The Swedish Club

With you at all times

Annual Report 2015

for the year ended 31 December

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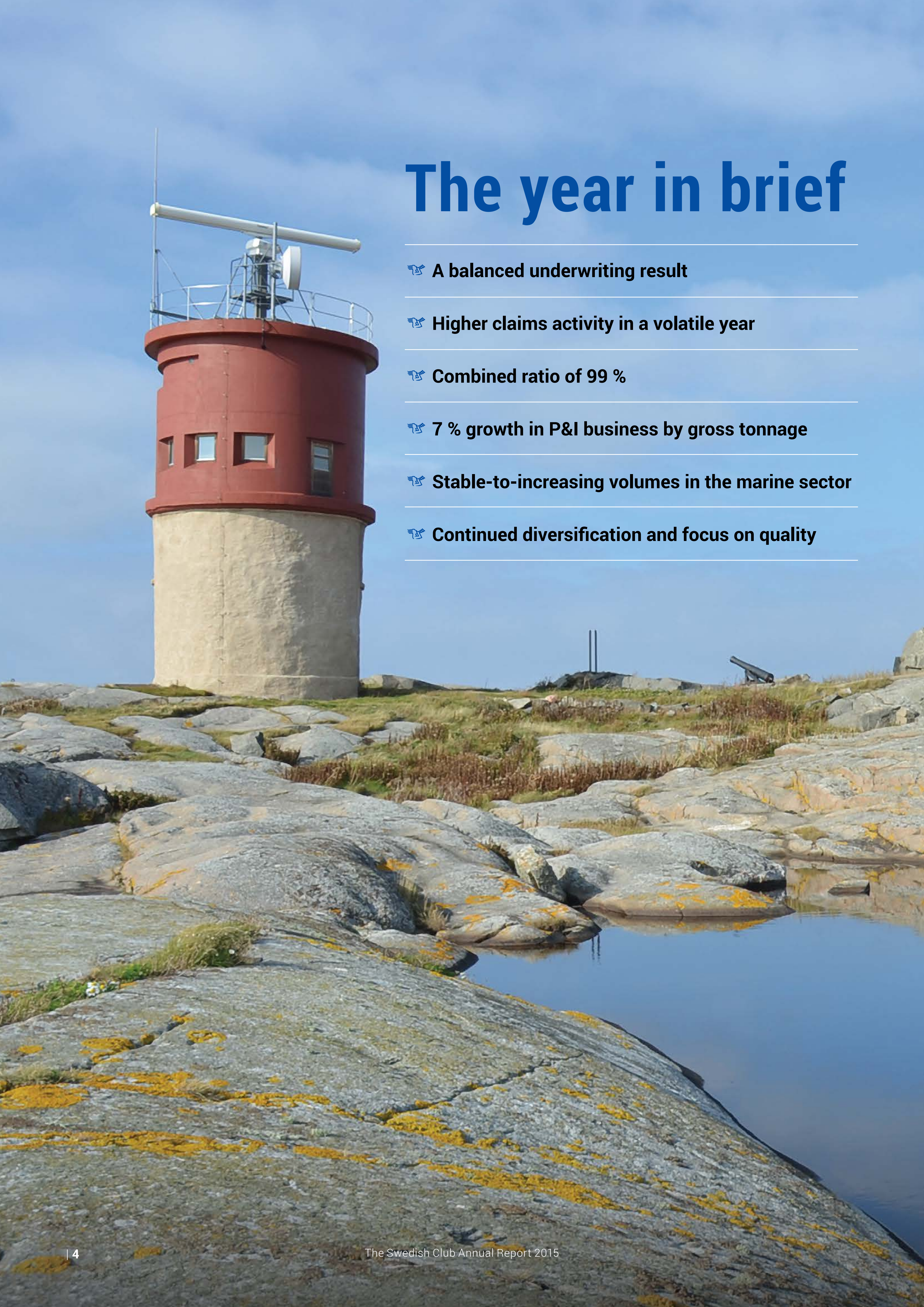


The year in brief

- A balanced underwriting result
- Higher claims activity in a volatile year
- Combined ratio of 99 %
- 7 % growth in P&I business by gross tonnage
- Stable-to-increasing volumes in the marine sector
- Continued diversification and focus on quality

Financial highlights

The financial year January through December:

USD thousands	2015	2014	2013	Average
Calls and premiums	180,402	180,719	172,286	177,803
Reinsurance premiums	-37,453	-41,272	-46,518	-41,748
Net claims incurred	-115,187	-93,151	-90,409	-99,582
Financial result	-5,080	-304	8,897	1,170
Actual result	-3,069	18,389	16,982	10,766
Loss ratio	81 %	67 %	72 %	73 %
Expense ratio	18 %	20 %	22 %	20 %
Combined ratio	99 %	87 %	94 %	93 %

Understanding your needs

When you join The Swedish Club you become part of an international community of front rank shipowners who believe that quality comes first.

Our guiding principle in everything we do is a guarantee of fair and equitable treatment, this extends from the assessment of risk to the setting of premiums.

With an in-depth knowledge and risk assessment, we can structure a full range offering to meet your needs.

The Swedish Club – with you at all times

Working together for better safety at sea

Our members operate as a community, sharing operational experience in the crucial areas of marine safety and loss prevention.

Together we have the responsibility to make sure you can benefit from this experience, and use it to help reduce your risk exposure as much as possible.

The Club's unique loss prevention programmes and initiatives are designed to provide hands-on support and guidance, all for a superior marine safety culture.

The Swedish Club – with you at all times

First class service around the clock

Our team of experts is there to help you and give advice, 24 hours a day, seven days a week and 365 days a year. We deliver first class service from our headquarters in Gothenburg and from our offices in Piraeus, Hong Kong, Tokyo, Oslo and London.

With instant claims handling and rapid response you can be sure you are in professional hands.

The Swedish Club – with you at all times

Mixed fortunes for the industry as a whole

'Tough' would probably be the first word to come to mind when looking back on 2015 in the shipping industry. That, however, would be to oversimplify what is becoming an increasingly complex and diversified market.

Uncertainty

Clearly, the uncertainties of the global economy held back the shipping market as a whole, but the impact was far from uniform. Dry cargo operators faced tough times in what was without doubt a terrible year, container operators experienced mixed fortunes and yet many tanker operators enjoyed a relatively good 12 months, with some owners describing 2015 as the best year since 2007-08. In offshore development, plummeting oil prices completely changed the picture and at present it is hard to find any reason for optimism there.

The world view

Alongside this, globalisation is playing a major part and no aspect of shipping is unaffected. Surprisingly, in general terms, underlying trends were normal, with cargo volumes and consumption in most sectors at reasonable levels. But worry and anxiety remain, and they are infectious. When a downturn is predicted in one sector, confidence levels across the board are affected.

In the past, locally focused shipowners and traders were impacted by the realities of supply and demand in their markets more than anything else. But today, supply and demand is not immune from the impact of world economic developments, and even companies operating solely in local shipping trades cannot escape the fallout of the global picture.

A mindset where the global economy determines more than anything else whether the market must go up or down is, I believe, a very dangerous thing. If a drop in consumer confidence leads directly to a drop in charter rates, shipowners will struggle even if consumption is good.

Newbuilding dilemma

Concern about over-ordering and the market being flooded with newbuilding has been well documented but I believe there is potential for another, contrasting concern. Newbuilding orders are a must if the age profile of the fleet is not to deteriorate unacceptably. Tankers are one of those sectors. The danger now for the years to come is whether the global economic outlook will hold back owners from renewing the fleet and, even if they dare or need to do so, are the banks still prepared to lend them the money?

Service, strength and value

In such a diverse and unpredictable market, The Swedish Club continues to deliver service, strength, support and value to its members through its board and the management team. What makes The Swedish Club stand out? We focus on quality shipping and we are proud of the members we have in the Club.

The record of The Swedish Club speaks very much for itself. There is loyalty from the members and loyalty to the members – I am proud to say that it works both ways.

Lennart Simonsson

Chairman


Lars Rhodin
Managing Director

Keeping focused in a challenging year

The Swedish Club delivered a balanced underwriting result in 2015, despite much higher claims activity and increased volatility during the course of the year. The Club demonstrated a resilience that is underpinned by diversification in our product lines and based on prudent management and a focus on quality.

The year began with a series of major casualties, including total losses which were far beyond what could be expected in terms of probability. However, we closed the year with a combined ratio of 99 %, assisted in part by the positive developments of previous years.

The challenge in 2015 was undoubtedly on the investment side, particularly given the turbulent period in the autumn which was led by sharp equity falls in Shanghai and Shenzen. Investors today talk more about return of capital rather than a return on capital and, given the fragile state of the world economy, this may be the 'new normal' we must become accustomed to.

Consequently our investment portfolio ended with a negative return of 1.6 %, with the result that the year ended with a modest overall deficit of USD 3 million.

The message is clear: we cannot rely on handsome returns from investments and we must maintain our focus on a balanced underwriting performance.

A solid platform

Our results show clearly that we have a solid platform from which to develop further. Financial stability and cost-efficient quality services are the main features of our offering and these are vital components in a shipping market where freight rates continue to be totally inadequate. Far from diminishing our services just because times are difficult, we remain a responsive organisation that is concerned about its members; committed to providing relevant feedback and loss prevention services; guaranteeing rapid casualty response; and having a long-term perspective.

The board's decision to set this year's general increase at zero recognises the state of the market and reflects the Club's determination to support its members.

P&I: In 2015, we achieved a 7 % growth in our P&I business by gross tonnage, which we consider to be a real vote of confidence in the Club. The volumes exceeded 44 million GT owners' entries and 66 million GT charterers.

Reinsurance: Pool claims were relatively modest for the International Group in 2015, and the Group has been successful in achieving sizeable reductions in reinsurance costs for the policy year 2016/17. The mutual risk-taking model is still proving to be the most efficient.

Marine: In our Marine business, we saw stable-to-increasing volumes in 2015 and we continue to take up opportunities as they arise, with a strategy of converting follow lines to lead position where this is possible. A notable result of the low investment in the market has been the influx of risk-taking capital into the Marine insurance market – but we can be sure that capital will not be there when the investment climate improves. In this increasingly opportunistic world, The Swedish Club is a reliable and steady partner, providing a competent service.

Continued overleaf

From previous page

Growth and commitment

During 2015, we made three major investments:

London office: Last spring The Swedish Club opened an office in London with its own underwriting presence. Our goal in 2016 is to develop that presence.

Norway expansion: We expanded our presence in Norway, moving to new offices in Oslo and increasing staff numbers and market participation.

