2014. The loss ratio for the year was 54 (50)%.

At the end of 2014, the H&M portfolio consisted of 2 730 (1 857) vessels and the covered insured value amounted to USD 11 (12) billion. The number of insured vessels covered for Loss of Hire amounted to 891 (580).

The subclass Energy, reports a minor profit in 2014.

Investments

The result from financing activities, including exchange rate differences amounted to USD -0.3 (8.9) million. The result from interest-bearing securities was USD 7.7 (1.0) million. The result for shares amounted to USD 3.2 (8.5) million and the result for other financial income and expenses amounted to USD -4.5 (-0.4) million.

The conversion of investment assets into USD resulted in exchange losses of USD 5.2 in 2014, compared to the profit of 1.0 million in 2013. Exchange losses associated with the provision for outstanding claims amounted to USD 0 (-1.1) million. Other exchange differences amounted to USD -1.5 (-0.2) million. At the end of 2014, the value of the Club's investments amounted to USD 343 (285) million, of which 77 (74)% consists of interest-bearing securities and 23 (26)% is equity funds.

An H&M claim that occurred in 2008 was settled in 2014 and for it, the Club has accumulated interest on the preliminary settlement, which is reported under "Accrued interest". Upon final settlement of the claim, however, it was determined that this did not comply with the terms and conditions of the insurance agreement. Therefore, a write-off of the accumulated interest for USD 3.1 million impacted the financial result.

Balance sheet

The amount reported for the provision for outstanding claims is lower in 2014 compared to 2013. However, the amount reported for 2014 is still somewhat high and it pertains to outstanding claims from prior years, for which a provision is necessary. For 2014, the provision for claims outstanding was USD 273 (319) million.

The value of the Club's investments increased to USD 343 (285) million.

Environment

The Swedish Club has an ongoing commitment to reducing its environmental impact. The Club has successfully implemented a paperless electronic claims handling and archiving system and it is also trying to lower its production of documents in other ways. For example, the Club no longer uses pre-printed stationery and documents are more frequently distributed electronically.

Publications for members and other parties are now, as far as possible, distributed as web versions or are available at www.swedishclub.com

The Club's Loss Prevention Department is also responsible for providing guidance to members on environmentally friendly solutions.

Significant events after the balance sheet date

Since the balance sheet date, the business has developed in line with the established goals and expectations. The Swedish Club does not have any significant events after the balance sheet date to report.

Employees

The Swedish Club is a knowledge-intensive organisation. The commitment, competence and performance of employees are decisive factors for the organization's success and competitiveness. The Swedish Club intends to remain an attractive employer by having a progressive human resources policy, a healthy organisational culture and well-established core values.

The Swedish Club's core values are as follows:

Proactive

- We are proactive in our approach
- We respond in a forward-thinking and proactive manner and focus on cost-efficient solutions

Reliable

- We are reliable in our values and we stand behind them
- Through honesty and fair treatment, we are able to gain confidence and ensure continuity

Committed

- We are committed in everything we do
- We build and develop relationships of mutual benefit
- Our service is based on respect and professionalism

The average number of employees during the year was 109 (see Note 27 for more information).

A new bonus program for employees was introduced in 2011. The maximum total cost of the bonus program has been set at 10% of the Club's salary costs including social security expenses. Bonuses were expensed in 2014. Note 27 also contains information on the principles for establishing salaries and benefits for the Club's management team.

Risks and uncertainties

The Swedish Club's operations give rise to various types of risks that could have an effect on its result and financial position.

There are four main categories of risk:

- Insurance risk
- Counterparty risk
- Financial risk
- Operational risk

Note 2 contains an overview of how these risks affect operations and how the Club manages them.

During 2012, an internal capital model (ICM) designed as a control mechanism for the Club's management process was implemented. The model is an important tool for calibrating capital needs, as well as a dynamic tool that is helpful in the decision-making process.

Additionally, ICM is an essential component of The Swedish Club's preparations for meeting the future requirements contained in the EU Solvency II Directive, which is expected to come into force during 2016.

Rating

The annual credit valuation, carried out by Standard & Poor's, was published on 18 July 2014. The valuation for The Swedish Club remains at the level BBB+. The Club has also decided to obtain a credit rating from A.M. Best, which gave The Swedish Club a credit rating of A-.

Prospects for 2015

In 2015, we expect the premium volumes for all of our insurance areas to remain at approximately the same levels as in 2014. We also expect the favourable claim outcomes of the last two years to have a positive impact on reinsurance costs for 2015.

We believe that low interest rates will persist in the finance markets during 2015 and that comparatively, the stock market will remain strong.

Appropriation of earnings

The Board´s proposed appropriation of earnings is presented on page 49.

Five-year summary

Amounts in USD million	2014	2013	2012	2011	2010
Income statement					
Earned premiums, gross	180.7	172.3	170.3	173.7	160.1
Earned premiums, f.o.a.	139.4	125.8	129.7	133.6	123.8
Investment income, allocated from non-technical account	3.8	3.7	3.8	1.1	1.7
Claims, f.o.a.	-93.2	-90.4	-116.8	-121.5	-85.5
Net operating expenses	-27.6	-27.3	-26.3	-25.0	-22.2
Balance on technical account	22.5	11.8	-9.6	-11.8	17.7
Balance on non-technical account	-4.1	5.2	18.6	2.5	11.8
Result before appropriations and tax	18.4	17.0	9.1	-9.3	29.5
Financial position					
Investment assets at fair value	353.4	285.0	325.0	314.8	297.5
Technical provisions, f.o.a.	219.7	166.7	210.7	205.6	180.9
Solvency Capital	186.3	168.0	151.0	141.9	151.2
Deferred tax liability included in solvency capital	43.5	39.9	36.2	40.1	42.6
Key data insurance business					
Loss ratio	67%	72%	90%	91%	69%
Expense ratio	20%	22%	20%	19%	18%
Combined ratio	87%	94%	110%	110%	87%
Average Expense Ratio	13.0%	12.1%	13.3%	13.0%	11.6%
Key data asset management					
Total return	3%	3%	7%	1%	5%
Other key figures					
Solvency ratio, claims	103%	123%	83%	80%	97%
Average number of employees	109	103	96	97	92

Definitions are provided on page 57-58.

Income statement

For the financial year January through December. Amounts in USD thousands.	Note	2014	2013
Technical account for insurance business			
Earned premiums, net of reinsurance			
Premiums written, gross	3	190 426	174 742
Outward reinsurance premiums		-41 723	-47 291
Change in provision for unearned premiums		-9 707	-2 456
Reinsurers´share of change in provision for unearned premiums		451	773
		139 448	**125 769**
Investment income transferred from the non-technical account	4	**3 800**	**3 700**
Claims incurred, net of reinsurance			
Claims paid	5		
Before outgoing reinsurance		-214 564	-165 294
Reinsurers' share		165 150	28 104
		-49 414	-137 191
Change in provision for claims outstanding			
Before outgoing reinsurance		45 975	34 543
Reinsurers' share		-89 714	12 237
		-43 738	46 782
		-93 151	**-90 409**
Net operating expenses	6, 27	**-27 604**	**-27 275**
Balance on technical account		**22 493**	**11 784**
Non-technical account			
Balance on the technical account		**22 493**	**11 784**
Financial result			
Financial income	7	15 434	9 116
Unrealised gains on investments	8	1 092	4 296
Financial costs	9	-11 249	-2 661
Unrealised losses on investments	10	-5 581	-1 854
		-304	**8 897**
Allocated investment income transferred to the technical account	4	**-3 800**	**-3 700**
Result before appropiations and tax		**18 389**	**16 982**
Appropriations: change in safety reserve		-21 332	-14 127
Result before tax		**-2 943**	**2 855**
Tax on result for the year	20	988	-537
Profit/loss for the financial year		**-1 956**	**2 317**

Balance sheet

Assets

As of 31 December. Amounts in USD thousands.	Note	2014	2013
Intangible assets			
Intangible assets	11	124	192
		124	**192**
Investment assets			
Investments in group and associated companies			
Shares in group and associated companies	12	11	11
Other financial investment assets			
Quoted shares	13	68 873	73 441
Unquoted shares	14	9 034	–
Bonds and other interest-bearing securities	15	265 452	211 523
Loans to credit institutions		10 000	–
		353 370	**284 975**
Reinsurers' share of technical provisions			
Provisions for unearned premiums	16	3 919	3 467
Provision for claims outstanding	16	92 123	181 837
		96 042	**185 304**
Receivables			
Receivables related to direct insurance operations	17	40 166	32 241
Receivables related to reinsurance operations		16 763	4 845
Other receivables		993	1 187
		57 922	**38 274**
Other assets			
Tangible assets	18	806	947
Cash and bank balances		21 808	28 780
Other assets		881	1 058
		23 494	**30 784**
Prepaid expenses and accrued income			
Accrued interest		1 069	4 021
Prepaid acquisition costs		4 126	2 988
Other prepaid expenses and accrued income		870	830
		6 065	**7 839**
Total assets		**537 017**	**547 368**

Equity, provisions and liabilities

As of 31 December. Amounts in USD thousands.		Note	2014	2013
Equity				
Statutory reserve			64	77
Accumulated loss			-2 360	-4 678
Profit/Loss for the financial year			-1 956	2 317
Translation difference capital			547	259
	A		**-3 704**	**-2 025**
Untaxed reserves				
Safety reserve			186 461	165 129
Equalisation reserve			1 379	1 654
	B		**187 839**	**166 782**
Technical provisions before reinsurers' share				
Provision for unearned premiums		16	42 749	33 042
Provision for claims outstanding		16	272 959	318 933
			315 708	**351 976**
Provision for other risks and charges				
Pensions and similar obligations		19	1 587	1 905
Deferred tax	C	20	2 207	3 194
			3 794	**5 100**
Liabilities				
Liabilities related to direct insurance operations		21	9 151	5 919
Liabilities related to reinsurance operations			11 881	9 929
Other liabilities		22	10 206	6 855
			31 238	**22 701**
Accrued expenses and deferred income				
Accrued expenses			2 144	2 832
			2 144	**2 832**
Total equity, provisions and liabilities			**537 017**	**547 368**

Memorandum items	24		
Assets included in members priority right		399 952	329 307

Solvency Capital (A+B+C)	186 342	167 952

Change in equity

Amounts in USD thousands	Statutory reserve	Accumulated profit or loss	Translation difference captial	Profit/loss for the financial year	Total equity
Balance brought forward 2013-01-01	77	-11 364	261	6 687	-4 340
Carried forward		6 687		-6 687	
Profit for the year				2 317	2 317
Change in translation difference capital	0		-2		-2
Balance carried forward 2013-12-31	**77**	**-4 677**	**259**	**2 317**	**-2 025**
Balance brought forward 2014-01-01	77	-4 677	259	2 317	-2 025
Carried forward		2 317		-2 317	
Profit for the year				-1 956	-1 956
Change in translation difference capital	-13		288		275
Balance carried forward 2014-12-31	**64**	**-2 360**	**547**	**-1 956**	**-3 704**

Profit/loss for the year includes unrealised gains/losses on investments. Deferred tax has been calculated on that portion. See note 20.

