SVERIGES ÅNGFARTYGS ASSURANS FÖRENING
The Swedish Club
Est. 1872

Annual Report 2012

for the year ended 31 December

Contents

The photo theme of our Annual Report this year is the chemical and product tanker Fure West, managed by Furetank. On page 57 you can read more about the company and the ship.

The year in brief

- Standard & Poor's upgrades to BBB+ (stable outlook)
- Controlled growth in P&I and Energy
- Solvency capital well above target
- Investment return ahead of benchmark in a volatile year
- Overall result provides a surplus
- Launching of Mariner Attitude Survey
- 140 years of dedicated services to members

Financial highlights

USD thousands	31 Dec 2012	31 Dec 2011	31 Dec 2010	Average
Calls and premiums	170 287	173 714	160 068	168 023
Reinsurance premiums	-40 581	-40 106	-36 290	-38 992
Net claims incurred	-116 812	-121 489	-85 520	-107 940
Financial result	22 446	3 581	13 526	13 184
Actual result	9 074	-9 312	29 549	9 770
Loss ratio	90%	91%	69%	83%
Expense ratio	20%	19%	18%	19%
Combined ratio	110%	110%	87%	102%

Chairman's Overview
Lennart Simonsson

Sharing burdens in difficult times

There were mixed fortunes in the shipping markets of 2012 much depended on the trade and the nature of contracts. Most sectors had a challenging time, although those owners with long-term agreements had a relatively positive year. Nevertheless, cost control is uppermost in everyone's mind. Given these circumstances, The Swedish Club is determined to do everything it can to assist Members during this difficult period.

When considering the various shipping sectors on an individual basis, it can be seen that the container trades had an extremely challenging 2012. Operators with long-term charters may have had a satisfactory year, but achieving a satisfactory renewal is a struggle. Bulk shipping also suffered. At the same time, there are always possibilities for those operators with enough fire and nerve. Investors with courage are now seizing opportunities as values fall.

In many ways last year played out in a similar vein to 2011, but with one important difference: the players have become more acclimatised to prevailing market conditions. In short, they now regard a challenging market as the normal. As this perception takes hold, investment levels will begin to recover, offering positive signals to the shipping business.

Most owners accept that we are unlikely to witness a return to the markets of 2004-05 and 2007-08. This unusually "happy time" is unique in modern experience (and is likely to remain so). Today's attitudes are shaped by cool realism; negotiations take the state of the world economy as the only meaningful starting point. On a more positive note, shipowners are extremely good at adjusting to new conditions, as they demonstrated in abundance during 2012.

Over the past 12 months cargo volumes held up well, although the tonnage surplus continued to test all players in the market. Today, however, the real pain is to be found in the financing sector, where the problems extend far beyond the parochial world of shipping. Current challenges are often portrayed as unique but a sense of history helps to lend perspective. The crisis of the early 1990s, for example, caused a great deal of anguish. Such cycles are driven by sentiment and many "old hands" will tell anyone prepared to listen that the 1982 crisis was much worse than current difficulties, especially in the bulk sector.

The Swedish Club makes progress

All things considered, it was a decent year for The Swedish Club. We continued to stride along our chosen path and have a clear strategic direction. Adherence to our strategy continued to produce positive results and once again the outcome for the year was satisfactory overall. This consistency in performance was recognised by Standard & Poor, which upgraded our rating to BBB+ (stable outlook) – a clear endorsement of the view that our chosen path is the right path. This upgrading was one highlight of a year in which The Club achieved further growth in its P&I portfolio. S&P's upgrade demonstrates faith in our operational performance and prudent approach to risk management.

Turning to the Marine Hull book, we operate in a highly competitive market. The application of firm underwriting principles has produced an essentially stable position regarding volume, although there was a small increase in the H&M portfolio. The more important trend in this sector, however, is our continued development as a claims leader.

As for Energy, this new business performed to expectation during the second year of operation from its Oslo base. Norway is on target, within the Club's five-year programme for the development of a well-balanced and sizeable portfolio.

Looking to the future

We will keep on to follow our strategic pathway and expect the coming year to unfold in much the same way as 2012, in terms of the shipping markets. With this in mind, we will continue to support our Members, who operate within the new market realities.