Maritime Resource Management (MRM) subsidy: We made the decision to continue offering our members a 50 % subsidy on MRM training for a period of two years. This subsidy recognises the very considerable impact, for owners and the Club, of large casualties resulting from human factor shortcomings.

The Club has invested 20 years in this unique, highly sophisticated training programme, which instils MRM as a state of mind, with a focus on safety culture from the top. Subsidising the MRM training licence for our members is one way in which we can assist and support them.

Underwriting

Underwriting performance in 2015 was affected by large casualties, whereas stability was shown within the expected range of claims. The Club had no frequency increase across the board – we experienced seven total losses but they were under four different lines of business. While we cannot see a common cause or denominator in these cases, a ‘from the top’ safety culture can always make a difference. MRM is there to catch those improbable yet possible losses, and it is a clear advantage for The Swedish Club.

A clear strategy

Diversification with a purpose: As a Club, we continue with our strategy of diversification with a purpose; our aim is to offer comprehensive solutions to shipowners and to reduce volatility. As part of that strategy, we have a number of new products in the pipeline.

Risk control: The entry into force of Solvency II in January 2016 presented our legal team with a huge body of work – but has also presented the Club with the opportunity to reinforce our approach to risk, to demonstrate our disciplined and transparent approach and to maintain a close dialogue with all of the relevant authorities.

Cost control: Throughout 2015, we continued with our ongoing review of processes, in order to keep running expenses under tight control. It is particularly gratifying to report that our operating costs were below budget for the year.

The Swedish Club remains committed to its strong and successful strategy of holding fast to core values and staying on a stable course, providing cost-efficient solutions and added value.

> **“The message is clear: we must maintain our focus on a balanced underwriting performance”**

Mikael Kromli

Director, Finance, Risk Management & IT

Maintaining the balance

'A balanced approach' remains at the heart of The Swedish Club's financial and investment strategy. Our objective is, for a given risk level, to generate an attractive long-term return on the funds. The size and allocation of these funds are tailored to respond to estimated underwriting exposures as well as the most unlikely combinations of negative risk scenarios.

When establishing the benchmark for the investment portfolio, the estimated duration and currency mix for liabilities is taken into consideration.

Investment performance

A positive investment return in line with our benchmark was achieved in 2014; and equities and bonds continued to deliver positive returns in the first half of 2015. However, investment markets experienced a period of volatility and overall negative developments in the second half of the year, which was reflected in our portfolio.

A balanced portfolio: Working with a balanced portfolio of approximately 20 % equities and 80 % bonds, our investments in equities fared better than most in this volatile market but nevertheless generated a negative return. Our bond-related holdings developed less well compared to our own benchmark, mainly as a consequence of underperforming corporate bond fund holdings.

The overall result, was that the Club's investment portfolio ended the year with a negative return of 1.6 %.

Value for our members: The Club's return on assets is now suffering from a low yield environment; however, we maintain a portfolio of investments in line with our established directives. We actively monitor market developments and consider what our business requires in terms of cash flow and timing, while ensuring we generate and protect value for our members. The Swedish Club remains financially strong.

Flexibility

During 2015, we moved to a greater share of index-related ETFs (Exchange Traded Funds) and extended the duration of investments when compared with 2014.

Our portfolio is structured to enable quick decisions and rapid change, while abiding by strict rules on our investment choices, including clear limitations related to the credit rating of counterparts.

Claims environment

After the two very benign years of 2013 and 2014, the Club experienced an unusually high number of total losses in 2015. The resulting high claims cost for own account in 2015 was off-set by favourable run-offs related to previous years and lower operating expenses. Hence, the Club achieved a combined ratio of 99 %.

Excluding the total losses, the underlying claims frequency trend remained stable.

Solvency

In September 2015, the Club participated in a test-run by the Swedish Financial Supervisory Authority to check the preparedness for the new Solvency II reporting requirements coming into effect as from 31 December 2015. This was a useful process confirming that our Solvency Capital Requirement (SCR) according to Solvency II definitions is in line with the expected value and reconciles with our own risk and solvency assessment (ORSA).

Anders Leissner

Director, Corporate Legal & FD&D

Laying the groundwork

From a regulatory perspective, the preparation for Solvency II, which came into force in January 2016, overshadowed almost every other activity during 2015. Solvency II represents a paradigm shift for insurance companies at all levels; it requires insurance providers to take a risk-based approach to every aspect of their business. Following through on all its requirements entails high demands on governance structure and the compliance function.

Solvency II – exceeding expectations

The Club's preparation for the Solvency II regime has to a large extent involved the creation of robust and fit for purpose processes in those areas. The transition phase from Solvency I to Solvency II is expected to continue during 2016, since the regime contains several interim provisions.

Reporting: There are significant changes in terms of the financial reporting requirements under Solvency II. Setting up a framework of what and when to report, and coordinate that with appropriate board approvals, took up a considerable amount of time in 2015 and will continue to do so in 2016.

Opportunities: Having said all this, Solvency II is much about common sense in terms of identifying and managing risks. Being a high quality, disciplined and transparent insurer, the Club is well suited to meet its challenges.

Current issues

Participation: The Club continues to actively contribute to discussions and decision making at International Group (IG) level. Main issues during 2015 have included extension of P&I cover in accordance with new requirements under the Maritime Labour Convention (MLC), policy considerations in respect of clubs' fixed premium insurance, and monitoring and responding to the changing sanction legislation pertaining to Iran and other countries.

As to the latter, the Club's lawyers – myself included – and underwriting staff have spent a great deal of time providing advice to members.

Freight Demurrage and Defence insurance (FD&D)

The bankruptcy of OW Bunker in 2014 continued to occupy the Club's FD&D lawyers with the team handling between 40 and 50 cases related to OW Bunker invoices worth in excess of USD 20 million.

Our FD&D business continues to grow, particularly in Asia, and we now have 899 vessels (39.3 million GT) insured for FD&D risks, up from 820 vessels (34.2 million GT) in 2014.

2015 continued to see an increase in claims, due to the growth of the portfolio and volatility in the freight markets, which has been proven to generate legal disputes.

The world is becoming increasingly complex and we feel that FD&D insurance is more important than ever for our members, who can turn to us to protect their interests in the event of commercial disputes.

Lars A. Malm

Director, Strategic Business Development & Client Relations

Keeping a step ahead

During 2015 the Club maintained its strategy of adding value for our members, and worked to demonstrate how that 'added value' mind-set differentiates us from others. We continue to grow the business through three pillars; an all-inclusive service offering, acknowledged claims handling expertise; and the vital element of loss prevention.

New initiatives

Two new solutions were introduced on the underwriting side in direct response to our members' needs.

The Swedish Club's Charterers' Liability All-In-One Cover: This was developed to recognise that a person or company chartering a vessel assumes responsibilities broadly similar to those of an owner; it is particularly appropriate for risk averse charterers in trades with relatively low claims frequency, but high claims severity, and who need high limits and flexible terms.

Delay Cover: Designed in response to requests from owners concerned about delays incurred when picking up refugees in distress at sea and taking them to safety, it offers owners and charterers the opportunity to cover the loss of income caused by a short disruption in a ship's operations and includes both P&I and H&M elements.

Loss prevention

We continue to focus on our loss prevention activities, with an emphasis on loss prevention publications and seminars, The Swedish Club's Maritime Resource Management (MRM) programme offered through The Swedish Club Academy, and regular circulars and reviews.

Emergency Response Drill: This was re-launched in 2015 as a free service to shipowners, enabling us to engage more fully with our members, and at the same time also allowing non-members to test-drive the Club.

Quality relationships

In 2015 we saw a 7 % growth in our P&I business, based on gross tonnage and reflecting the confidence that both new and existing members continue to have with us. We are always quality minded when we enter any new business and our assessment of the managers operating the vessels is a crucial part of this.

We are also confident of the quality of our Marine portfolio, where our strategy is to develop our relationship from a follow line to lead business.

Our relationships with brokers are of key importance to us, and we support this by maintaining a programme of seminars and marketing events. This year also saw the opening of a new office in London, in response to a call for a more local presence.

Tord Nilsson

Director, Underwriting, Reinsurance
& Risk Control

Control and care

2015 was a year of contrasts – a year which demonstrated the inherent volatility of our business and at the same time underlined the importance of our diversification strategy. It has always been important that we provide a balance of P&I and Marine services to meet our members' needs and this has helped reduce the impact of volatility on the Club's results.

A positive result

We closed 2015 with an overall combined ratio of 99 % and, in line with our policy of retaining more risk, we received only a modest contribution from our reinsurance programme. This was a very satisfactory outcome, particularly given the spike in claims in the first part of the year; despite the challenges, we were able to deliver an underwriting result in balance.

Underwriting performance

Our strong underwriting performance is based on careful risk selection. Ensuring we have quality members is at the core of what we do. We have a well-defined method of working with risk at all levels of underwriting and reinsurance, with clear guidelines in place, earning positive remarks from Standard & Poor's and A.M. Best – this will become more and more important as Solvency II takes effect.

Pricing

Our Marine business remains stable, with some increasing volumes, but soft pricing remains in the market, partly due to a significant inflow of risk-taking capital which may not remain when the investment climate improves sufficiently.

Reinsurance

We also continue to focus on the right balance of reinsurance, ensuring that we make efficient use of our capital but are not unnecessarily exposed. Our strategy is to develop long-term partnerships with our reinsurers and to make them an important part of our offering. We want to take on most risks ourselves when we do not need to buy reinsurance for the sake of volatility mitigation.

Helena Wallerius Dahlsten

Director, Human Resources

Professionalism, passion and engagement

Professionalism, passion and engagement – these are the three most important qualities that we expect from employees of The Swedish Club. But in return, we offer a commitment to develop, support and nurture our staff so that they stay with us and continue to give their best.

A world view

Our employees are without doubt one of our greatest assets – and a strong focus on human resources management is the key to keeping it that way. Our good reputation as an employer is particularly important because our geographical location can prove a challenge to local recruitment. This gives us a world view and we employ high quality personnel with various backgrounds and from diverse cultures.

Growth and development

We are committed to growing and developing our staff in correlation with our business targets. We have a strong focus on training through various education courses, seminars and training programmes. The skill levels and training needs of each individual are regularly reviewed.

A good working environment

Good health, motivation and commitment are key to retaining quality team members. We prioritise leadership support and training, understanding that the manager plays a very important role in setting the culture of a department.