Cash flow statement

Amounts in USD thousands	2014	2013
Paid premiums	185 733	175 928
Paid reinsurance premiums	-51 689	-44 234
Claims paid	-214 564	-165 294
Claims paid, reinsurers share	165 150	28 104
Cash flow from insurance operations	84 630	-5 496
Other expenses	-26 928	-28 790
Paid interest	-209	–
Interest received	3 709	3 991
Dividends received	283	146
Cash flow from other operations and from insurance operations	61 485	-30 149
Net investments in tangible assets	-290	-244
Sales of tangible assets	0	18
Net investments in nontangible assets	-51	0
Acquisition of financial investment assets held for sale	-115 120	-99 960
Sale of financial investment assets	55 000	147 325
Cash flow from investing activities	-60 461	47 139
Cash flow for the year	**1 024**	**16 990**
Cash and bank balances		
Cash and bank balances at beginning of the year	28 780	12 506
Cash flow for the year	1 024	16 990
Exchange rate difference on cash and bank balances	-7 996	-716
Cash and bank balances at year-end	**21 808**	**28 780**

Performance analysis per class of insurance

According to Swedish regulations, there is only one class of insurance. However, the Club voluntarily reports on other subclasses. Please see pages 57-58 for an explanation of the classes of insurance.

For the financial year January through December 2014. Amounts in USD thousands.		Total	P&I	FD&D	Marine & Energy
Technical account					
Earned premiums, net of reinsurance					
Premiums written, gross		190 426	106 977	6 348	77 101
Outward reinsurance premiums		-41 723	-27 448	0	-14 275
Change in provision for unearned premiums		-9 707	-1 250	-67	-8 389
Reinsurers´share of change in provision for unearned premiums		451	389	0	62
	A	**139 448**	**78 668**	**6 281**	**54 499**
Investment income transferred from the non-technical account	B	**3 800**	**3 100**	**200**	**500**
Claims incurred, net of reinsurance					
Claims paid					
Before outgoing reinsurance		-214 453	-178 937	-5 489	-30 027
Reinsurers´ share		165 150	160 567	0	4 584
Change in provision for claims outstanding					
Before outgoing reinsurance		45 864	40 523	1 937	3 403
Reinsurers' share		-89 714	-81 843	-250	-7 621
	C	**-93 151**	**-59 689**	**-3 801**	**-29 660**
Net operating expenses					
External acquisition costs		-13 395	-6 596	-472	-6 327
Operating expenses for renewal of insurance contracts		-7 085	-3 947	-110	-3 028
Adminstrative expenses		-7 125	-4 707	-136	-2 283
	D	**-27 604**	**-15 250**	**-717**	**-11 638**
Balance on technical account	A+B+C+D	**22 493**	**6 829**	**1 963**	**13 634**
Run-off result (according 5 Chapter 4 § 6 ÅFRL)		10 495	4 504	1 610	4 381
Result outward reinsurance		34 166	51 666	-250	-17 250
Result accepted reinsurance		0			
Key figures					
Loss ratio [C/A]		67%	76%	61%	54%
Expense ratio [D/A]		20%	19%	11%	21%
Combined ratio [(C+D)/A]		87%	95%	72%	76%
Three-year average combined ratio		97%	111%	75%	81%
Insurance portfolio*					
Number of insured vessels		–	1 514	865	2 902
Gross Tonnage (millions)		–	62	36	98
Average share covered (per cent of gross tonnage)		–	100%	100%	14%
Average age (years)		–	9	9	13

**Marine & Energy incl. H&M and Energy.*

Performance analysis per class of insurance

As of 31 December 2014. Amounts in USD thousands.	Total	P&I	FD&D	Marine & Energy
Technical provisions				
Before reinsurers' share				
Provision for unearned premiums	42 749	14 525	794	27 430
Provision for claims outstanding[1)]	272 768	226 386	7 082	39 300
	315 517	**240 911**	**7 876**	**66 730**
Reinsurers' share				
Provision for unearned premiums	3 919	3 673	–	246
Provision for claims outstanding	92 123	82 297	–	9 826
	96 042	**85 970**	–	**10 072**
For own account				
Provision for unearned premiums	38 830	10 852	794	27 184
Provision for claims outstanding	180 645	144 089	7 082	29 474
	219 475	**154 941**	**7 876**	**56 658**

[1)] *The provision is reported excluding incoming reinsurance 191 (see note 16).*

Note 1. Accounting principles

Statement of compliance with regulations applied

The annual report has been prepared in accordance with the Law of Annual Reports in Insurance Companies (ÅRFL) and The Swedish Financial Supervisory Authority's rules, and regulations regarding annual reports for insurance companies (FFFS 2008:26) and the Swedish Financial Reporting Board's recommendation RFR 2. Law-limited IFRS have been applied, which are international accounting standards that have been adopted for use with the limitations that follow from RFR 2 and FFFS 2008:26. This means that all of the EU approved IFRS and statements have been applied, to the extent possible given Swedish law and the relationship between accounting and taxation.

Unless otherwise stated, all amounts in the financial statements are in USD thousands.

The Club has a subsidiary which, in accordance with the Swedish Anual Accounts Act, ÅRL 7:5, has not been consolidated, since the company is of lesser importance with regard to true and fair view requirements. The Club also has holdings in the associated company, The Swedish Club Academy.

Assumptions when preparing the insurance company's financial statements

US dollars is the Club's functional currency, since most of its income and costs are in USD. It is also the most significant currency regarding provisions in the insurance business and therefore, the primary environment in which the Club runs the business. The official reporting currency is SEK.

The Club converts transactions in foreign currency to the currency rate applicable on the transaction day, both to SEK and to USD. USD is the Club's currency for internal financial reporting and SEK is used in the official Swedish regulatory reporting, in accordance with law-limited IFRS. All amounts, unless stated otherwise, have been rounded off to the nearest thousand.

Assets and liabilities are reported at cost, except for certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities that are measured at fair value consist of forward exchange contracts and financial assets classified as financial assets measured at fair value through profit or loss.

Assessments and estimates made when preparing the financial statements

In order to prepare the financial statements in accordance with law-limited IFRS, management must make assessments, estimates and assumptions that affect the application of accounting principles and the carrying amounts of assets, liabilities, income and costs.

Estimates and assumptions are based on past experience and a number of other factors that under current circumstances seem to be feasible. The result are then used when assessing the carrying amounts of assets and liabilities for which the values are not clearly evident from other sources. Actual outcomes can differ from these estimates and assessments. Estimates and assumptions are regularly reviewed. Changes in estimates are reported in the same period that the change occurred, provided that the change only has an effect on that period. Otherwise, changes are reported in the same period that the change occurred and future periods, if the change affects both current and future periods.

Important estimates and assessments regarding technical provisions are based on assumptions about future claims costs, which means that the estimates are always associated with uncertainty. Estimates are based on the Club's own historical statistics on prior claims losses available on the reporting date. The following are examples of items considered when estimating technical provisions: unpaid claims, claims cost development, changes in legislation, judicial decisions and general economic development. See also Note 2 (Risk management and risk analysis).

The accounting principles stated below have been applied consistently to all periods presented in the financial statements.

Principles applied

Changes in accounting polices due to new or modified IFRS

The new or revised IFRS that came into force during the financial year have not had any effect on the Club's annual report.

New IFRS and interpretations that have come into force

A number of new or revised IFRS will come into force as of the next financial year and the Club has not opted for early adoption when preparing these financial statements. The Club does not intend to opt for early adoption of new standards or amendments that will come into force as of the next and future financial years. Below is a description of the expected effects on the Club's financial statements from application of the new or revised IFRS listed below. There are no other new principles besides these that are expected to have an effect on the Club's financial statements.

IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and measurement. IFRS 9 comes into force on 1 January 2018 and early adoption is allowed provided that the EU adopts the standard. The EU plans on approving the standard during 2015. IASB has, with IFRS 9, issued an entire package of changes pertaining to reporting of financial instruments. The package includes a new model for classification and measurement of financial instruments, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The categories for financial assets existing in IAS 39 have been replaced by three categories: measurement at amortized cost, fair value through other comprehensive income and fair value through profit or loss. Classification under IFRS 9 is driven by the entity's business model for its various holdings along with the nature of the contractual cash flows generated from the assets. It is possible to apply fair value option for debt instruments in those instances where it eliminates or substantially reduces a mismatch in reporting. For equity instruments, measurement is at fair value via profit or loss. However, it is possible to instead report changes in fair value in other comprehensive income if the instrument is not held for trading.

In October 2010, the IASB also published the sections of IFRS 9 that deal with classification and measurement of financial liabilities. Most of the principles for classification and measurement of financial liabilities in accordance with IFRS 9 are consistent with the principles in IAS 39, except for how changes in the fair value of financial liabilities that are voluntarily reported at fair value in accordance with the fair value option are reported. For these liabilities, the change in value should be divided into changes that are attributable to own credit rating and changes in the reference rate.

The new model for recognition of impairment losses requires entities to report a day 1 loss equal to the 12-month expected credit loss on initial recognition. Also, when there is a significantly increased credit risk, the amount of the impairment loss must correspond to the credit losses that are expected to arise during the remaining term to maturity. The new rules on hedge accounting include, for example, simplified effectiveness testing and more items qualifying both as hedging instruments and for hedge accounting.

The Club has not yet evaluated the effects of IFRS 9.

Insurance contracts

All of the Club's insurance contracts are defined as insurance contracts in accordance with IFRS 4.

Insurance contracts are reported and measured in the income statement and balance sheet in accordance with their financial substance rather than their legal form whenever there is a difference between the two.

Items reported as insurance contracts must transfer substantial insurance risk from the policyholder to the Club. They must also obligate the Club to compensate the policyholder, or another beneficiary, if a predetermined insured event were to occur.

Income tax

Income taxes are comprised of current tax and deferred tax. Income taxes are reported in the income statement. Current tax is tax that is payable or refunded for the current year, applying tax rates that have been decided or effectively adopted as of the reporting date. This also includes adjustment of current tax attributable to prior periods.

Deferred tax is measured according to the balance sheet method. The starting point is thus temporary differences between the carrying amount of an asset or liability and its tax base. The valuation of deferred tax is based on the extent to which the underlying assets and liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been decided or effectively adopted as of the reporting date.

Untaxed reserves are reported including deferred tax liability.

Premiums written, gross f.o.a.

Gross premium written is normally reported according to the maturity principle. This means that the gross premium written is reported in the income statement when the annual premium or – in cases where the contractual insurance period's premiums have been divided into several partial premiums – when the first partial premium falls due for payment.