The Swedish Club entered the New Year in good shape. Financial strength and resilience are the keys to staying that way. Significantly, our capital position is well ahead of solvency target. On a final note, we are fortunate to enjoy the staunch support of our Members. They recognise the benefits of a long-standing relationship with a high-quality provider. At the same time, we have to continue to work at relationships. The Swedish Club is a part of each Member's market situation and we will continue to serve to the best of our ability, within the governing principles of mutuality.

Managing Director's Comments
Lars Rhodin

Valuing stability in a volatile world

The first half of 2012 was a stable period for The Swedish Club with a benign claims position. The unstable financial markets worked to our advantage, increasing our investment income. In terms of claims and financial markets, volatility increased during the second half of the year. Yet, once again, the financial markets had a positive influence on the overall result.

Strong investment returns helped offset major cases at mid-year, of which two were the bulk carrier Flash off Tunisia and the containership MSC Flaminia which suffered a fire in mid-Atlantic. Both were entered with the Club for Hull and P&I. MSC Flaminia was our largest P&I claim during 2012. Yet, satisfactory investment returns meant an overall outcome in surplus, at USD 9,1 million. This is acceptable, given volatility.

Investments exceeded benchmark

The investment portfolio performed well, thanks to some timely decisions on structure and risk. We increased exposure to equities and corporate bonds during the first quarter and achieved good returns. Earlier, in August 2011, we reduced our equity position, but by January 2012 we were ready to return to a more conventional asset mix, although the corporate bond holding was increased. This strategy produced excellent results, and investment performance far exceeded benchmarks; all Fund Managers out-performed expectations.

On the claims front the anticipated increase in frequency was apparent in some areas, although there was also welcome evidence of levelling off in the case of P&I. This is explained in part by our drive to bring deductibles into line with current market conditions. In recent years they failed to keep pace with inflation and many International Group clubs are addressing this issue.

Major Pool claims are now testing the International Group's reinsurance arrangements. One case is the Rena, a container vessel entered with The Swedish Club. This is likely to become the third most costly P&I claim ever – at around USD 300 million. Yet, even this is dwarfed by the Costa Concordia accident, with its P&I reservation of USD 740 million and a Hull & Machinery loss of around USD 500-600 million. Certainly, the total cost will exceed USD 1 billion for the main market!

> The P&I book showed steady growth...

In the past we have seen a correlation between P&I claims frequency and the shipping cycle. We now see a rather different picture emerging, where cargo volumes remain at historical highs but benefits are eroded by the tonnage surplus.

Business performance

The P&I book showed steady growth and ended the year with an owned portfolio of 35 million GT (51 million GT, with the addition of chartered tonnage). This is in line with expectations. We saw a sharp increase in attritional claims (cargo, illness and injury) over the 2009-11 period, but this levelled off in 2012. On a less positive note, all Clubs – The Swedish Club included – are experiencing an increase in the frequency and severity of non-attritional large claims. In addition the costs continue to escalate, with inflation running at 3-4 per cent.

In the Marine Hull sector, stable volumes reflect a flat market. Nevertheless, we make the most of opportunities, as and when they arise. We have been repositioned as a lead provider and now lead around 85 per cent of the Marine Hull book by tonnage – a pleasing statistic.

Major Hull claims have no apparent connection with market dynamics. Major navigational cases often lead to large losses, with severe consequences for individual clubs and the International Group community as a whole. In The Swedish Club's context, the Rena casualty in October 2011 resulted in very large claims, a series of major response challenges and a difficult political dimension. Costs are aggravated by the remote location, an exposed grounding site, weather downtime and the intervention of the authorities.

The major case in 2012 was the MSC Flaminia, presenting many operational and political challenges. It served as a reminder of the difficulties often encountered when seeking a place of refuge for ship casualties.

On a more positive note, Energy – the Club's new business – continued to make progress. Team Energy is based in Oslo and writes Hull and Loss of Hire cover for FPSOs and MOUs. The portfolio developed according to plan in the second year of operation and the team has been well received in Norway as well as the wider Scandinavian market. We are recognised as a quality provider of welcome additional capacity.

During 2012 the Energy book showed further growth and the team was reinforced. Oslo is a springboard, which will allow us to develop additional Marine Hull and P&I business, as well as securing more Energy business.

The year also saw developments at the Piraeus office, with the groundwork laid for a "changing of the guard" in the Spring of 2013. Tord Nilsson is returning to Gothenburg and will be replaced by Captain Hans Filipsson, who has been with the Club since 2010.