Efficiency

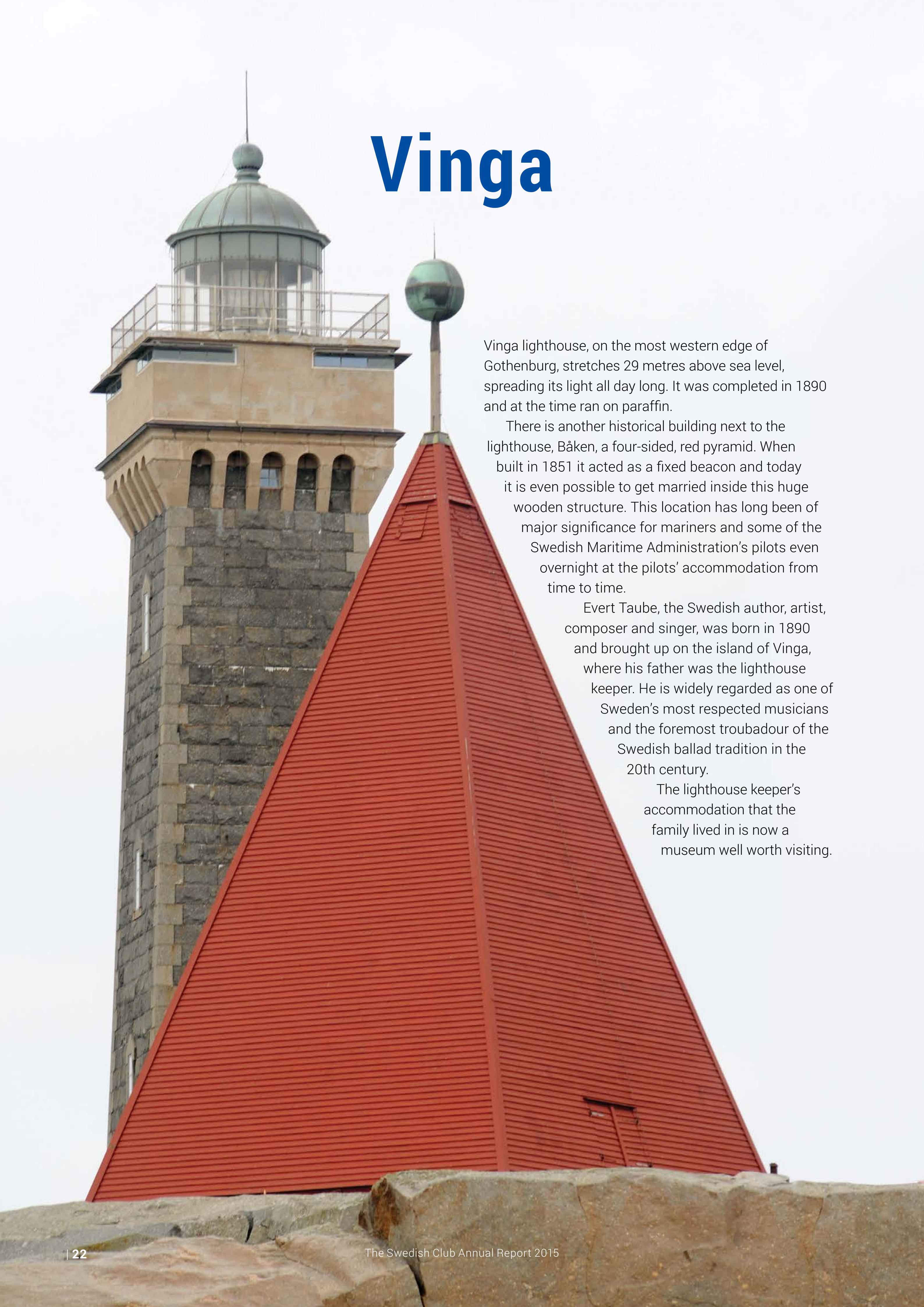
The Club owes it to its members to work in an effective manner. We offer a flat hierarchical structure with a short decision chain, constantly trying to identify and eliminate time thieves to optimise efficiency and work satisfaction. We also aim to make it easy for personnel across our offices to share information – electronically and in person, for the benefit of the Club and our members.

Engagement

For the Club's members, it is of vital importance that our teams are well-informed and on top. An open and optimal transfer of information and knowledge is therefore essential and we operate a team working system, which aims to encourage high levels of engagement.

Connection

When investigating accidents on board ships, it is an advantage to know and be familiar with the environment. Our vessel familiarisation programme allows relevant employees to spend a few days on board to strengthen their understanding of life and work at sea.



Vinga

Vinga lighthouse, on the most western edge of Gothenburg, stretches 29 metres above sea level, spreading its light all day long. It was completed in 1890 and at the time ran on paraffin.

There is another historical building next to the lighthouse, Båken, a four-sided, red pyramid. When built in 1851 it acted as a fixed beacon and today it is even possible to get married inside this huge wooden structure. This location has long been of major significance for mariners and some of the Swedish Maritime Administration's pilots even overnight at the pilots' accommodation from time to time.

Evert Taube, the Swedish author, artist, composer and singer, was born in 1890 and brought up on the island of Vinga, where his father was the lighthouse keeper. He is widely regarded as one of Sweden's most respected musicians and the foremost troubadour of the Swedish ballad tradition in the 20th century.

The lighthouse keeper's accommodation that the family lived in is now a museum well worth visiting.

Insurance facts and call history

Insurance facts	2016	2015	2014	2013	2012
P&I insurance, 20 February					
Number of vessels	1,117	1,076	1,040	1,013	1,032
Gross tonnage (Million)	43.6	41.5	37.1	34.8	33.9
FD&D insurance, 20 February					
Number of vessels	895	868	724	710	754
Gross tonnage (Million)	35.5	36.5	29.6	28.5	30.0
Marine H&M insurance incl. OSV's, 1 January					
Number of vessels	3,034	2,653	2,061	1,501	1,365
Gross tonnage (Million)	113.2	92.6	71.7	60.0	56.3
Insurance value (USD Million)	97,575	82,183	66,306	51,025	48,807
of which the Club has insured (USD Million)	11,094	10,350	10,512	10,696	12,050

Call history, policy year	2016/17	2015/16	2014/15	2013/14	2012/13
P&I insurance					
General increase	0 %	2.5 %	7.5 %	7.5 %	5 %
Additional call/Estimated additional call	0 %	0 %	0 %	0 %	0 %
Open/Closed	Open	Open	Open	Closed	Closed
FD&D insurance					
General increase	0 %	5 %	5 %	5 %	5 %
Additional call/Estimated additional call	0 %	0 %	0 %	0 %	0 %
Open/Closed	Open	Open	Open	Closed	Closed

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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 2015, its 143rd 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 service offices in Piraeus and branch offices in Oslo and Hong Kong. The Club also has a subsidiary in Tokyo. In 2015, an office was also opened in London.

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 and Defence, FD&D).

In accordance with the Swedish Annual Accounts Act 7:5, the Club's subsidiary has not been consolidated as it is of lesser importance with regard to true and fair view requirements.

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+. Since fall 2014, the Club has also engaged A.M. Best for a credit rating. On 15 January 2016, A.M. Best gave The Swedish Club a credit rating of A-, which was the same rating as the year before. 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.

The technical provision for damages in the pool collaboration with International Group of P&I Clubs related to prior insurance years has developed favourably.

The claims cost for reinsurance acceptances, which are in run-off, increased in 2015 to USD 2.1 million. The main reason for this was that an additional amount was reserved in the technical provision. The provision amounts to USD 1.3 million.

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 insurance class.

Result for the period

For 2015, the result before appropriations and tax was USD -3.1 (18.4) million. The Club's assets are larger than its liabilities in foreign currency resulting in exchange losses of USD -2.2 (-6.1) million.

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

Free reserves	USD m	SEK/ USD	SEK m
31 December 2014	186.3	7.8117	1,455.6
31 December 2015	183.1	8.3524	1,529.1
Other taxes	0.2		1.6
Result	**-3.1**		**75.1**

Insurance activities

Gross premiums written in 2015 amounted to USD 178 (190) million. Following the deduction of outward reinsurance premiums totalling USD 38 (42) million, premiums written amounted to USD 140 (149) million. Earned premiums, net of reinsurance, amounted to USD 143 (139) 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 4.8 (3.8) million.

Claims incurred, net of reinsurance, amounted to USD 117 (93) million. In relation to earned premiums, net of reinsurance, this corresponds to 82 (67) %.

Change in other technical provisions amounted to USD 2 million.

For 2015, 27 (16) claims were reported in excess of USD 0.5 million. For 6 (1) of the claims, the cost before reinsurers' share amounted to more than USD 2 million.

Operating expenses for insurance activities amounted to USD 26 (28) million which in relation to earned premiums, net of reinsurance, corresponds to 18 (20) %.

The balance on the technical account totalled USD 7 (22) million.

Result by class of insurance

The combined ratio for P&I was 88 (95) %. Earned premiums, net of reinsurance, amounted to USD 83 (79) million. The claims cost for other clubs' pool claims declined from USD 19 million in 2014 to USD 14 million in 2015. Claims incurred, net of reinsurance, amounted to USD 59 (60) million. The loss ratio for the year was 71 (76) %.

As of 31 December 2015, the P&I portfolio, including charterer's liability, consisted of 1,589 (1,514) vessels with gross tonnage of 67 (62) million.

FD&D's combined ratio was 100 (72) %. As of 31 December 2015, the FD&D portfolio consisted of 911 (865) vessels with gross tonnage of 40 (36) million. Earned premiums, net of reinsurance, amounted to USD 6 (6) million. Claims incurred, net of reinsurance, amounted to USD 6 (4) million. The loss ratio for the year was 89 (61) %.

Marine & Energy's combined ratio was 111 (76) %. H&M, which is the largest subclass, reported a deficit in 2015 unlike last year when it reported a surplus. Earned premiums, net of reinsurance, amounted to USD 53 (54) million. Claims incurred, net of reinsurance, increased from USD 30 million in 2014 to USD 49 million in 2015. The loss ratio for the year was 91 (54) %.

At the end of 2015, the H&M portfolio consisted of 2,935 (2,730) vessels and the covered insured value amounted to USD 10.4 (11.0) billion. The number of insured vessels covered for Loss of Hire amounted to 1,123 (891).

The subclass, Energy, reported a loss in 2015.

Investments

The result from financing activities, including exchange rate differences amounted to USD -5.1 (-0.3) million. The result from interest-bearing securities was USD -4.0 (7.7) million. The result for quoted shares amounted to USD 1.7 (3.2) million and the result for other financial income and expenses amounted to USD -0.6 (-4.5) million.