Furthermore, in order for the gross premium written to be included, the term of the underlying insurance contract must start during the current accounting period. The method described above is used also for premium written (reinsurers share).

Premiums earned f.o.a.

Premiums earned reflect the proportion of the gross premium written that is attributable to the accounting period. The share of the premium income from insurance contracts pertaining to periods after the closing date is allocated to the premium reserve in the balance sheet.

Calculation of the provision to the premium reserve is done by allocating the premium income to the proper period based on the underlying term of the insurance contract. The method described above is used also for earned premiums (reinsurers' share).

Investment income transferred from the non-technical account

Investment income is reported in the non-technical result. The Club uses a model for the calculation of investment income transferred from the financial business to the technical account. The model compensates the insurance business with interest for the float generated during the period between premium payment and claim payment. The interest rate that was used corresponds to the expected return on investments for the current year.

Net claims incurred

The total net claims incurred for the accounting period includes claims paid during the period and changes in the provision for claims outstanding. Besides claims, net claims incurred also includes claims handling costs.

The provision for claims outstanding is calculated using expected nominal cash flows.

The provision for claims outstanding net of reinsurance is revalued using the closing day rate of exchange. Historical data on claims payments provides the basis for allocation of the provision to each relevant currency. Based on these statistics, the Club has chosen to make the assessment that the reserves are fully comprised of USD.

The Revaluation described above had therefore no impact on the Club´s USD reporting.

Net operating expenses

The proportion of the total operating expenses related to claims handling is reported under the heading "Net claims incurred". A part of net operating expenses is also related to investment administration and this part is reported as "Asset management costs". These costs include both direct costs and indirect allocated costs.

Operating expenses in the insurance business include, besides administrative costs, also acquisition costs.

Internal acquisition costs and internal investment administration costs are allocated in accordance with a model (see Note 6 and Note 9).

Investment income – realised and unrealised profit on investments

Realised profit/loss on sale of investments is equivalent to the difference between the sales price and acquisition cost. The Club's investments are reported at fair value. Unrealised changes in values are reported in the income statement. Such changes can be defined as the year's change between fair value and cost.

Financial instruments

Financial instruments reported in the balance sheet as assets:

- Accounts receivable – trade (reported under the heading, receivables)
- Shares and participating interests
- Unquoted shares and participating interests
- Bonds and other interest-bearing securities

Items reported as liabilities or equity include:

- Trade creditors (reported under the heading, liabilities)

Acquisition and disposal of financial assets are reported on the trading day, which is the day the Club is obliged to acquire or dispose of the asset.

Financial instruments that are not derivatives are initially reported at cost, which is equal to the instrument's fair value plus transaction costs. This applies to all financial instruments, except those that belong to the category, financial assets measured at fair value through profit or loss. Those are reported at fair value excluding transaction costs.

Initial recognition of a financial instrument is based on the purpose for which the instrument was acquired. The initial classification also determines how the financial instrument shall be measured going forward, as described below.

Derivative instruments are reported both initially and afterwards at fair value. Derivatives are held throughout the reporting year. There were no holdings at the end of the reporting year. The Club does not apply hedge accounting.

The Club has classified financial instruments in the following categories, in accordance with IAS 39. The category Financial assets valued at fair value through profit or loss consists of two subcategories:

- Financial assets that are held for trading
- Other financial assets that the Club initially chose to recognize in this category (according to the fair value option).

Financial instruments in this category are valued at fair value with changes in value reported in the income statement under the heading unrealised gains – or losses on investments.

Derivatives with a positive fair value are included in the first subcategory. They consist of forward exchange contracts that hedge against currency risk exposure.

The other subcategory contains the Club's investment assets (except for derivatives and loan receivables). The Club has chosen to apply the fair value option on assets, since key personnel evaluate all investment assets on the basis of fair value in accordance with documented risk and investment strategies. The Club classifies such investment assets (i.e. assets that are financial instruments and not shares in subsidiaries) as Financial assets measured at fair value through profit or loss. This is due to the fact that the Club evaluates its asset management activities on the basis of fair values.

The category, loan receivables and accounts receivable – trade are financial assets that are not derivatives. Furthermore, they have determined or determinable payments and are not listed on an active market. These assets are valued at amortised cost.Amortised cost is determined based on the effective rate of interest calculated at the time of the acquisition. Accounts receivable and loan receivables are reported at net realisable value, i.e. after the deduction for doubtful debts.

Borrowings and other financial liabilities, such as trade creditors, are included in the category, other financial liabilities. These are valued at amortised cost.

Description of fair value

For a description of the methods and assumptions used by the Club to establish the fair value of financial instruments, please see Note 2.

At each reporting occasion, the Club assesses whether there is any objective evidence that a financial asset or group of assets has become impaired as the result of the occurrence of one or more events (loss events) having taken place after the asset was reported for the first time. Furthermore, the loss event(s) must have an impact on the forecasted cash flows for the asset or group of assets.

Intangible assets

Intangible assets are capitalised expenses for the development of computer systems. They are valued at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over a useful life of five years starting from the time when the system is put into operation.

Property, plant and equipment

Machinery and equipment are reported at cost less accumulated depreciation according to plan, which is based on the useful life of the assets plus any write-downs. Depreciation is calculated on a linear basis over a useful life of three or five years. For improvements made on property owned by others, depreciation is calculated on a linear basis over a twenty-year period.

Subsidiaries and associated companies

A subsidiary is a company that is subject to a controlling influence by the Parent Company AB. Controlling influence is the right to, directly or indirectly, formulate a company's financial or operating strategies in order to obtain economic benefits.

Associates are companies in which the Group has a significant (but not controlling) influence over the operating and financial management, usually through a holding of between 20 and 50% of the votes. Shares in subsidiaries and participations in associated companies are reported in accordance with the cost method. Any dividends received are reported as income.

Cash and bank balances

Cash and bank (with the exception of minor cash amounts) consists of bank accounts and funds that have been transferred to asset management that will not be invested in assets.

Prepaid acquisition costs

The item includes allocated commissions associated with the signing of insurance contracts. These costs are allocated in the same way as the allocation of unearned premiums.

Provision for unearned premiums

The provision for unearned premiums is calculated strictly pro rata (pro rata temporis). In accordance with technical guidelines pertaining to insurance, testing is performed on a regular basis to determine whether a provision needs to be made for remaining risks.

Provision for claims outstanding

The provision for incurred and reported claims is based on individual, realistic assessments of individual claims using information that is available on the reporting date.Incurred but not reported claims, IBNR, is calculated using statistical methods that are based on past experience of the number and extent of claims reported for prior accounting years. The provision for outstanding claims also includes a reserve for operating costs associated with settling outstanding claims.The provision for outstanding claims has been reported using undiscounted values.

Pensions costs & pensions commitments

The pension obligations are comprised of pension plans that are regulated through collective agreements and national insurance laws. They consist of both defined contribution and defined benefit plans.

Retirement through insurance

The Club's pension plans for collective pension agreements are secured through insurance agreements with SPP. The pension plan for the Club's employees has been assessed as a defined benefit plan covering multiple employers. However, the Club has determined that UFR10 Accounting for pension plans in ITP 2, which is financed through insurance with Alecta, is also applicable to the Club's pension plan. The Club lacks sufficient information for reporting in accordance with IAS 19. Therefore, in accordance with UFR 10, it reports these pension plans as defined contribution plans. The Club's obligations concerning contributions to defined contribution plans have been reported as a cost in the income statement at the rate they are earned by employees performing services during the period.

Retirement through own management

Besides the collective pension agreements guaranteed through insurance agreements, the Club also has special agreements with certain employees allowing them to retire earlier than 65 years' of age and obtain further compensation in addition to the collective pensions benefits. The majority of the provision originates from the 2006 change of terms in the collective agreement for the insurance sector, which gives employees born before 1956 the right to early retirement from the age of 62.

The calculated provision is based on anticipated future pension payments and it includes assumptions regarding mortality, employee turnover, salary growth and price inflation.

Leasing contracts

The Club has signed contracts in which assets such as cars and office equipment are leased for a contracted period of time. The cost of lease is expensed over the contracted period of time based on utilization.

Assets and liabilities in foreign currency

Assets and liabilities in foreign currency are translated to USD at the closing day rates of exchange. However, shares in subsidiaries are valued using the rate of exchange prevailing on the acquisition date.

For translation from a foreign currency to USD, the difference is reported in the income statement under the heading, Investment income or Investment costs.

For the Club's most important currencies, the following rates (prevailing on 31 December) have been used:

Currency	2014	2013
Swedish kronor (SEK)	**7.8117**	6.5084
British pound (GBP)	**0.6435**	0.6064
Euro (EUR)	**0.8209**	0.7278
Hong Kong dollar (HKD)	**7.7566**	7.7555
		1 USD equals

Note 2. Risk management and risk analysis

Risk management

The internal risk management model is now an integral part of The Swedish Club's method for achieving its strategic goals, as well as an important tool used by the Board and management team.

The Internal Capital Model (ICM) is used as a control mechanism for the management process. It is being used to produce consistent, risk-quantified information for the Club's risk management report. ICM is facilitating efforts to structure reinsurance and evaluate new business areas. Development efforts are still under way, focusing on the model's calibration and precision, documentation, and modelling of complementary aspects, such as operational risk and credit risk.

The development of ICM is an important component of the preparations for meeting the requirements contained in the EU Solvency II Directive. As a component of the future Solvency II rules, ICM can be used for calculating solvency capital requirements (SCR), provided that the Board submits an application for doing so and is approved by the supervisory authority.

Risk management philosophy

The Club has an open risk culture that strives to create risk awareness and encourage all levels of the organisation to participate in discussions about risk as a natural part of their daily work. This assists in identifying and quantifying current and emerging risks.

The Club believes that a strong Enterprise Risk Management process is a potential source of competitive advantage. In particular, an Internal Capital Model that enables the company to calculate risk-adjusted return for various decision alternatives should, over time, result in lower losses.

The risk management philosophy supports The Swedish Club's efforts to achieve its goals by reducing the likelihood of undesirable operational and financial outcomes.

Risk culture

In addition to the formal risk management structure, which is described in this Note, the Club encourages incorporating a risk dimension at most meetings and activities. The figure on the next page illustrates the wider spectrum of activities that feed into the core risk and capital management processes, thus ensuring that risk management is an integral part of all functions within the Club, and not only of relevance to those with formal risk management responsibilities.