The conversion of investment assets into USD resulted in exchange losses of USD -2.4 (-5.2) million. Other exchange differences amounted to USD 0.2 (-1.5) million. At the end of 2015, the value of the Club's investments amounted to USD 349 (343) million, of which 77 (79) % consists of interest-bearing securities and 23 (21) % is equity funds.

Balance sheet

For 2015, the provision for claims outstanding was USD 238 (273) million.

The value of the Club's investments increased to USD 349 (343) million.

At year-end, Hydra receivables (see Note 2, under "Counterparty risks") had an estimated value equivalent to USD 10 million. These are reported in the balance sheet under the heading, "Other assets".

***Note**: Numbers in brackets refer to 2014 figures*

Environment

The Swedish Club has an ongoing commitment to reducing its environmental impact. The Club has a paperless electronic claims handling and archiving system and it is also trying to lower its production of documents in other ways, wherever possible. 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 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 organisation'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 29 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. No bonuses were achieved in 2015.

Note 29 also contains information on the principles for establishing salaries and benefits for senior management.

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

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 requirements of the EU Solvency II Directive, which comes into force during 2016.

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

Valuation

The annual credit valuation, carried out by Standard & Poor's, was published on 15 July 2015. The valuation for The Swedish Club remains at the level BBB+. The Club has also obtained a credit rating from A.M. Best, which gave The Swedish Club a credit rating of A- and which was confirmed on 15 January 2016.

Prospects for 2016

In 2016, we expect the premium volumes for all of our insurance areas to remain at approximately the same levels as in 2015. We further anticipate that the unfavourable claims outcome in 2015 will not be repeated. On the contrary, this year should reflect the underlying stable claims frequency.

We expect a continuation of low, long-term interest rates in the finance markets in 2016 and that the stock market will remain volatile and strained until strong indications of a cyclical upswing are reflected in the finance market.

Appropriation of earnings

The Board's proposed appropriation of earnings is presented on page 59.

Five-year summary

Amounts in USD million	2015	2014	2013	2012	2011
Income statement					
Earned premiums, gross	180.4	180.7	172.3	170.3	173.7
Earned premiums, f.o.a.	142.9	139.4	125.8	129.7	133.6
Investment income, allocated from non-technical account	4.8	3.8	3.7	3.8	1.1
Claims, f.o.a.	-115.2	-93.2	-90.4	-116.8	-121.5
Net operating expenses	-25.8	-27.6	-27.3	-26.3	-25.0
Balance on technical account	6.8	22.5	11.8	-9.6	-11.8
Balance on non-technical account	-9.9	-4.1	5.2	18.6	2.5
Result before appropriations and tax	-3.1	18.4	17.0	9.1	-9.3
Financial position					
Investment assets at fair value	349.4	353.4	285.0	325.0	314.8
Technical provisions, f.o.a.	227.8	219.7	166.7	210.7	205.6
Free reserves	183.1	186.3	168.0	151.0	141.9
Deferred tax liability included in solvency capital	43.0	43.5	39.9	36.2	40.1
Key data insurance business					
Loss ratio	81 %	67 %	72 %	90 %	91 %
Expense ratio	18 %	20 %	22 %	20 %	19 %
Combined ratio	99 %	87 %	94 %	110 %	110 %
Average expense ratio	13.3 %	13.0 %	12.1 %	13.3 %	13.0 %
Key data asset management					
Total return	-0.6 %	3 %	3 %	7 %	1 %
Other key figures					
Solvency ratio, claims	95 %	103 %	123 %	83 %	80 %
Average number of employees	109	109	103	96	97

Definitions are provided on pages 68-70

Income statement

For the financial year January through December 2015. Amounts in USD thousands.	Note	2015	2014
Technical account			
Earned premiums, net of reinsurance			
Premiums written, gross	3	177,667	190,426
Outward reinsurance premiums		-37,891	-41,723
Change in provision for unearned premiums		2,735	-9,707
Reinsurers' share of change in provision for unearned premiums		439	451
		142,950	**139,448**
Investment income transferred from the non-technical account	4	**4,800**	**3,800**
Claims incurred, net of reinsurance			
Claims paid	5		
Before outgoing reinsurance		-169,946	-214,564
Reinsurers´ share		64,277	165,150
		-105,668	-49,414
Change in provision for claims outstanding			
Before outgoing reinsurance		35,022	45,975
Reinsurers´ share		-46,368	-89,714
		-11,346	-43,738
		-117,014	**-93,151**
Change in other technical provisions	6	**1,827**	**-**
Net operating expenses	7, 29	**-25,752**	**-27,604**
Balance on technical account		**6,811**	**22,493**
Non-technical account			
Balance on the technical account		**6,811**	**22,493**
Financial result			
Financial income	8	7,959	15,434
Unrealised gains on investments	9	0	1,092
Financial costs	10	-2,953	-11,249
Unrealised losses on investments	11	-10,086	-5,581
		-5,080	**-304**
Allocated investment income transferred to the technical account	4	**-4,800**	**-3,800**
Result before appropiations and tax		**-3,069**	**18,389**
Appropriations: change in safety reserve		-7,684	-21,332
Result before tax		**-10,753**	**-2,943**
Tax on result for the year	22	2,009	988
Profit/loss for the financial year		**-8,744**	**-1,956**

Balance sheet

As of 31 December. Amounts in USD thousands.	Note	2015	2014
Intangible assets			
Intangible assets	12	174	124
		174	**124**
Investment assets			
Investments in group and associated companies			
Shares in group and associated companies	13	11	11
Other financial investment assets			
Quoted shares	14	78,807	68,873
Unquoted shares	15	-	9,034
Bonds and other interest-bearing securities	16	270,553	265,452
Loans to credit institutions		-	10,000
		349,372	**353,370**
Reinsurers´ share of technical provisions			
Provisions for unearned premiums	17	4,357	3,919
Provision for claims outstanding	17	45,755	92,123
		50,113	**96,042**
Receivables			
Receivables related to direct insurance operations	18	41,630	40,166
Receivables related to reinsurance operations		8,273	16,763
Other receivables		1,028	993
		50,931	**57,922**
Other assets			
Tangible assets	19	629	806
Cash and bank balances		44,146	21,808
Other assets	20	10,589	881
		55,364	**23,494**
Prepaid expenses and accrued income			
Accrued interest		-	1,069
Prepaid acquisition costs		3,906	4,126
Other prepaid expenses and accrued income		885	870
		4,791	**6,065**
Total assets		**510,744**	**537,017**

Equity, provisions and liabilities

As of 31 December. Amounts in USD thousands.		Note	2015	2014
Equity				
Statutory reserve			60	64
Accumulated loss			-4,316	-2,360
Profit/Loss for the financial year			-8,744	-1,956
Translation difference capital			641	547
	A		**-12,359**	**-3,704**
Untaxed reserves				
Safety reserve			194,145	186,461
Equalisation reserve			1,288	1,379
	B		**195,433**	**187,839**
Technical provisions before reinsurers´ share				
Provision for unearned premiums		17	40,013	42,749
Provision for claims outstanding		17	237,936	272,959
			277,950	**315,708**
Provision for other risks and charges				
Pensions and similar obligations		21	1,498	1,587
Deferred tax	C	22	-	2,207
			1,498	**3,794**
Liabilities				
Liabilities related to direct insurance operations		23	7,724	9,151
Liabilities related to reinsurance operations			8,868	11,881
Other liabilities		24	29,965	10,206
			46,556	**31,238**
Accrued expenses and deferred income				
Accrued expenses			1,667	2,144
			1,667	**2,144**
Total equity, provisions and liabilities			**510,744**	**537,017**
Memorandum items		26		
Assets included in members priority right			393,197	399,952
Free reserves (A+B+C)			**183,074**	**186,342**

Change in equity

Amounts in USD thousands	Statutory reserve	Accumulated profit or loss	Translation difference capital	Profit/loss for the financial year	Total equity
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**
Balance brought forward 2015-01-01	64	-2,360	547	-1,956	-3,704
Carried forward		-1,956		1,956	
Profit for the year				-8,744	-8,744
Change in translation difference capital	-4		94		90
Balance carried forward 2015-12-31	**60**	**-4,316**	**641**	**-8,744**	**-12,359**

Profit/loss for the year includes unrealised gains/losses on investments. Deferred tax has been calculated on that portion. See Note 22.

Cash flow statement

As of 31 December. Amounts in USD thousands.	2015	2014
Paid premiums	174,776	185,733
Paid reinsurance premiums	-32,414	-51,689
Claims paid	-169,946	-214,564
Claims paid, reinsurers' share	64,277	165,150
Cash flow from insurance operations	**36,693**	**84,630**
Other expenses	-7,089	-26,928
Paid interest	-4	-209
Interest received	2,454	3,709
Dividends received	1,658	283
Cash flow from other operations	**33,712**	**61,485**
Acquisitions of tangible assets	-75	-290
Sales of tangible assets	0	0
Net investments in nontangible assets	-161	-51
Investments in financial investment assets	-331,148	-115,120
Sale of financial investment assets	321,137	55,000
Cash flow from investments operations	**-10,247**	**-60,461**
Cash flow for the year	**23,465**	**1,024**
Cash and bank balances		
Cash and bank balances at the beginning of the year	21,808	28,780
Cash flow for the year	23,465	1,024
Exchange rate difference on cash and bank balances	-1,127	-7,996
Cash and bank balances at year-end	**44,146**	**21,808**

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 68-70 for an explanation of the classes of insurance.