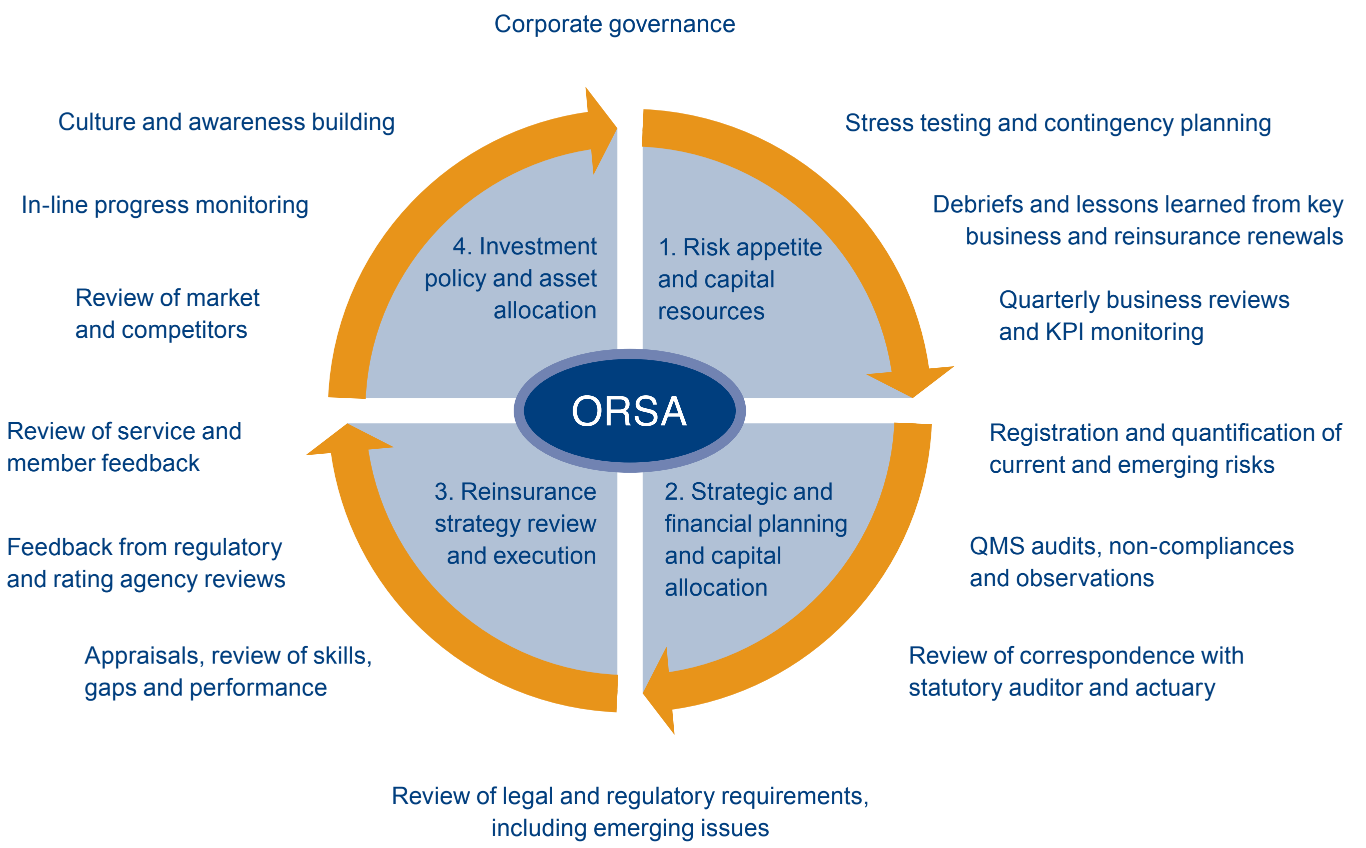
The figure on top of next page, illustrates the four key annual processes that contribute to internal risk management and other relevant activities.

Risk governance

Based on the risk management philosophy, the Club has adopted a policy, setting out the general direction and aims for risk management within the organisation. The Risk Management Policy also provides the foundation for the Club's acceptance of risk while seeking to achieve its established goals.

Risk management is a natural line management responsibility which means that risks should, as a rule, be managed at the source, i.e. within the team or department where they originate.

Risk and capital management processes

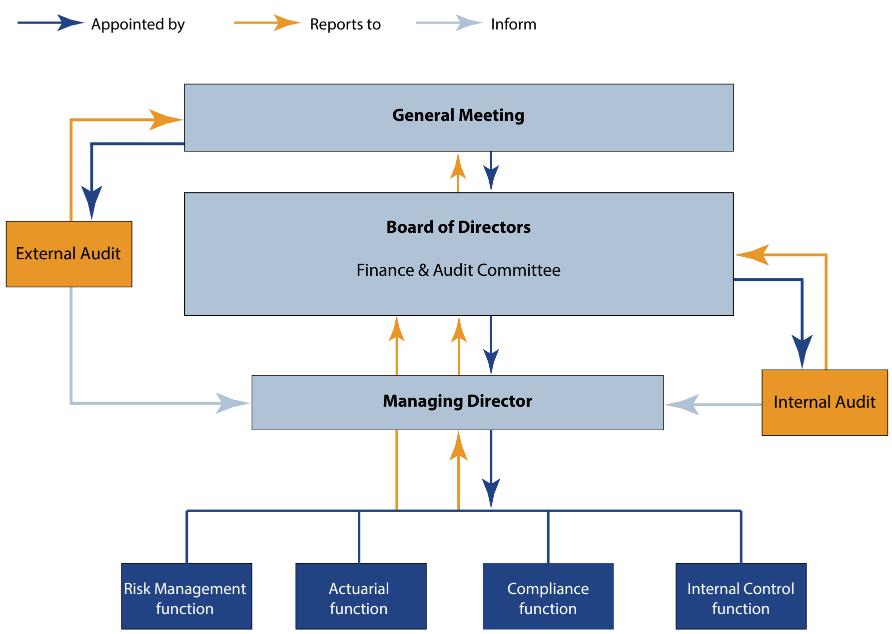


In the second line of defence, the risk management function's role is to ensure that systems for reporting and managing risks have been implemented and are being followed. The compliance and internal control functions ensure that the Club complies with relevant laws and regulations. They also monitor conformity with internal directives and policies.

The figure to the right illustrates important information flows and allocation of responsibilities.

An independent internal audit is carried out annually, which includes a formal audit to evaluate the adequacy and effectiveness of the systems for risk management and internal control. Any findings and recommendations of the internal audit are reported to the Board, which determines the actions to potentially implement based on that. The Board also ensures that those actions are carried out.

Allocation of responsibilities



Structure of corporate governance and allocation of responsibilities

The Club has a Board of Directors elected by the Annual General Meeting (AGM). It currently consisting of 24 members, including the Managing Director and two employee representatives. In addition to an elected Chairman of the Board, there are two elected Deputy Chairmen. The Club also has an Election Committee elected by the AGM. This committee is responsible for recommending changes to the Board of Directors for the AGM's consideration.

The Finance & Audit Committee is a subgroup of the Board. It is responsible for reviewing recommendations and providing feedback to the management team on key areas, such as changes in investment allocation within the guidelines, audit, compliance and premium collection. The Finance and Audit Committee compiles this information so that the Board is able to make well-informed decisions. The minutes from the Finance & Audit Committee meetings are distributed to the other members of the Board as soon as possible after each meeting.

The Club has a seven member management team consisting of the following individuals: Managing Director; Director of Finance, IT & Reinsurance; Director of Marketing & Business Development; Director of Strategic Business Development & Client Relationship; Director of Underwriting & Risk Control; Director of Corporate Legal & FDD and Director of Human Resources.

The Club's activities are governed, controlled and monitored in accordance with guidelines and instructions that have been established by the Club's Board and Managing Director. The purpose of these is to clarify the allocation of responsibilities within the organisational structure, which is comprised of the following: the AGM, Board of Directors, Managing Director, business areas, support functions, the risk management and actuarial functions, the function for compliance with regulations and internal audit.

Risk analysis

The Club's risk exposure is primarily associated with variations in the outcome of claims for the Marine and P&I insurance classes, as well as variations in the level of investment returns. However, the Club is also exposed to a number of other risks. The components of insurance, counterparty, financial and operational risks are presented below.

Insurance risks

Insurance risks consist of underwriting risks and reserving risks. Effective management of underwriting risks is fundamental to the Club's operations. Potential member's vessels and management team are thoroughly reviewed prior to acceptance. Rating systems and premium models are used to ensure that correct premium levels have been selected.

The Club's comprehensive reinsurance arrangements level out fluctuations in claims results. This helps to protect the Club from incurring losses that are associated with very large claims, including the aggregation of losses from multiple insured interests.

The accuracy of current claims models is monitored on a monthly basis, by comparing the actual outcome per insurance class to the expected result that was generated by the models.

The claims models are also used for simulation of claims costs in the Club's ICM. This enables a consistent treatment of underwriting risk based on the capital requirements at all levels, i.e. from the company level down to the underwriting of an individual risk.

Solvency II – the three pillars

Within the EU, comprehensive efforts are underway on a project that is called Solvency II. The aim of this project is to introduce a more risk-based model for calculating solvency requirements.

Another aim is to facilitate more proactive supervision within the EU. The central purpose of these regulatory requirements is to provide policyholders with better protection.

The three pillars approach is as follows:

1. Quantitative requirements for the calculation of capital. Here, two different levels are suggested for the capital base, a minimum level and a targeted level.
2. Qualitative requirements pertaining to risk management and internal control
3. Reporting to supervising authorities and external disclosure requirements

The Solvency II Directive enters into force in 2016.

Concentrations of insurance risk

Insurance risk is solely concentrated to the shipping industry. The table below shows concentration measures for the two largest individual classes of insurance. The weighted average duration for outstanding claims is approximately 2.3 years.

It is not uncommon for a vessel to be insured in more than one of the Club's business areas. In these cases, the same incident can lead to claims in more than one business area (clash). Based on how the different reinsurance protections have been set up, this could affect the allocation of claims costs between reinsurers and the Club. Clash primarily concerns the insurance classes shown in the table on top of next page.

Reserving risk is associated with the provision for claims outstanding and the provision for unearned premiums. When calculating the provision for unearned premiums, consideration must be given to differences in risk exposure during the policy period. For example, there are seasonal variations in the frequency/severity of claims between quarters or other periods of time that must be considered.

	Number of vessels	Average age (years)	Gross tonnage (millions)	Average claim duration
P&I[2)]	1 053	10.0	41.6	3
H&M[1)]	2 902	8.9	106.7	2

As of 31 December 2014.

[1)] 100% basis incl. Energy risks

[2)] Including Owners P&I

Exposure	Number of vessels	H&M[1)]	P&I[2)]	Loss of Hire[1)]	Hull[1)] Interest
Four Classes	156	X	X	X	X
Three Classes	16	X	X	X	
	274	X	X		X
	555	X		X	X
Two Classes	100	X	X		
	45	X		X	
	1 030	X			X
	0		X	X	
	4		X		X
	38			X	X
Vessels by class of insurance		2 902	1 053	965	2 177
Total number of vessels			3 722		

[1)]100% basis incl. Energy risks

[2)]Including Owners P&I

The table shows the concentration of insurance classes per vessel as of 31 December 2014: 4.2% of vessels were exposed to four insurance classes, 22.7% to three classes and 32.7% to two classes.

The provision for incurred and reported claims is based on individual assessments of claims using the latest information available. Claims reserves must reflect the total liability, which includes claims handling costs, expected claims inflation and currency considerations.

Incurred but not reported claims, IBNR, is calculated using statistical methods that are based on past experience of the number and extent of claims reported for prior accounting years.

Sensitivity of provisions made

The table below shows the development of claims, net, i.e. how the originally determined claim amount at the end of each respective insurance year has developed over time (from the end of each respective accounting year through 31 December 2014).

Variations in the provisions that were made have had a positive impact on the result over the past five years. It is primarily changes in the reserve for large claims that affects the change in the overall technical provision, gross. Since the very large claims have been captured by our reinsurance program, this has very little effect on the technical provision for own account. Changes in the technical provision for own account in such cases are thus assessed as having had a limited effect on solvency capital. However, due to the new reinsurance solution that was introduced in 2010, sensitivity for variations of results is higher than it has been in prior years.

The table below shows the development of claims i USD thousands. At the end of the 2014 reporting year, it was assessed that the technical provision consisted 100% of USD. In prior years, a portion of the reserve was treated as if it was comprised of EUR. Accordingly, when comparing figures in the table, it is important to keep in mind that there is a currency effect associated with the currency EUR. But, this effect have been influenced by the opposite trend of the exchange rate impact on investments. For more information, please see the section on currency exposure.

Counterparty risk (reinsurance)

Reinsurance protection is essential for the successful operation of the Club.

Insurance year	2009	2010	2011	2012	2013	2014
Estimated final claims cost (net) at the end of:						
claim year	71 519	74 677	109 095	103 837	81 932	103 649
one year later	69 368	71 821	98 453	94 945	89 301	
two years later	68 730	68 546	94 713	88 887		
three years later	66 352	65 685	87 899			
four years later	65 239	61 043				
five years later	64 374					

Risks can arise due to insufficient or incorrect reinsurance protection. Reinsurance purchasing activities are centralised and they are the responsibility of the Reinsurance Department. Documented routines are followed in order to ensure correct wording and consistency of reinsurance contracts. The Department prepares an annual "Reinsurance Risk Assessment Report". This provides the basis for ensuring that reinsurance protection is set at an appropriate level. Thorough knowledge of probabilities and expected outcomes of claims are important components in assessing the risks associated with reinsurance.

The Club has had a consistent reinsurance strategy for many years. For Marine & Energy, the Club purchases its own protection. This is based on a long relationship with some of the world's leading reinsurance companies – a collaboration that has been productive for all of the parties involved. For P&I, the reinsurance is based on the cooperation within the International Group of P&I Clubs, where claim costs between USD 9 million and USD 80 million are pooled (the Pooling Agreement). To supplement this, the Group purchases reinsurance protection up to USD 3 080 million (Excess reinsurance programme). The International Group's joint reinsurance company is Hydra Insurance Group Ltd (Bermuda). It reinsures the Group's P&I pool claims for USD 50 million in excess of USD 30 million and also part of the layer USD 1 000 million in excess of USD 80 million.

Parts of the pool, as well as parts of the reinsurance protection are covered by the captive company, Hydra Insurance Company Limited (Bermuda), which is owned by the Group's 13 members. Hydra is a protected cell company, which means that the assets and liabilities in each cell are legally separate from the other cells. Each of the 13 clubs owns one of the protected cells and from it, claims are paid and premiums received.

Hydra writes three reinsurance contracts for the clubs:

- 100% of the coverage between USD 30 and 80 million
- 60% of the coverage between USD 80 and 120 million
- 30% of the coverage between USD 120 and 580 million

Our share of the business in Hydra is approximately 5%.

According to the investment directive for Hydra, its assets may be invested in funds that are US Treasury securities with a maximum maturity of 5 years. More information on the International Group is available at www.igpandi.org

Since 2010, The Swedish Club has had a reinsurance solution for the level USD 8 million in excess of USD 2 million, which covers the insurance classes, Marine & Energy and P&I. The thought behind this structure is to combine the protection for the different classes and only retain the first USD 2 million per combined claim. With this structure, the Club retains all claims in the layer USD 8 million in excess of USD 2 million during a normal claims year by means of an annual aggregated deductible of USD 33 million. The reinsurance is only settled in a poor claims year, when the claims in this layer exceed the annual aggregated deductible.

Operational risks

The Club is exposed to many types of operational risk. Different parts of the organisation participate in self-assessment activities to identify and evaluate operational risks. They also provide the input that makes it possible to model these risks.

Operational risks might arise as a result of inadequate processes, human factors or ambiguous management practices. The Club has a history of adequate documentation of critical activities via its quality systems. This helps ensure that many undesired operational events are avoided.

Important operational risks also include risks that can arise in conjunction with a catastrophe scenario, such as an office fire, IT systems breakdown, a lengthy power failure, and so on. The Club has an established contingency plan for such situations, which is evaluated annually.

Financial risks

Market, credit and liquidity risks are classified as financial risks. Here, the Club's primary objective is to identify an acceptable risk level from which it can maximize long-term investment returns. The investment portfolio's currency mix and average duration also play an important role when matching the Club's assets and liabilities.

2014	Financial assets at fair value through the income statement	Loans receivables	Total carrying amount	Fair value
Assets chosen to be recognised in category				
Financial assets				
Shares	77 907	–	77 907	77 907
Bonds and other interest-bearing securities	265 452	–	265 452	265 452
Loans to credit institutions	–	10 000	10 000	0[1)]
Receivables	–	57 922	57 922	0[1)]
Cash and bank balances	–	21 808	21 808	0[1)]
Total Financial assets	**343 359**	**89 729**	**433 088**	**343 359**

2014	Other financial liabilities	Total carrying amount	Fair value
Financial liabilities			
Other liabilities	31 237	31 237	0[1)]
Total Financial liabilities	**31 237**	**31 237**	**0**

2013	Financial assets at fair value through the income statement[1)]	Loans receivables	Total carrying amount	Fair value
Assets chosen to be recognised in category				
Financial assets				
Shares	73 441	–	73 441	73 441
Bonds and other interest- bearing securities	211 523	–	211 523	211 523
Receivables	–	38 274	38 274	0[1)]
Cash and bank balances	–	28 780	28 780	0[1)]
Total Financial assets	**284 964**	**67 054**	**352 018**	**284 964**

2013	Other financial liabilities	Total carrying amount	Fair value
Financial liabilities			
Other liabilities	22 701	22 701	0[1)]
Total Financial liabilities	**22 701**	**22 701**	**0**

[1)]Disclosure on fair value has not been provided because the carrying amount is deemed as being a reasonable approximation of fair value.

The investment philosophy is based on risk diversification and investing primarily in assets with a high level of creditworthiness. In order to minimise and control risks, the Board of Directors establishes an investment policy (Investment Directive), which governs the composition, control and authority over asset management. A model has been developed in order to stress the investments and measure the total value-at-risk. It is based on the same principles that are suggested in Solvency II and it measures the exposure of shares, currencies, interest rates and maturities. According to the model, risk exposure has slightly decreased from USD 26 million at the beginning of the year to approximately USD 23 million at the end of 2014.

Performance and other factors are measured and reported to the Managing Director on a monthly basis. Monitoring of debt coverage, outcomes and risks are handled by the Finance & Audit Committee. Follow-up, which includes sensitivity analysis, is performed and reported on a quarterly basis to the Board.

The value of Hydra, which is reported under "Other financial investment assets" corresponds to the value of the reported equity in our cell at Hydra.

Calculation of fair value

The following is a summary of the primary methods and assumptions that have been used to determine the fair value of financial instruments, which are reported at fair value in the balance sheet:

Level 1

For financial instruments listed on an active market (investment assets) the fair value is determined on the basis of the asset's listed buying rate on the reporting date, not including transaction costs (e.g. brokerage fees) at the time of acquisition. Any future transaction costs related to disposal are not taken into account.

Level 2

In those few instances where prices are not available in an active market, valuation has been made by an independent nominee, who, by own account, has used price components that can be observed on the market and which therefore are included in level 2.

In the tables starting at the bottom of previous page, data is provided on how fair value is decided based on the description of the levels provided above for the

2014	Level 1	Level 2	Total
Shares	63 586	14 321	77 907
Bonds and other interestbearing securities	226 628	38 825	265 452
Total	**290 214**	**38 825**	**343 359**

Currency exposure	EUR	GBP	SEK
Investment assets	17 733	–	11 092
Receivables	4 398	13	5 752
Other assets	2 136	538	2 952
Total assets	**24 267**	**552**	**19 797**
Equity and untaxed reserves	–	–	–
Technical provisions, net	-5 187	-20	-180
Other liabilities and provisions	-1 804	-967	-9 137
Total liabilities and provisions	**–6 991**	**–987**	**–9 317**
Net exposure	**17 276**	**–435**	**10 480**

financial instruments that are valued at fair value in the balance sheet.

Market risks

Market risks include fluctuations in interest rates, exchange rates and share prices. The Club operates in an international environment, with revenue, expenditures and investments in various currencies. In addition, the Club seeks to match the duration of investments with the anticipated duration of liabilities. As of 31 December 2014 the duration of fixed income securities was 2.7 (3.1) years.

A change in interest rates of 1% would result in a change in the value of the bond portfolio of approximately USD 7 (6) million.

As of 31 December 2014, currency exposure for the Club's most important currencies was USD 27.3 (33.4) million (see the table on previous page). As all decisions regarding currency positions are based on a US dollar perspective, the Club has chosen to regard solvency capital as consisting entirely of US dollars.

Approximately 23% of the Club's investments are shares. All equity exposure is in well-diversified funds or in indexed-linked securities with a high rating. Decisions concerning investments and reallocations of equity investments are the responsibility of the Board of Directors through the Finance & Audit Committee.

The Club's main credit risks are associated with the following items: risk of bond failures, reinsurance compensations, receivables from members and guarantees from counterparts.

The likelihood that the Club's result would be significantly impacted by fixed income portfolio defaults has been assessed as quite small. At year-end, the Club had USD 265 (212) million invested in fixed income products.

In order to minimise the risk of losses relating to payments from reinsurers, reinsurance purchasing has been centralised to one department.

Furthermore, in accordance with documented procedures, minimum rating limits apply to the participating reinsurers, which means that no reinsurer may have a rating lower than BBB from Standard & Poor's or Baa2 from Moody's. However, 90 percent of the reinsurers have a rating of at least A- (Standard & Poor's) or A3 (Moody's).

During 2014, none of the participating reinsurers was rated below A by Standard & Poor's.