For the financial year January through December 2015. Amounts in USD thousands.		**Total**	**P&I**	**FD&D**	**Marine & Energy**
Technical account					
Earned premiums, net of reinsurance					
Premiums written, gross		177,667	110,442	6,513	60,711
Outward reinsurance premiums		-37,891	-27,018	0	-10,873
Change in provision for unearned premiums		2,735	-330	-43	3,108
Reinsurers´ share of change in provision for unearned premiums		439	35	-	404
	A	**142,950**	**83,128**	**6,470**	**53,351**
Investment income transferred from the non-technical account	B	**4,800**	**3,800**	**200**	**800**
Claims incurred, net of reinsurance					
Claims paid					
Before outgoing reinsurance		-168,983	-113,131	-4,147	-51,704
Reinsurers´ share		64,277	60,221	8	4,048
Change in provision for claims outstanding					
Before outgoing reinsurance		36,131	36,808	-1,616	939
Reinsurers´ share		-46,368	-44,379	0	-1,989
	C	**-114,942**	**-60,482**	**-5,755**	**-48,705**
Change in other technical provisions	C	**1,827**	**1,827**	**-**	**-**
Net operating expenses					
External acquisition costs		-13,912	-7,033	-509	-6,369
Operating expenses for renewal of insurance contracts		-5,748	-3,202	-101	-2,445
Adminstrative expenses		-6,092	-4,419	-101	-1,572
	D	**-25,752**	**-14,654**	**-711**	**-10,387**
Balance on technical account	**A+B+C+D**	**8,883**	**13,619**	**204**	**-4,940**
Run-off result (according 5 Chapter 4§ 6 ÅFRL)		17,854	16,451	-1,038	2,441
Result outward reinsurance		-19,543	-11,142	8	-8,409
Result accepted reinsurance		-2,072			
Key figures					
Loss ratio [C/A]		79 %	71 %	89 %	91 %
Expense ratio [D/A]		18 %	18 %	11 %	19 %
Combined ratio [(C+D)/A]		97 %	88 %	100 %	111 %
Three-year average combined ratio		93 %	99 %	85 %	86 %
Insurance portfolio[1)]					
Number of insured vessels		-	1,589	911	3,127
Gross tonnage (millions)		-	67	40	111
Average share covered (per cent of gross tonnage)		-	100 %	100 %	13 %
Average age (years)		-	10	8	10

[1)] *Marine & Energy incl. H&M and Energy only.*

As of 31 December 2015. Amounts in USD thousands.	**Total**	**P&I**	**FD&D**	**Marine & Energy**
Technical provisions				
Before reinsurers´ share				
Provision for unearned premiums	40,013	14,855	837	24,321
Provision for claims outstanding[1)]	236,636	189,579	8,697	38,360
	276,649	**204,434**	**9,534**	**62,681**
Reinsurers´ share				
Provision for unearned premiums	4,357	3,707	-	650
Provision for claims outstanding	45,755	37,917	-	7,838
	50,112	**41,624**	**-**	**8,488**
For own account				
Provision for unearned premiums	35,656	11,148	837	23,671
Provision for claims outstanding	190,881	151,662	8,697	30,522
	226,537	**162,810**	**9,534**	**54,193**

[1)] *The provision is reported excluding accepted reinsurance USD 1,300 thousands (see Note 17).*

Notes

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 has 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 Annual 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 the Club's income and costs are in USD. It is also the most significant currency used when establishing technical provisions and therefore the primary environment in which the company runs the business.

The Club converts transactions in foreign currency to the currency rate applicable on the transaction day, both to SEK and to USD. This financial statement is reported in USD while 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 any 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, senior 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 of these estimates and assumptions 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 payments, 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

New or revised IFRS that came into force during the financial year have not had any effect on the Club's financial statements.

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 will replace IAS 39 Financial Instruments: Recognition and measurement. 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. 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 the second half of 2016. The categories for financial assets existing in IAS 39 have been replaced by three categories: measurement at amortised cost, fair value through other comprehensive income and fair value through profit or loss. Classification 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. The sections having to do with financial liabilities are essentially the same as most of the prior rules in IAS 39, except for financial liabilities that are voluntarily measured at fair value under the Fair Value Option. 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, but it will be necessary to conduct a review of instruments where the fair value option is currently used.

IFRS 15 Revenue from Contracts with Customers.

The aim of the new revenue standard is to establish a single, principle-based standard for all sectors and it will replace existing standards and statements on revenue. IFRS 15 comes into force in 2018 and early adoption is allowed provided that the EU adopts the standard. The EU is holding off on its approval of IFRS 15 until Q2 2016. The Club has not yet evaluated the effects of IFRS 15. An evaluation will be conducted focusing on revenue recognition of earned premiums.

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 comprise 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 adjustments of current tax related 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 portion of net operating expenses is also related to investment administration and this portion is reported as "Internal management expenses". 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 management expenses are allocated in accordance with a model (see Note 7 and Note 10).

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 and can be defined as the annual change in the difference between fair value and acquisition cost.

Financial instruments

Financial instruments reported in the balance sheet as assets:

- Accounts receivable (reported under the heading receivables)
- Quoted shares
- Unquoted shares
- 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 a 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" measured 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 recognise 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 on investments" or "Unrealised losses on investments".

Derivatives with a positive fair value are included in the first subcategory. Derivatives 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 in the Club 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 are financial assets that are not derivatives, that have determined or determinable payments and that are not listed on an active market. These 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. Depreciation 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. 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 balances (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 and pensions commitments

The pension obligations comprise pension plans that are regulated through collective agreements and national insurance laws. The obligations 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 assessed that UFR 10, Reporting of Pension Plans in ITP 2 that are financed through insurance with Alecta, is also appropriate for 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.

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 utilisation.

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 (equals 1 USD)	**2015**	**2014**
Swedish kronor (SEK)	8.3524	7.8117
British pound (GBP)	0.6748	0.6435
Euro (EUR)	0.9143	0.8209
Hong Kong dollar (HKD)	7.7502	7.7566
Norwegian kroner (NOK)	8.7405	7.4284

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.

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.

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 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.

Solvency II — the three pillars

Within the EU, comprehensive efforts have been made on a project that is called Solvency II. The aim of the project has been to introduce a more risk-based model for the calculation of solvency requirements and 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 entered into force in 2016.

The Club has decided to initially use the Solvency II standard model for pillar 1 reporting and ICM for pillar 2 reporting. Pillar 3 reporting is based on the Quantitative Reporting Templates (QRT) that have been approved by European regulators.

These different views on capital and risk are further supplemented by Standard and Poor's and AM Best's rating models and a set of analytical stress tests and sensitivity analyses, which help with reconciliation and identification of deviations.

In September 2015, the Club decided to participate in the preliminary test reporting prior to implementation of Solvency II. The report pertained to 2014 and it consisted of a Regular Supervisory Report (RSR) and parts of the quantitative reporting templates. This reporting has served as preparation for the official reporting which will commence during the first half of 2016.

The following figure illustrates the four key annual processes that contribute to internal risk management and other relevant activities.

Risk and capital management processes

Risk governance

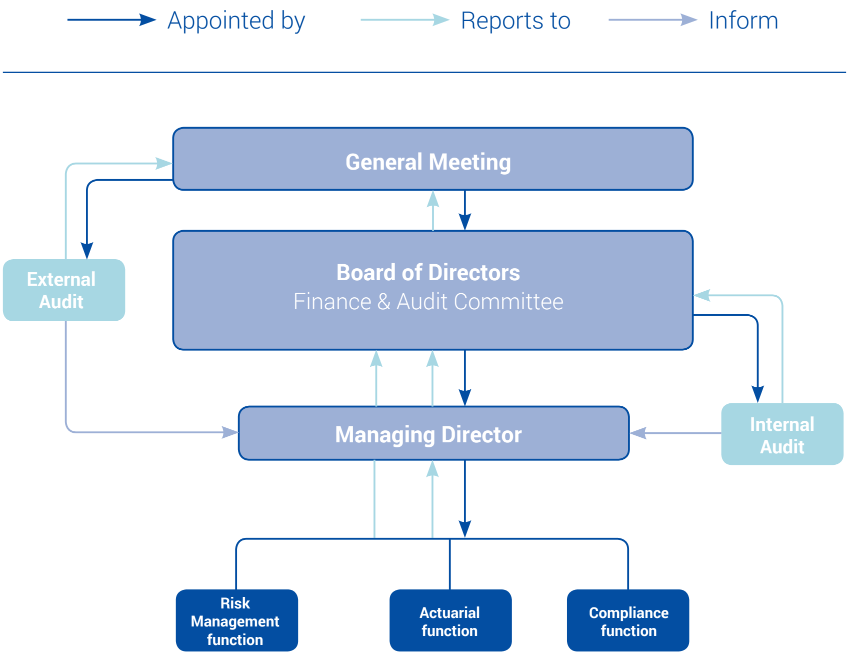
Based on the risk management philosophy, the Club has adopted a policy, setting out the general direction and aims for risk management within the organisation. The Risk Management Policy also provides the foundation for the Club's acceptance of risk while seeking to achieve its established goals.

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.

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 function ensures that the Club complies with relevant laws and regulations. They also monitor conformity with internal directives and policies.

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

Allocation of responsibilities



An independent internal audit is carried out each year. It is a formal audit to evaluate the adequacy and effectiveness of the internal control system. 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.

Structure of corporate governance and allocation of responsibilities

The Club has a Board of Directors elected at the Annual General Meeting (AGM). It currently consists 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 management 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 six-member management team consisting of the following individuals: Managing Director; Director of Finance, Risk Management & IT; Director of Strategic Business Development & Client Relations; Director of Underwriting, Reinsurance & Risk Control; Director of Corporate Legal & FD&D 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 comprises 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, operational and financial risks are presented below.

Insurance risks

Insurance risks consist of underwriting risk and reserving risk. Effective management of underwriting risks is essential for the Club. 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 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.

Concentrations of insurance risk

Insurance risk is 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 1.8 years.

	Number of vessels	Average age	Gross tonnage (millions)	Average claim duration
P&I	1,108	10.2	43.6	3
H&M[1)]	3,147	9.4	117.3	2

As of 31 December 2015

[1)] *100 % basis including Energy risks*

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 below.

Exposure	Vessels	H&M[1)]	P&I	Loss of Hire[1)]	Hull Interest[1)]
Four classes	149	X	X	X	X
Three classes	17	X	X	X	
	279	X	X		X
	615	X		X	X
	11		X	X	X
Two classes	121	X	X		
	45	X		X	
	1168	X			X
	29		X	X	
	4		X		X
	43			X	X
Vessels by class of insurance		**3,147**	**1,108**	**1,175**	**2,359**
Total number of vessels			**4,088**		

[1)] *Including Energy risks*

The table shows the concentration of insurance classes per vessel as of 31 December 2015: 3.6 % of the vessels were exposed to four insurance classes, 22.6 % to three classes and 34.5 % to two classes.

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 and severity of claims between quarters or other periods of time that must be considered.

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, Insurance Year, shows the development of claims, net, i.e. how the originally determined claim amount at the end of each insurance year has developed over time (from the end of each respective accounting year through 31 December 2015).

Variations in the provisions that were made have had a positive impact on the provision currency 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, Insurance Year, shows the development of claims in USD thousands. Since the end of the 2014 reporting year, it has been assessed that the technical provision consists 100 % of USD. In prior years, the reserve was treated as if it was comprised partly 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 is influenced by the opposite trend of the exchange rate impact on investments. For more information, please see the section on currency exposure, page 47.