In connection with claims handling, The Swedish Club occasionally accepts guarantees from counterparts. In general, the Club only accepts guarantees issued by other P&I Clubs, major insurance companies, banks or cash deposits. The number of guarantees is limited and the associated risks are relatively small.

In December 2014, premiums more than six months overdue were 0.8 (1.0)% of the 2014 gross premium.

There is little liquidity risk in the short term of the Club becoming short of cash funds, since the majority of the investment portfolio can be converted to cash within a few days. In addition, the Club is not dependent on financing from capital markets.

Capital requirements

The Swedish Financial Supervisory Authority's oversight of insurance companies includes a quarterly reporting requirement for minimum solvency capital and capital base.

The table below shows that the solvency requirement is low compared to the capital base. Alternative calculations are made to reflect future risks pertaining to solvency, for example using FI's Traffic light system. Solvency risk is the risk of the Club not being able to fulfil its obligations to its policyholders.

Creditworthiness for classes of financial assets at fair value*	AAA	AA	A	BBB	Other
Bonds and other interest-bearing securities					
Foreign governments	109 015	1 094	2 316	1 451	–
Other foreign issuers	19 255	22 020	56 250	30 020	24 032
	128 270	**23 113**	**58 567**	**31 471**	**24 032**

** Rating by Standard & Poor's*

Capital base and solvency requirement at 31 December, USD million	2014	2013	Change
Capital base	186.2	167.8	18.4
Regulatory solvency margin	32.7	39.2	-6.5
Surplus	**153.5**	**128.6**	**24.9**

Note 3. Premiums written, gross by geographical area (Direct insurance)	2014	2013
Germany	41 688	37 246
Greece	40 679	38 305
China	31 885	28 188
Sweden	10 965	9 037
Norway	10 242	8 502
Other countries	54 967	53 464
	190 426	**174 742**

Note 4. Investment income transferred from the non-technical account	2014	2013
Allocated investment income transferred to the technical account	**3 800**	**3 700**

Investment income is reported in the non-technical result. From 2006 model is used for the calculation of investment income transferred from the financial business to the technical account. The model compensates the insurance business with interest for the float generated during the period between premium payment and claim payment. The interest rate used corresponds to the expected yield on the investment portfolio. For 2014 the expected yield was 2.5 per cent (the actual yield was 1.6 per cent).

	2014	2013
Average interest rate	2.5%	2.2%

Note 5. Claims paid	2014			2013		
	Gross	Reinsurers share	Net	Gross	Reinsurers share	Net
Current year:						
Claims Paid	-19 494		-19 494	-32 293	0	-32 294
Claims Handling Costs	-11 547		-11 547	-9 424		-9 424
Previous years:						
Claims Paid	-183 523	165 150	-18 373	-123 577	28 104	-95 473
	-214 564	**165 150**	**-49 414**	**-165 294**	**28 104**	**-137 190**

Note 6. Net operating expenses	2014	2013
Specification of net operating expenses reported in the income statement		
Acquisition costs	-14 533	-12 257
Change in prepaid acquisition costs	1 138	352
Internal operating expenses for acquisition of insurance contracts	-7 085	-6 901
Acquisition costs	-20 480	-18 806
Administrative expenses	-7 125	-8 469
Net operating expenses	**-27 604**	**-27 275**

Allocation of other operating expenses in the income statement:

Claims handling expenses reported as claims paid	-11 548	-9 424
Finance administrative expenses reported as investment costs	-624	-606
	-39 776	-37 305

Total operating expenses analysed under the following categories:

Advertising and selling expenses	-1 009	-865
Personnel costs	-17 496	-17 754
Travel expenses	-970	-896
Cost of premises	-1 502	-1 610
Office Expenses	-1 726	-1 490
External services and fees[1)]	-3 858	-4 046
Depreciation	-345	-369
Charged claims handling cost	3 454	4 244
Other revenue	132	94
External acquisition costs	-13 395	-11 905
Costs for The Swedish Club Hong Kong Limited	-3 062	-2 707
	-39 776	-37 305

[1)]Operating expenses includes remuneration for audit engagements to KPMG for USD -91 (2013: -102) thousands, audit consulting USD -26 (2013: -30), tax consulting USD -1 (2013: -6) and other assignments USD -15 (2013: -13).

Total operating expenses analysed under the following categories, including The Swedish Club Hong Kong Limited:

Advertising and selling expenses	-1 150	-975
Personnel costs	-19 456	-19 589
Travel expenses	-1 124	-1 036
Cost of premises	-1 981	-2 040
Office expenses	-1 852	-1 590
External services and fees	-4 061	-4 138
Depreciation	-345	-369
Charged claims handling cost	3 454	4 244
Other revenue	132	94
External acquisition costs	-13 395	-11 905
	-39 776	-37 305

Note 7. Financial income

	2014	2013
Dividends on quoted shares	283	146
Interest income		
Bonds and other interest-bearing securities	3 703	3 991
Other interest income	6	807
	3 709	4 798
Gains on the realisation of investments, net:		
Quoted shares	6 744	4 093
Bonds and other interest-bearing securities	4 698	–
Forward currency contracts	–	79
	11 442	4 172
	15 434	**9 116**

Note 8. Unrealised gains on investments

	2014	2013
Quoted shares	–	4 296
Unquoted shares	1 092	–
	1 092	**4 296**

Note 9. Financial costs

	2014	2013
Internal management expenses	-624	-606
External management expenses	-490	-569
Interest costs	-3 360	-1
Losses on foreign exchange, net	-6 120	-346
Losses on the realisation of investments, net:		
Bonds and other interest-bearing securities	–	-1 140
Forward currency contracts	-655	–
	-11 249	**-2 661**

Note 10. Unrealised losses on investments

	2014	2013
Quoted shares	-4 909	–
Bonds and other interest-bearing securities	-672	-1 854
	-5 581	**-1 854**

Note 11. Intangible assets

	2014	2013
Capitalised expenditure on computer software system		
Opening acccumulated costs	6 480	6 472
Acquisitions	51	–
Revaluation of accumulated acquisition costs	–	8
Closing accumulated costs	6 531	6 480
Opening acccumulated depreciation	-6 288	-6 181
Depreciation for the year	-93	-100
Revaluation of depreciation	-26	-7
Closing accumulated depreciation	-6 407	-6 288
	124	**192**

Depreciation is accounted for in the income statement under net operating expenses.

Note 12. Shares in group and associated companies

Note 12. Shares in group and associated companies	2014	2013
Non-quoted shares in subsidiaries:		
The Swedish Club Hong Kong Limited		
1 share nominal value HKD 1	0	0
Non-quoted shares in associated companies:		
The Swedish Club Academy		
750 shares nominal value SEK 100	11	11
	11	**11**

The Club has a subsidiary company which, in accordance with the Swedish Annual Accounts Act 7:5, has not been consolidated since the subsidiary company is of lesser importance with regard to true and fair view requirements.

The Club´s ownership of the associated company, The Swedish Club Academy is 50%.

Information about The Swedish Club Academy AB:

CIN: 556798-1435

Registered office: Göteborg

Country: Sweden

Note 13. Quoted shares

Note 13. Quoted shares	2014	2013
Quoted shares at market value	68 873	73 441
	68 873	**73 441**

Acquisition costs of quoted shares: 65 635 (2013: 65 294)

Quoted shares are specified in the table below:

Name	Number	Acquisition cost	Fair value
CFS-DBXT MSCI WLD ETF	848 285	38 418	38 485
Carnegie Worldwide Fund	124 304	10 105	12 761
Vontobel Emerging Market Equity Fund	34 765	5 534	5 856
Handelsbanken Europa Index Fond	564 173	6 580	6 483
Ress Life Investments	3 757	4 998	5 286
		65 635	68 873

Note 14. Unquoted shares

Note 14. Unquoted shares	2014	2013
Participating interest in Hydra	9 034	–
	9 034	**–**

Acquisition costs of unquoted shares: USD 7 943.

Note 15. Bonds and other interest-bearing securities

2014	Nominal value	Cost	Fair value	Carrying amount
Foreign governments	109 481	110 253	109 976	109 976
Other foreign issuers	88 583	90 085	90 012	90 012
Total quoted securities	198 064	200 338	199 988	199 988
Bond funds		59 362	65 464	65 464
		259 700	**265 452**	**265 452**

2013	Nominal value	Cost	Fair value	Carrying amount
Foreign governments	56 106	56 645	66 754	66 754
Other foreign issuers	82 060	82 360	71 565	71 565
Total quoted securities	138 166	139 006	138 319	138 319
Bond funds		66 144	73 204	73 204
		205 150	**211 523**	**211 523**

Note 16. Technical provisions

	2014			2013		
Provision for claims outstanding	**Gross**	**Reinsurers share**	**Net**	**Gross**	**Reinsurers share**	**Net**
Opening balance, provision for reported claims	282 694	-179 996	102 698	315 279	-166 851	148 428
Opening balance, provision for incurred not reported (IBNR)	36 240	-1 840	34 400	36 070	-1 670	34 400
Opening balance	**318 934**	**-181 836**	**137 098**	**351 349**	**-168 521**	**182 828**
Claims occurred during the current year	98 567	-6 466	92 101	96 711	-6 131	90 580
Claims paid current year	-203 017	165 150	-37 867	-155 870	28 104	-127 766
Change in expected cost for claims occurred previous years (run-off result)	58 475	-68 971	-10 496	24 616	-34 210	-9 594
Gains/losses on foreign exchange	–	–	–	2 128	-1 078	1 050
Closing balance	**272 959**	**-92 123**	**180 836**	**318 934**	**-181 836**	**137 098**
Closing balance, reported claims	237 377	-90 941	146 436	282 694	-179 996	102 698
Closing balance, provision for incurred not reported (IBNR)	35 582	-1 182	34 400	36 240	-1 840	34 400
Provision for unearned premiums						
Opening balance	**33 042**	**-3 467**	**29 575**	**30 586**	**-2 694**	**27 892**
Insurance contracts signed during the period	42 749	-3 919	38 830	33 042	-3 467	29 575
Premiums earned during the period	-33 042	3 467	-29 575	-30 586	2 694	-27 892
Closing balance	**42 749**	**-3 919**	**38 830**	**33 042**	**-3 467**	**29 575**

The provision is valued at the exchange rate on the balance day. The exchange rate difference which thus arises is reported under Investment income.

From 2014 the provision is treated as USD. No exchange differences therefore arises from this year.

Provision for claims handling included in provision for claims outstanding amounts to 5 607 (2013: 5 607).

The provision for incurred and reported claims is reported including incoming reinsurance amounting to 191 (2013: 302).