Insurance Year	2010	2011	2012	2013	2014	2015
Estimated final claims cost (net) at the end of:						
claim year	74,677	109,095	103,837	81,932	103,649	**130,969**
one year later	71,821	98,453	94,945	89,301	**101,862**	
two years later	68,546	94,713	88,887	**89,414**		
three years later	65,685	87,899	**83,973**			
four years later	61,043	**85,424**				
five years later	**58,133**					

Counterparty risk (reinsurance)

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

For more information on International Group see **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 analyse operational risks. They also provide the input that makes modelling possible.

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 maximise 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. 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 increased from USD 23 million at the beginning of the year to approximately USD 26 million at the end of 2015.

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, reported in 2014 in "Other financial investment assets" is reported at year-end 2015 in "Other assets".

2015	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	78,807	-	78,807	78,807
Bonds and other interest- bearing securities	270,553	-	270,553	270,553
Receivables	-	50,931	50,931	- [1]
Cash and bank balances	-	44,146	44,146	- [1]
Total Financial assets	**349,361**	**95,077**	**444,437**	**349,361**

2015	Other financial liabilities	Total carrying amount	Fair value
Financial liabilities			
Other liabilities	31,237	31,237	- [1]
Total Financial liabilities	**31,237**	**31,237**	**-**

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

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	-[1)]
Receivables	-	57,922	57,922	-[1)]
Cash and bank balances	-	21,808	21,808	-[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	46,556	46,556	-[1)]
Total financial liabilities	**46,556**	**46,556**	**-**

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

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 below, data is provided on how fair value is decided based on the description of the levels provided above for the financial instruments that are measured at fair value in the balance sheet.

2015	Level 1	Level 2	Total
Shares	71,222	7,585	78,807
Bonds and other interest-bearing securities	239,701	30,852	270,553
Total	**310,923**	**38,437**	**349,361**

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.

The duration of fixed income securities as of 31 December 2015 was 4.0 (2.7) years.

A change in interest rates of 1 % would result in a change in the value of the bond portfolio of approximately USD 11 (7) million.

Currency exposure for the Club's most important currencies (see the table Currency exposure) was, as of 31 December 2015 USD 35 (27) million. 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 USD, but operating costs arise in other currencies.

Currency exposure	EUR	GBP	SEK
Investment assets	32,266	-	10
Receivables	6,341	1,905	1,049
Other assets	1,125	618	2,510
Total assets	**39,732**	**2,523**	**3,570**
Equity and untaxed reserves	-	-	-
Technical provisions, net	-4,195	-22	-149
Other liabilities and provisions	-2,228	-490	-3,716
Total liabilities and provisions	**-6,422**	**-511**	**-3,865**
Net exposure	**33,309**	**2,011**	**-295**

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 credit risks primarily consist of the 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 271 (265) million invested in fixed income products.

Creditworthiness for classes of financial assets at fair value[1]	AAA	AA	A	BBB	Other
Bonds and other interest-bearing securities					
Foreign governments	120,319	3,939	295	4,688	-
Other foreign issuers	1,162	12,100	47,884	41,533	38,632
	121,481	**16,040**	**48,179**	**46,221**	**38,632**

[1] *Rating by Standard & Poor's and Moody's*

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 (Standard & Poor's) or Baa2 (Moody's). However, 90 % of the reinsurers have a rating of at least A- (Standard & Poor's) or A3 (Moody's). During 2015, none of the participating reinsurers was rated below A by Standard & Poor's.

In connection with claims handling, the 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 2015, premiums more than six months overdue were 0.6 (0.8) % of the 2015 gross premium.

Risk of the Club becoming short of cash funds, liquidity risk, in the short term is low, 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 performed to reflect future solvency-related risks, e.g. via the Swedish Financial Supervisory Authority's traffic-light system. Solvency risk is the risk of the Club not being able to meet its obligations to the policyholders.

Capital base and solvency requirement at 31 December, USD million	2015	2014	Change
Capital base	182.9	186.2	-3.3
Regulatory solvency margin	34.1	32.7	+1.4
Surplus	**148.8**	**153.5**	**-4.7**

Note 3. Premiums written, gross by geographical area (Direct insurance)

	2015	2014
Germany	35,333	41,688
Greece	35,061	40,679
China	31,395	31,885
Norway	10,722	10,242
Sweden	10,598	10,965
Other countries	54,558	54,967
	177,667	**190,426**

Note 4. Investment income transferred from the non-technical account

	2015	2014
Allocated investment income transferred from the technical account	**4,800**	**3,800**

Investment income is reported in the non-technical result. From 2006, a 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 2015 the expected yield was 2.6 % (the actual yield was -1.6 %).

	2015	2014
Average interest rate	2.6 %	2.5 %

Note 5. Claims paid

	2015			2014		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Current year:						
Claims paid	-56,970	9,261	-47,709	-19,494	-	-19,494
Claims handling costs	-9,776		-9,776	-11,547		-11,547
Previous years:						
Claims paid	-103,199	55,016	-48,183	-183,523	165,150	-18,373
	-169,945	**64,277**	**-105,668**	**-214,564**	**165,150**	**-49,414**

Note 6. Change in other technical provisions

	2015	2014
Value change, Hydra	1,827	-
	1,827	**-**

This income item reflects the change in value of receivables on Hydra.

Note 7. Net operating expenses

	2015	2014
Specification of net operating expenses reported in the income statement		
Acquisition costs	-13,692	-14,533
Change in prepaid acquisition costs	-220	1,138
Internal operating expenses for acquisition of insurance contracts	-5,748	-7,085
Acquisition costs	-19,660	-20,480
Administrative expenses	-6,092	-7,125
Net operating expenses	**-25,752**	**-27,604**
Allocation of other operating expenses in the income statement:		
Claims handling expenses reported as claims paid	-9,777	-11,548
Finance administrative expenses reported as investment costs	-561	-624
	-36,089	-39,776

	2015	2014
Total operating expenses analysed under the following categories:		
Advertising and selling expenses	-983	-1,009
Personnel costs	-14,542	-17,496
Travel expenses	-783	-970
Cost of premises	-1,338	-1,502
Office expenses	-1,506	-1,726
External services and fees[1)]	-3,363	-3,858
Depreciation	-280	-345
Charged claims handling cost	3,321	3,454
Other revenue	140	132
External acquisition costs	-13,912	-13,395
Costs for The Swedish Club Hong Kong Limited	-2,843	-3,062
	-36,089	-39,776

[1)] Operating expenses includes remuneration for audit engagements to KPMG for USD -77 (2014: -91) thousands, audit consulting USD -12 (2014: -26) thousands, tax consulting USD -13 (2014: -1) thousands and other assignments USD -4 (2014: -15) thousands.

Total operating expenses analysed under the following categories, including The Swedish Club Hong Kong Limited:		
Advertising and selling expenses	-1,132	-1,150
Personnel costs	-16,348	-19,456
Travel expenses	-912	-1,124
Cost of premises	-1,812	-1,981
Office expenses	-1,626	-1,852
External services and fees	-3,528	-4,061
Depreciation	-280	-345
Charged claims handling cost	3,321	3,454
Other revenue	140	132
External acquisition costs	-13,912	-13,395
	-36,089	-39,776

Note 8. Financial income

	2015	2014
Dividends on quoted shares	1,658	283
Interest income		
Bonds and other interest-bearing securities	2,319	3,703
Other interest income	139	6
	2,458	3,709
Gains on the realisation of investments, net:		
Quoted shares	1,443	6,744
Bonds and other interest-bearing securities	2,400	4,698
	3,843	11,442
	7,959	**15,434**

Note 9. Unrealised gains on investments

	2015	2014
Unquoted shares	-	1,092
	-	**1,092**

Note 10. Financial costs

	2015	2014
Internal management expenses	-561	-624
External management expenses	-222	-490
Interest costs	-4	-3,360
Losses on foreign exchange, net	-2,166	-6,120
Losses on the realisation of investments, net		
Forward currency contracts	-	-655
	-2,953	**-11,249**

Note 11. Unrealised losses on investments

	2015	2014
Quoted shares	-1,400	-4,909
Bonds and other interest-bearing securities	-8,686	-672
	-10,086	**-5,581**

Note 12. Intangible assets

	2015	2014
Capitalised expenditure on computer software system		
Opening acccumulated costs	5,447	6,480
Acquisitions	161	51
Revaluation of accumulated acquisition costs	-356	-1,084
Closing accumulated costs	**5,252**	**5,447**
Opening acccumulated depreciation	-5,323	-6,288
Depreciation for the year	-100	-93
Revaluation of depreciation	345	1,058
Closing accumulated depreciation	**-5,078**	**-5,323**
	174	**124**

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

Note 13. Shares in group and associated companies

	2015	2014
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 share of The Swedish Club Hong Kong limited and The Swedish Club Academy is 50 %.

Information about The Swedish Club Academy AB:
CIN: 556798-1435
Registered office: Göteborg
Country: Sweden

Information about The Swedish Club Hong Kong Limited:
CIN: F21394
Registered office: Hong Kong
Country: China

Note 14. Quoted shares

	2015	2014
Quoted shares at fair value	78,807	68,873
	78,807	**68,873**

Costs of quoted shares USD -75,878 (2014: -65,635) thousands.

Quoted shares are specified in the table below:

Name	Number	Cost	Fair value
CFS-DBXT MSCI WLD ETF	850,725	38,520	38,215
Carnegie Worldwide Fund	163,887	14,264	17,521
Vontobel Emerging Market Equity Fund	34,765	5,534	5,360
Handelsbanken Europa Index Fund	889,177	10,562	10,125
Ress Life Investments	5,102	6,998	7,585
		75,878	78,807

Note 15. Unquoted shares

	2015	2014
Participating interest in Hydra	-	9,034
	-	**9,034**

As of 2015, Hydra is reported under the heading "Other assets" (see Note 20).

Note 16. Bonds and other interest-bearing securities

2015	Nominal value	Cost	Fair value	Carrying amount
Foreign governments	-	-	-	-
Other foreign issuers	10,000	10,000	9,950	9,950
Total quoted securities	10,000	10,000	9,950	9,950
Bond funds		263,538	260,604	260,604
		273,538	**270,553**	**270,553**

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**

Note 17. Technical provisions

	2015			2014		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Provision for claims outstanding						
Opening balance, provision for reported claims	237,377	-90,941	146,436	282,694	-179,996	102,698
Opening balance, provision for incurred but not reported (IBNR)	35,582	-1,182	34,400	36,240	-1,840	34,400
Opening balance	**272,959**	**-92,123**	**180,836**	**318,934**	**-181,836**	**137,098**
Claims occurred during the current year	140,253	-17,234	123,019	98,567	-6,466	92,101
Claims paid current year	-160,169	64,277	-95,892	-203,017	165,150	-37,867
Change in expected cost for claims occurred previous years (run-off result)	-15,107	-675	-15,782	58,475	-68,971	-10,496
Closing balance	**237,936**	**-45,755**	**192,181**	**272,959**	**-92,123**	**180,836**
Closing balance, reported claims	204,893	-44,795	160,098	237,377	-90,941	146,436
Closing balance, provision for incurred but not reported (IBNR)	33,043	-960	32,083	35,582	-1,182	34,400

	2015			2014		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Provision for unearned premiums						
Opening balance	**42,749**	**-3,919**	**38,830**	**33,042**	**-3,467**	**29,575**
Insurance contracts signed during the period	40,013	-4,357	35,656	42,749	-3,919	38,830
Premiums earned during the period	-42,749	3,919	-38,830	-33,042	3,467	-29,575
Closing balance	**40,013**	**-4,357**	**35,656**	**42,749**	**-3,919**	**38,830**

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 USD 5,607 (2014: 5,607) thousands. The provision for incurred and reported claims is reported including incoming reinsurance amounting to USD 1,300 (2014: 191) thousands.

Note 18. Receivables related to direct insurance operations

	2015	2014
Policyholders (members)	39,246	36,765
Insurance brokers	18	14
Insurance companies	2,367	3,386
	41,630	**40,166**

Note 19. Tangible assets

	2015	2014
Machinery and equipment		
Opening accumulated cost	2,806	3,279
Acquisitions	75	290
Sales and disposals	-82	-176
Revaluation of accumulated purchase prices	-181	-588
Closing accumulated cost	**2,618**	**2,806**
Opening accumulated depreciation	-2,000	-2,333
Reversed depreciation on tangible assets sold	63	176
Depreciation for the year	-180	-252
Revaluation of depreciation	128	409
Closing accumulated depreciation	**-1,989**	**-2,000**
	629	**806**

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

Note 20. Other assets

	2015	2014
Receivables, Hydra	9,891	-
Other assets	698	881
	10,589	**881**

Last year, Hydra was reported under the heading "Unquoted shares" (see Note 15).

Note 21. Pensions and similar obligations

	2015	2014
Provision pensions	365	403
Provisions for deferred non-vested pension	1,133	1,185
	1,498	**1,587**

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 USD 2,105 thousands.

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 USD 966 thousands.

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 USD 138 thousands.

Note 22. Taxes

	2015	2014
Tax on result for the year		
Deferred tax[1)]	2,207	988
Other taxes	-198	-
	2,009	**988**

[1)] Tax rate 22 %. Current years deferred tax is assignable to unrealised value changes in investment assets.

Change in provision for deferred tax		
Opening balance	2,207	3,194
Change recognised in income statement	-2,207	-988
Closing balance	**-**	**2,207**

	2015	2014
Change in provision for deferred tax reported in untaxed reserves		
Opening balance	41,325	36,692
Change reported in untaxed reserves	1,671	4,633
Closing balance	**42,996**	**41,325**

Note 23. Liabilities related to direct insurance operations

	2015	2014
Policyholders (members)	2,861	4,874
Insurance brokers	4,081	4,053
Insurance companies	782	224
	7,724	**9,151**

Note 24. Other liabilities

	2015	2014
Trade creditors	1,091	1,191
Other creditors	28,872	9,014
	29,965	**10,206**

Note 25. 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 26. 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 company 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 fulfilled.

	2015	2014
Goverment/municipal bonds, etc.	129,242	109,934
Bonds other	141,321	155,518
Quoted shares	78,809	68,873
Unquoted shares	-	9,034
Cash and bank balances	16,643	27,807
Receivables related to direct insurance operations	27,182	28,786
	393,197	**399,952**
Technical provisions, net	227,837	219,665
Surplus of registered assets	165,360	180,287
	393,197	**399,952**

Bank guarantees

In connection with commitments to other members of the International Group and to members of The Swedish Club, the Association has provided bank guarantees of USD 9.4 (2014: 10.6) million.

Note 27. 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 28. 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 29. Personnel

	2015	2014
Average number of employees:		
Sweden	75	74
Greece	16	16
Norway	5	5
Hong Kong	13	14
	109	**109**
Of which women	51	50
Women in management team	(15 %)	(14 %)
Salaries and remuneration		
in Sweden		
Chairman of the Board	19	20
of which variable portion	(7)	(8)
Other board members (20 persons)	169	186
of which variable portion	(123)	(106)
Managing Director	323	351
of which variable portion	-	(15)
Management team excluding the Managing Director (5 persons)	915	1,055
of which variable portion	-	(46)
Other employees	3,838	4,368
in Greece	1,740	1,926
in Norway	580	627
	7,584	**8,533**
Social security costs:		
in Sweden	4,547	5,127
in Greece	371	414
in Norway	155	184
	5,073	**5,724**
of which pension costs	2,802	2,955
Management team including MD (6)	(521)	(620)

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 21, is the capital value of pension obligations for prior senior executives, which amounts to USD 247 (2014: 272) thousands.

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 21 for information about pensions. No fees are paid to Board members who are also employees of the Club.

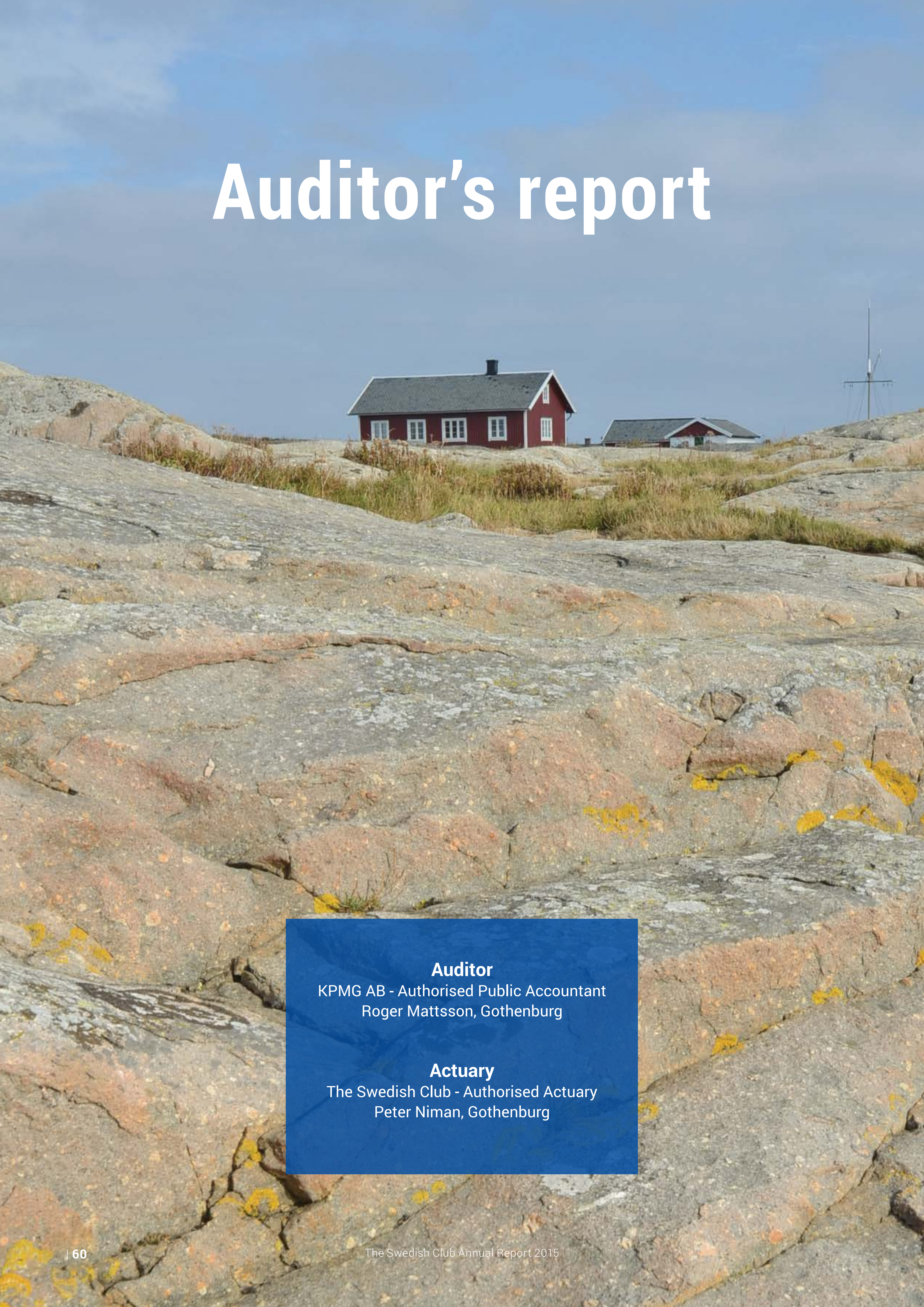
Proposed appropriation of earnings

The Board of Directors proposes that the accumulated deficit USD -12,419 thousand is to be carried forward.

The income statement and balance sheet will be submitted for adoption by the Annual General Meeting on 16 June 2016.

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 faces.

Auditor’s report



Auditor
KPMG AB - Authorised Public Accountant
Roger Mattsson, Gothenburg

Actuary
The Swedish Club - Authorised Actuary
Peter Niman, Gothenburg

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

Report on the annual report

We have audited the annual accounts of Sveriges Ångfartygs Assurans Förening (The Swedish Club) for the year 2015.

The Board of Directors' and Managing Director's responsibility for the Annual Report

The Board of Directors and the Managing Director are responsible for preparing financial statements that provide a true and fair view in accordance with the Annual Accounts Act for Insurance Companies and for the level of internal control that the Board and Managing Director feel is necessary in order to prepare financial statements that are free of material misstatement due to either fraud or errors.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We have conducted the audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes various measures to obtain audit evidence about the amounts and other disclosures in the financial statements. The auditor selects which measures to perform by, for example, assessing the risks of material misstatement in the financial statements, regardless of whether they are due to fraud or errors. When performing this risk assessment, the auditor considers the components of internal control that are relevant to how the company prepares its financial statements in order to provide a true and fair view. This is done in order to design appropriate audit procedures given the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of estimates in the report that were made by the Board of Directors and the Managing Directors. Furthermore, an audit includes evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinion.