Note 17. Receivables related to direct insurance operations	2014	2013
Policyholders (members)	36 765	29 940
Insurance brokers	14	26
Insurance companies	3 386	2 275
	40 166	**32 241**

Note 18. Tangible assets	2014	2013
Machinery and equipment		
Opening accumulated cost	3 279	3 245
Acquisitions	290	244
Sales and disposals	-176	-213
Revaluation of accumulated purchase prices	-588	3
Closing accumulated cost	2 806	3 279
Opening accumulated depreciation	-2 333	-2 237
Reversed depreciation on tangible assets sold	176	181
Depreciation for the year	-252	-275
Revaluation of depreciation	409	-2
Closing accumulated depreciation	-2 000	-2 333
	806	**947**

Depreciations are accounted for in the income statement under net operating expenses.

Note 19. Pensions and similar obligations	2014	2013
Provision pensions	403	524
Provisions for deferred non-vested pension	1 185	1 381
	1 587	**1 905**

The pension obligations are comprised of pension plans that are regulated through collective agreements and national insurance laws. The obligations consist of both defined contribution and defined benefit plans. For defined contribution plans, pension costs consist of the premium paid for securing the pension obligations in life insurance companies. The total premium paid during the year amounted to 2 300.

The Club's pension plans for collective pension agreements are guaranteed through insurance agreements. The pension plan for the Club's employees has been assessed as a defined benefit plan covering multiple employers. However,the Club has determined UFR10 Accounting for pension plans in ITP 2, which is financed through insurance with Alecta, is also applicable to the Club. The Club lacks sufficient information for reporting in accordance with IAS 19. Therefore, in accordance with UFR 10, it reports these pension plans as defined contribution plans. The Club's obligations concerning contributions to defined contribution plans have been reported as a cost in the income statement at the rate they are earned by employees performing services during the period. Premiums paid to SPP Liv and SKANDIKON amounted to 1 128.

As per the collective agreement, employees born before 1956 are entitled to retire at the age of 62. The provision is based on anticipated future pension payments and it includes assumptions regarding mortality, employee turnover, salary growth and price inflation. Pension payments for the year amounted to 134.

Note 20. Taxes

	2014	2013
Tax on result for the year		
Deferred tax[1)]	988	-537
	988	**-537**

[1)]Tax rate 22%. Current years' deferred tax is related to unrealised gains/losses on investments.

Change in provision for deferred tax	2014	2013
Opening balance	3 194	2 657
Change recognised in income statement	-988	537
Closing balance	**2 207**	**3 194**

Change in provision for deferred tax reported in untaxed reserves	2014	2013
Opening balance	36 692	33 584
Change reported in untaxed reserves	4 633	3 108
Closing balance	41 325	36 692

Note 21. Liabilities related to direct insurance operations

	2014	2013
Policyholders (members)	4 874	3 014
Insurance brokers	4 053	2 829
Insurance companies	224	76
	9 151	**5 919**

Note 22. Other liabilities

	2014	2013
Trade creditors	1 191	926
Other creditors	9 014	5 928
	10 206	**6 855**

Note 23. Expected settlement of assets and liabilities

Approximately 40% of the provision for claims outstanding is expected to be paid more than 12 months in the future. Reinsurers' share of the provision for claims outstanding typically takes somewhat more time. For other balance sheet items that are expected to be settled more than 12 months in the future, 50% of the receivables and liabilities are associated with other insurance companies. There is little risk in the short term of the Club becoming short of cash funds, since most of the investment portfolio can be converted to cash within a few days. For more information on liquidity risk, please see Note 2 and the cash flow statement.

Note 24. Memorandum items

The listed assets below, are held in a register for coverage of technical provisions. In case of insolvency the members have a priority right in the registered assets. The Club has the right that in going concern add or delete assets in the register as long as the demand for coverage accordance with Swedish Insurance Act is fullfiled.

	2014	2013
Goverment/municipal bonds, etc.	109 934	71 456
Other bonds	155 518	140 067
Quoted shares	68 873	73 441
Unquoted shares	9 034	–
Cash and bank balances	27 807	24 063
Receivables related to direct insurance operations	28 786	20 281
	399 952	**329 307**
Technical provisions, net	219 665	166 671
Surplus of registered assets	180 287	162 636
	399 952	**329 307**

Bank guarantees
In connection with obligations to other members of the International Group and to policy holders of The Swedish Club, the Association has provided bank guarantees of USD 10,6 (2013 20,4) million.

Note 25. Related party transactions

With the exception of what is required by insurance contracts, there are no related party transactions with Board members (members). Neither are there any related party transactions with senior executives of the Club.

Note 26. Significant events after the balance sheet date

Subsequent to the balance sheet date, the business has developed in line with the established goals and expectations. The Club does not have any significants events to report that occured after the balance sheet date.

Note 27. Personnel

	2014	2013
Average number of employees:		
Sweden	74	73
Greece	16	15
Norway	5	2
Hong Kong	14	13
	109	**103**
Of which females	50	44
Females in management team	(14%)	(17%)

Salaries and payments:		
in Sweden		
Chairman of the Board	20	25
of which variable portion	(8)	(9)
Other board members (20 persons)	186	209
of which variable portion	(106)	(145)
Managing Director	351	416
of which variable portion	(15)	(38)
Management team excluding the Managing Director (6 persons)	1 055	982
of which variable portion	(46)	(93)
Other employees	4 368	5 945
in Greece	1 926	2 131
in Norway	627	482
	8 533	**10 190**

Social security costs:		
in Sweden	5 127	5 794
in Greece	414	564
in Norway	184	110
	5 724	**6 468**
of which pension costs	2 955	3 124
Management team (6)	(90)	(104)

The Managing Director's employment contract states that the Club is required to give notice of termination two years in advance. Included under the heading, Provision for pensions in Note 19, is the capital value of pension obligations for prior senior executives, which amounts to USD 272 (357) thousand.

Fees have been paid to Board members during the year in accordance with the AGM decision. The AGM decides on how remuneration to the Board shall be allocated between the Chairman of the Board and the other members. The variable portion is based on the number of meetings attended. Remuneration to the Managing Director is decided by the Chairman of the Board. Remuneration to other senior executives is decided by the Managing Director. Remuneration to the Managing Director and other senior executives is comprised of basic salary, other benefits and pension. Other senior executives are individuals who, together with the Managing Director, form the management team. Please see Note 19 for information about pensions. No fees are paid to Board members who are also employees of the Club.

Proposed appropriation of earnings

The Board of Directors proposes that the accumulated deficit USD -3 768 thousand is to be carried forward.

The income statement and balance sheet will be submitted for adoption by the annual general meeting on 11 June 2015.

The Board of Directors and Managing Director assure that the annual accounts have been prepared in accordance with generally accepted accounting practices for insurance companies and offer a true and fair representation of performance and financial position. The board of directors' report offers a true and fair overview of the company's operations, performance and financial position, while describing significant risks and uncertainties that the company face.

Auditors' report

This report is translated from the official Swedish annual report in SEK.

To the general meeting of the shareholders of Sveriges Ångfartygs Assurans Förening (The Swedish Club), corp. id. 557206-5265.

Report on the annual accounts

We have audited the annual accounts of Sveriges Ångfartygs Assurans Förening (The Swedish Club) for the year 2014.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act for Insurance Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. It is conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards re-quire that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual ac-counts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of Sveriges Ångfartygs Assurans Förening (The Swedish Club) as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopt the income statement and balance sheet.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Sveriges Ångfartygs Assurans Förening (The Swedish Club) for the year 2014.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Insurance Business Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Insurance Business Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the general meeting of shareholders that the loss be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

KPMG AB, Gothenburg

Roger Mattsson
Authorised Public Accountant

Auditor and Actuary

Auditor

KPMG AB Authorised Public Accountant
Roger Mattsson Gothenburg

Actuary

The Swedish Club Authorised Actuary
Peter Niman Gothenburg

P&I policy year statement (unaudited)

At 20 February 2015. Analysis in USD thousands.		2014/15	2013/14	2012/13
Calls and Premiums accounting year		106 006	100 000	91 742
Reinsurance premiums		-27 139	-32 035	-24 354
Investment income transferd from non-technical account		3 100	2 900	2 800
Claims paid accounting year 2012				-14 902
Claims paid accounting year 2013			-16 994	-50 508
Claims paid accounting year 2014		-9 668	-17 676	-30 086
Claims handling costs		-5 451	-6 221	-6 857
Reinsurers share paid accounting year 2012				–
Reinsurers share paid accounting year 2013			–	17 003
Reinsurers share paid accounting year 2014		81	2 716	28 895
Administrative expenses		-15 209	-13 825	-13 376
Technical balance available to meet claims	A	51 720	18 865	357
Net outstanding claims**				
Pool		16 858	11 908	-3 877
Members claims		32 600	19 620	25 935
	B	49 458	31 528	22 058
Technical result insurance year	**A-B**	**2 262**	**-12 663**	**-21 701**
Total investment income P&I*		-242	7 320	17 878
Investment income transferd to technical account		-3 100	-2 900	-2 800
	C	-3 342	4 420	15 078
Balance available to meet outstanding claims	**A-B+C**	**-1 080**	**-8 243**	**-6 623**

** P&I business part of investment income is accounted for in the policy year in which it arises. All figures are shown net of taxation.*

*** All reserves for outstanding claims are uplifted to include IBNR.*

- As the policy year ends 20 February for P&I we have attached a policy year statement together with income and expenditure account synchronising with this period.
- The policy year statement above shows the likely outcome of the open policy years at 20 February 2015.
- Balance available to meet claims outstanding for all years is a calculated estimate of generated surplus from the P&I business. The balance available amounts to TUSD 116 753 whereof closed years TUSD 132 699.
- The income and expenditure account on the next page shows the estimated result for one accounting year ended 20 February regardless of policy year.