Opinion

In our opinion, the financial statements were prepared in accordance with the Annual Accounts Act for Insurance Companies and in all material respects, they provide a true and fair view of Sveriges Ångfartygs Assurans Förening (The Swedish Club's) financial position as of 31 December 2015 and of its financial result and cash flows for the year, in accordance with the Annual Accounts Act for Insurance Companies. The Directors' report is consistent with the other parts of the annual accounts.

We therefore recommend that the AGM adopt the income statement and balance sheet.

Report on other requirements in accordance with laws and other regulations

In addition to our audit of the financial statements, we have also audited the proposed appropriation of profit or loss, as well as the Board of Directors' and the Managing Directors' administration of Sveriges Ångfartygs Assurans Förening (The Swedish Club) for the 2015 financial year.

The Board of Directors' and Managing Director's responsibility

The Board of Directors is responsible for the proposed appropriation of profit or loss. The Board of Directors and the Managing Director are responsible for administration in accordance with the Annual Accounts Act and the Swedish Insurance Business Act.

Auditor's responsibility

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

As the 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 a basis for our opinion concerning discharge from liability, we have, in addition to our audit of the financial statements, examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the Managing Director. We also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Companies 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 as a basis for our opinion.

Opinion

We recommend to the AGM that the loss is dealt with in accordance with the proposal in the Directors' report and that the members of the Board of Directors and the Managing Director are discharged from liability for the financial year.

KPMG AB, Gothenburg

Roger Mattsson
Authorised Public Accountant

P&I policy year statement (unaudited)

The financial year of The Swedish Club runs from January through December. However, as the policy year for P&I ends 20 February, we present here the P&I statements reflecting this period.

The P&I policy year statement shows the likely outcome of the individual open policy years at 20 February 2016. This statement matches revenues and expenses related to policies belonging to a specific policy year.

At 20 February, 2016. Amounts in USD thousands		2015/16	2014/15	2013/14
Calls and premiums accounting year		109,958	106,006	100,000
Reinsurance premiums		-26,755	-27,139	-32,035
Investment income transferred from non-technical account		3,800	3,100	2,900
Claims paid accounting year 2013				-16,994
Claims paid accounting year 2014			-9,668	-17,676
Claims paid accounting year 2015		-26,736	-13,919	-14,218
Claims handling costs		-6,151	-5,451	-6,221
Reinsurers' share paid accounting year 2013				-
Reinsurers' share paid accounting year 2014			81	2,716
Reinsurers' share paid accounting year 2015		6,483	2,434	3,723
Administrative expenses		-14,523	-15,209	-13,825
Technical balance available to meet claims	A	46,076	40,235	8,370
Net outstanding claims[1]				
Pool		11,822	6,962	12,491
Members' claims		36,881	28,577	9,552
	B	48,703	35,539	22,043
Technical result insurance year	**A-B**	**-2,627**	**4,696**	**-13,673**
Total investment income P&I[2]		-3,848	-242	7,320
Investment income transferred to technical account		-3,800	-3,100	-2,900
	C	-7,648	-3,342	4,420
Balance available to meet outstanding claims	**A-B+C**	**-10,275**	**1,354**	**-9,253**

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

[2] *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.*

P&I financial year statement (unaudited)

The P&I financial year statement shows the estimated result for each respective twelve-month period ending 20 February regardless of policy year. This statement shows revenues and expenses matched to the financial year in which these have been accounted for.

For the financial year ended 20 February. Amounts in thousand USD	**2015/16**	**2014/15**	**2013/14**
Calls and premiums	109,958	106,006	100,000
Reinsurance premiums	-26,755	-27,139	-32,035
Claims paid	-103,369	-155,230	-160,641
to Pool	-16,719	-22,752	-14,858
on own business	-86,649	-132,478	-145,783
Change in provision claims	33,196	22,267	68,045
to Pool	6,509	-10,078	-14,226
on own business	26,687	32,345	82,271
Reinsurance recoveries	56,495	131,534	85,902
from Pool	21,260	16,645	27,741
from Group	23,246	94,171	67,178
from other reinsurers	11,989	20,718	-9,017
Change in provision claims	-40,653	-52,810	-47,239
from Pool	-15,398	-8,553	7,389
from Group	-24,246	-30,280	-37,178
from other reinsurers	-1,009	-13,977	-17,450
Claims handling costs	-6,151	-5,451	-6,221
Technical result	**22,722**	**19,178**	**7,811**
Investment income[1)]	-3,848	-242	7,320
Administrative expenses	-14,523	-15,209	-13,825
Result	**4,350**	**3,727**	**1,306**

[1)] *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
Vroon B.V.
Breskens, The Netherlands

Gustaf Grönberg
Star Cruises Management Ltd.
Kuala Lumpur, Malaysia

Lars Höglund
Furetank Rederi AB
Donsö, Sweden

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

Lim Sim Keat
IMC Industrial Group
Singapore

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

Pictured left to right

Lars A. Malm

Director, Strategic Business Development & Client Relations

Born: 1969
In management group since 2007

Master of Law from University of Gothenburg and Oslo. Joined The Swedish Club in 2000 from the Swedish insurance company Skandia, as a Hull Claims Adjuster. Appointed Area Manager in 2003. Became Director of Risk & Operations in 2008 and Director of Strategic Business Development & Client Relations in 2014.

Helena Wallerius Dahlsten

Director, Human Resources

Born: 1955
In management group since 2003

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

Tord Nilsson

Director, Underwriting, Reinsurance & 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 from 1993 and joined The Swedish Club as an underwriter in 1996. Appointed Managing Director of the Hong Kong office in 2000, Area Manager and Senior Underwriter for Team Gothenburg In 2005 and Area & General Manager at Piraeus in 2009. Since 2014 he has been Director of Underwriting, Reinsurance & Risk Control.

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 before joining The Swedish Club. Served at the Hong Kong office 1988–1991. Deputy Managing Director 2003–2008, before 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 member of the IUMI Executive Committee and is on the Board of Directors of the Swedish Sea Rescue Society.

Anders Leissner

Director, Corporate Legal & FD&D

Born: 1969
In management group since 2011

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

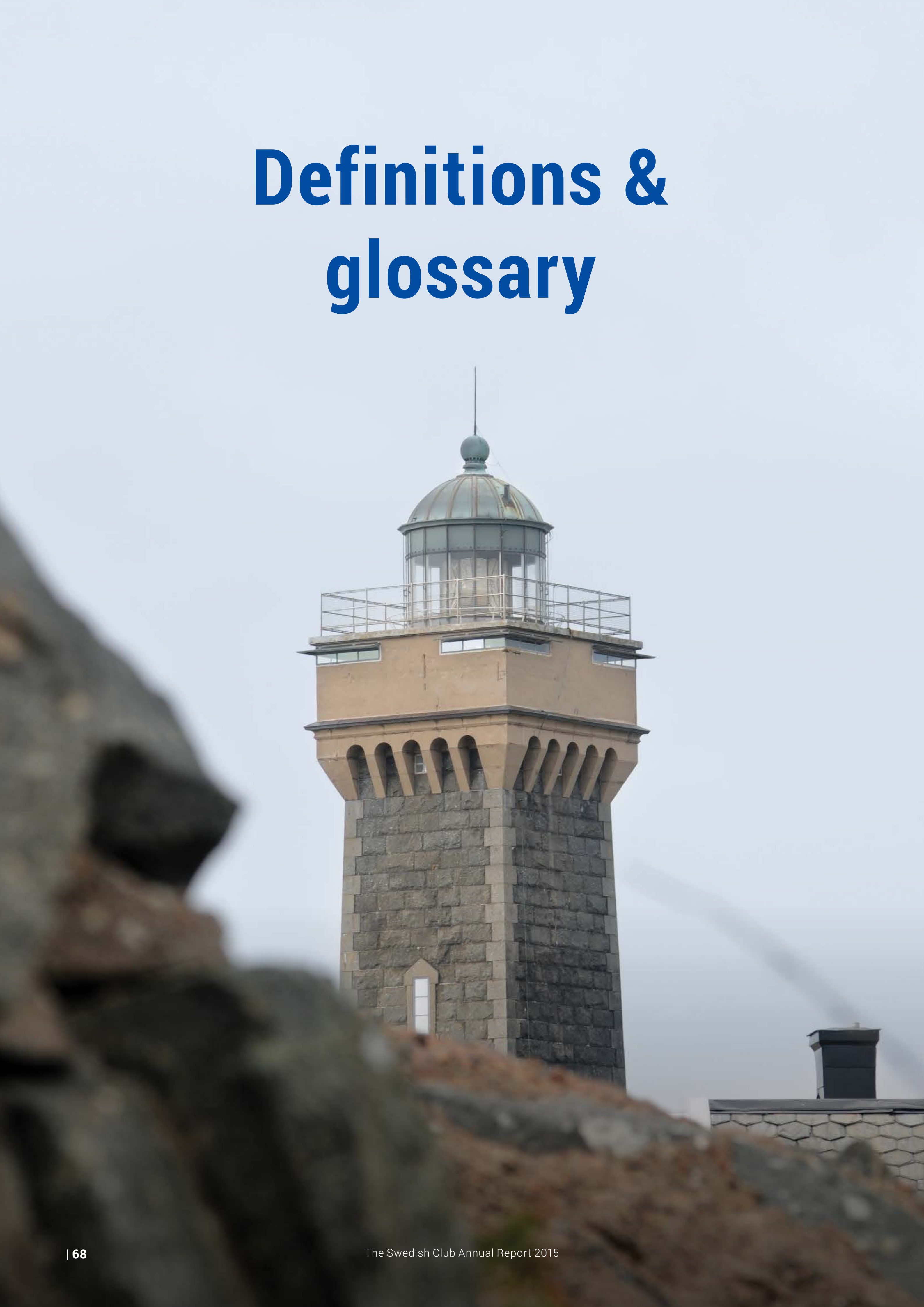
Mikael Kromli

Director, Finance, Risk Management & IT

Born: 1962
In management group since 2015

Bachelor of Science from the School of Business and Accountancy at Wake Forest University in Winston-Salem, North Carolina. Before joining The Swedish Club in his current position, Mikael was CFO of TitanX following a long career within the Volvo Group where he held numerous executive positions, including CFO of Volvo Powertrain and CFO of Volvo Parts. He has also served as CFO of Nobel Biocare, at the time listed on the Stockholm Stock Exchange.

Definitions & glossary



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.

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.

Free reserves: is used interchangeably with "Solvency capital", see page 70.

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.

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 9 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 realisation 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.

The Swedish Club

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Printed by: PR-Offset, Sweden
Photos : Vinga photos: Anna Jolfors
Management team photos: Geja Kuiken

1604pr1200E8