P&I income and expenditure account (unaudited)

For the year ended 20 February. Analysis in thousand USD.	2014/15	2013/14	2012/13
Calls and premiums	106 006	100 000	91 742
Reinsurance premiums	-27 139	-32 035	-24 354
Claims paid	-155 230	-160 641	-207 161
to Pool	-22 752	-14 858	-13 529
on own business	-132 478	-145 783	-193 632
Change in provision claims	22 267	68 045	19 421
to Pool	-10 078	-14 226	-8 529
on own business	32 345	82 271	27 950
Reinsurance recoveries	131 534	85 902	143 748
from Pool	16 645	27 741	50 236
Group	94 171	67 178	83 566
other reinsurers	20 718	-9 017	9 946
Change in provision claims	-52 810	-47 239	-20 427
from Pool	-8 553	7 389	-35 984
Group	-30 280	-37 178	-31 045
other reinsurers	-13 977	-17 450	46 602
Claims handling costs	-5 451	-6 221	-6 857
Technical result	**19 178**	**7 811**	**-3 888**
Investment income*	-242	7 320	17 878
Administrative expenses	-15 209	-13 825	-13 377
Result	**3 727**	**1 306**	**613**

**Investment income has been allocated to the different classes of business in accordance with a formula that has been consistently applied from year to year.*

Board of Directors

Lennart Simonsson
Chairman
Gothenburg, Sweden

Lars Rhodin
Managing Director
Gothenburg, Sweden

John Coustas
Deputy Chairman
Danaos Shipping Co. Ltd.
Piraeus, Greece

Khalid Hashim
Deputy Chairman
Precious Shipping Public Co. Ltd.
Bangkok, Thailand

Idil Baran Sualp
CerBa Group of Companies
Istanbul, Turkey

Michael Bodouroglou
Allseas Marine S.A.
Voula, Greece

Anders Boman
Wallenius Lines
Stockholm, Sweden

Chen Xiang
Cosco Container Lines Co Ltd.
Shanghai, The People's Republic of China

Fred Cheng
Shinyo International Group Ltd.
Tokyo, Japan

Peter Claesson
Stena AB
Gothenburg, Sweden

Demetri Dragazis
Latsco London Ltd.
London, United Kingdom

Rob Grool
Seaspan Ship Management Ltd.
Vancouver, Canada

Board of Directors

Gustaf Grönberg
Star Cruises Management Ltd.
Kuala Lumpur, Malaysia

Lars Höglund
Furetank Rederi AB
Donsö, Sweden

Kim Kyung Soo
IMC Corp.
Singapore, Singapore

Anders Källsson
Erik Thun AB
Lidköping, Sweden

Andonis Lemos
Enesel S.A.
Athens, Greece

Li Zhen
Sinotrans Shipping Ltd.
Beijing, The People's Republic of China

Diamantis Manos
Costamare Shipping Co. S.A.
Athens, Greece

Sumate Tanthuwanit
Regional Container Lines Co. Ltd.
Bangkok, Thailand

Michael Vinnen
F.A Vinnen & Co.
Bremen, Germany

Weng Yi
China Shipping Company
Shanghai, The People's Republic of China

Jakob Osvald
Elected by the employees

Elisabeth Rydén
Elected by the employees

Management Group

Lars Rhodin
Managing Director

Born: 1959 • **In management group since:** 1997

Master of Law from University of Lund and Master of Business Administration from University of Gothenburg. Worked as a lawyer in private practice prior to joining The Swedish Club. Served at the Hong Kong office 1988–1991. Deputy Managing Director 2003–2008, prior to his appointment as Managing Director in July 2008. Member of the International Group of P&I Clubs' Committees and Working Groups and Det Norske Veritas (DNV). He also serves as chairman of the IUMI Ocean Hull Club Committee and on the board of directors of the Swedish Sea Rescue Society.

Jan Rydenfelt
Director of Finance, IT & Reinsurance

Born: 1954 • **In management group since:** 1999

Master of Arts in Economics, University of California, Santa Barbara and Bachelor of Business Administration from University of Lund. Assistant to the managing director of Länssparbanken Gothenburg. Various positions within the financial sector, whereof the latest, before The Swedish Club, as property consultant at Catella, IKEA Group. Jan Rydenfelt will be leaving for retirement after our AGM in June this year.

Helena Wallerius Dahlsten
Director of Human Resources

Born: 1955 • **In management group since:** 2003

Master of Law from University of Lund and Gothenburg. 1982-2003 various positions in claims handling including Deputy Director of P&I Claims 1989-1997 and Deputy Director of Claims & Legal Support 1997-2003. 2003 onwards she is Director of Human Resources & Legal.

Lars A. Malm
Director of Strategic Business Development & Client Relationship

Born: 1969 • **In management group since:** 2007

Master of Law from University of Gothenburg and Oslo. Came from the Swedish insurance company Skandia and joined The Swedish Club in 2000 as a Hull Claims Adjuster. In 2003 appointed Area Manager. Assumed the role as Director of Risk & Operations in 2008 and Director of Strategic Business Development & Client Relationship 2014.

Anders Leissner
Director Corporate Legal & FD&D

Born: 1969 • **In management group since:** 2011

Master of Law from University of Lund. Traineeships at United Nations in New York and lawfirm in Washington DC. Joined The Swedish Club 1998 as P&I and FD&D claims handler and served at the London office 2001–2003. Appointed FD&D Manager in 2003 and Director, Corporate Legal & FD&D 2011. Serves on various International Group Committees and the BIMCO Documentary Committee.

Jacob Vierö
Director of Marketing & Business Development/ Acting Area Manager

Born: 1962 • **In management group since:** 2013

Degree in Naval Architecture & Marine Engineering from the Danish University of Technology, Project Management, Chalmers University of Technology and Economics for Engineers, Stockholm School of Economics. Managerial positions in the marine and automotive industry, most recently as Director of Sales & Marketing at Kuka. 2013 he joined The Swedish Club as Director of Marketing & Business Development and Acting Area Manager.

Tord Nilsson
Director of Underwriting & Risk Control

Born: 1965 • **In management group since:** 2014

Master's degree in Finance from University of New Mexico. Marine insurance broker at Arvid Bergvall 1993 and join The Swedish Club as Underwriter 1996. Appointed Managing Director of the Hong Kong office 2000, Area Manager and Senior Underwriter for Team Göteborg I 2005 and Area & General Manager at the office in Piraeus 2009. Since 2014 he is Director of Underwriting & Risk Control.

Definitions & Glossary

AER, Average expense ratio:	all members of the International Group of P&I Clubs are subject to the EU Commission requirement to report the AER for P&I business. This is a measure of cost-effectiveness. AER is measured in US dollar and calculated for the latest five-year period by relating operating costs, excluding claim handling costs, connected with P&I activity to premiums plus investment income concerning P&I activity.
Claims frequency:	observed relationship during a specific period between the number of claims arising within a certain category of insurance and the number of insurance policies within the same category. Does not include major claims.
Combined ratio:	claims for own account and net operating expenses in the insurance business, as a percentage of earned premium f.o.a..
CTL, Constructive Total Loss:	is when the vessel is beyond any reasonable cost for repairs. The damage or damages to the ship will cost more to repair than the insured value.
Energy:	insurance comprised of Hull & Machinery, Increased Value, Hull Interest, War, Loss of Hire for Mobile Offshore Units and FPSO. For more information, please read about Insurance Products at www.swedishclub.com
Expense ratio:	net operating expenses in the insurance business, as a percentage of earned premium f.o.a..
FD&D, Freight, Demurrage & Defence:	a cover that provides for advice and meets legal costs incurred in pursuing or defending claims covered by this class of insurance pursuant to the Rules. There is no cover under FD&D, however, for the claim itself.
For own account, F.o.a:	net of reinsurance.
H&M, Hull & Machinery:	a cover that protects the insured against damage to, or loss of, the vessel or machinery.
IBNR, Incurred but not reported:	a term used to describe an estimation of the claims which may have occurred, but of which the Club is not yet aware, or is only partially aware and for which provisions must be made when calculating the Club's liabilities.
International Group of P&I Clubs:	this organisation arranges collective insurance and reinsurance for P&I clubs and represents the views of the P&I community.
Investment income (or return):	sum total of direct return and realised and unrealised changes in value expressed as a percentage of the fair value of investment assets measured in USD. The monthly time weighted method has been used to calculate the return of active investments. The return has been calculated using the calculation method used internally by the Club for the evaluation of asset management.
Loss ratio:	claims incurred, net of reinsurance, as a percentage of earned premiums f.o.a..
Marine & Energy:	a main class of insurance which includes Hull & Machinery (H&M), Hull Interest, War, Loss of Hire and Energy. For more information, please read about our insurance products at www.swedishclub.com
Maritime Resource Management: (MRM)	is a training course intended for seagoing staff, pilots and shore-based personnel. The objective is to minimise casualties and losses caused by human and organisational errors. The Swedish Club Academy AB is the owner of the MRM course and has licensed a large number of training providers world-wide for the purpose of providing training. For more information see: www.swedishclub.com/academy

Overspill:	claims exceeding the International Group of P&I Clubs' reinsurance are pooled amongst the members up to the overall limit set by the P&I Rules. The estimate is currently USD 2.5 billion in excess of reinsurance.
P&I, Protection & Indemnity:	insurance that indemnifies or covers the insured in respect of the discharge of legal liabilities incurred during the operation or employment of the vessel.
Pool:	the P&I clubs in the International Group share claims made in excess of the retention of USD 7 million. In the excess of the pool limit, the Group has jointly purchased Excess of Loss reinsurance.
Retention:	the highest insured or claims amount relating to the same risk that an insurer retains for its own account, without reinsurance.
Solvency capital:	equity less deferred tax assets plus untaxed reserves and deferred tax liability.
Solvency ratio, claims:	solvency capital, as a percentage of provision for claims outstanding f.o.a..
Total return:	direct yield on investments (operating surplus from buildings and land, dividends received and interest income), unrealised profits and losses and realization result in the sale of investment assets, in relation to the average market value of the investments and cash/bank.
Underwriting:	includes the risk assessment and pricing conducted when insurance contracts are drawn up. In accounting contexts, the term is also used more broadly to designate the operations of an insurance company that do not have the character of asset management.

SVERIGES ÅNGFARTYGS ASSURANS FÖRENING
The Swedish Club
Est. 1872

Contact

Head Office Gothenburg
Visiting address: Gullbergs Strandgata 6, 411 04 Gothenburg
Postal address: P.O. Box 171,
401 22 Gothenburg, Sweden
Tel: +46 31 638 400, Fax: +46 31 156 711
E-mail: swedish.club@swedishclub.com
Emergency: +46 31 151 328

Piraeus
5th floor, 87 Akti Miaouli, 185 38 Piraeus, Greece
Tel: +30 211 120 8400, Fax: +30 210 452 5957
E-mail: mail.piraeus@swedishclub.com
Emergency: +30 6944 530 856

Hong Kong
Suite 6306, Central Plaza, 18 Harbour Road,
Wanchai, Hong Kong
Tel: +852 2598 6238, Fax: +852 2845 9203
E-mail: mail.hongkong@swedishclub.com
Emergency: +852 2598 6464

Tokyo
2-14, 3 Chome, Oshima, Kawasaki-Ku,
Kawasaki, Kanagawa 210-0834 Japan
Tel: +81 44 222 0082, Fax: +81 44 222 0145
E-mail: mail.tokyo@swedishclub.com
Emergency: +81 44 222 0082

Oslo
Tjuvholmen Allé 17,
0252 Oslo, Norway
Tel: +47 9828 1822, Mobile: +47 9058 6725
E-mail: mail.oslo@swedishclub.com
Emergency: +46 31 151 328

Printed by: PR-Offset, Mölndal, www.pr-offset.se
Printed on: Lessebo Linné White, www.mapsverige.se
Photos: Photos, Enesel, Thalassa Hellas motives: © Alex Tsampas
Photos of The Swedish Club's staff: © Jonas Ahlsén, (www.ahlsénsfoto.se)
Produced inhouse by The Swedish Club, Corporate Communications
1504pr2000/cw

www.swedishclub.com