Other activities included celebrations and events to mark The Swedish Club's 140 years of service to Members, together with 30 years of operation in Hong Kong and the Asian region.

The loss prevention imperative

The Swedish Club is a leader in the loss prevention field and the Maritime Resource Management (MRM) training network now involves 110 licenced providers across the world.

The Swedish Club Academy's MRM network continued to expand. The Academy also continued to provide assistance to Flag States seeking to meet the requirements of the STCW Convention's Manila Amendments, which took effect at the beginning of 2012. Another significant Academy initiative in 2012 was the launch of the Mariner Attitude Survey and its associated action programme. This comprehensive survey aims to map and benchmark seafarer attitudes. This will lead to a greater understanding of what needs to be done to win further improvements in safety culture.

The Swedish Club is a leader in the loss prevention field...

One of our most recent loss prevention initiatives is the introduction of Root Cause Analysis — a tool for investigation, understanding and loss prevention. Root Cause Analysis has already confirmed the importance of MRM's focus on human attitude, which is the single most important factor in this area. Other initiatives included publication of the P&I Claims Analysis Review (with emphasis on root cause), an update of the Main Engine Damage Study and the regular provision to Members of Monthly Safety Scenarios — to meet mandatory requirements under ISM.

Our new Corporate Governance Manual was adopted in 2012.

Proactive risk management

The progressive development and calibration of the Internal Capital Model (ICM) continued during 2012. This has opened up a new and more dynamic approach to risk management.

The Board provided valuable input on capital requirements and risk tolerance issues. The outcomes include the adoption of The Swedish Club's solvency-related Board Directives, which sets standards in excess of Solvency II (as known today). Meanwhile, the introduction of the Solvency II regime was again deferred.

Our new Corporate Governance Manual was adopted in 2012. The Board also considered the latest Own Risk & Solvency Report. In these areas we remain well ahead of regulatory trends and, consequently, we are building a sound platform for future operations.

During the year Mrs Chen Xiang of COSCO Container Lines joined The Swedish Club's Board and Mr Sun Jiakang of COSCO Group left after 2 years' service.

In 2012 the European Commission closed its review of the International Group Agreement (IGA) and related issues. The Group argued successfully that the IGA (and the mutual system itself) works to the benefit of a broad shipping community and that these arrangements warrant no further intervention. At the same time, the Commission's interest is a catalyst, which has prompted deeper consideration of current procedures that relate to release calls and quotations.

Even with Brussels satisfied, the International Group (IG) has a full workload. Current concerns include lack of clarity over sanctions rules and certification requirements under the Passenger Liability Regulation/ Athens Convention. There are also important issues now before IGs Large Casualty Working Group. Its remit includes a close examination of key cost-drivers to develop new procedures for the more effective management of large cases. We need an agenda for action in this important area. In The Swedish Club's view, the dominant cost-drivers include casualty location and the actions of authorities.

A strong financial position

As the Club moves ahead, we are well aware of the fact that major navigational claims are random in nature. With this in mind, we entered 2013 in a strong financial position; our capital holdings correspond to an AA value (S&P capital model). On a wider economic front, the Euro Crisis staggered on into 2013 but there is always a possibility of a "flare-up". That said, levels of concern did recede in 2012. Many economies remain in recession, but there is hope that the US economy and global energy markets will pick up.

During 2013 The Swedish Club will hold its steady course, providing cost-efficient services to Members who value stability. We strive for consistency in risk assessment, pricing and claims services as well as proceed to focus on loss prevention and underlying cause. At the same time, we continue to champion the view that mutual risk-taking is the preferred solution. There is perhaps none better!

Risk Management
Just Arne Storvik, Acting Risk Manager

Ready for Solvency II compliance

The Swedish Club is well advanced in its preparations for the implementation of the Solvency II Directive. We already meet the requirements of two of the three main pillars: the ability to calculate capital requirements with precision and to provide an ORSA (Own Risk and Solvency Assessment). The ORSA drafts already meet Solvency II expectations.

The third pillar concerns reporting and public disclosure. We now await clarification of the regulatory demands in this area. At the same time, we are taking the initiative by making progress in anticipation of the publication of exact requirements. In any event, we can now state that The Swedish Club meets all Solvency II requirements, as known.

The implementation of Solvency II was deferred, once again, during the second half of 2012. It had been due to take effect on January 1, 2014. In October, however, we received news that a two-year delay was likely. The latest indications are that entry into force is rescheduled for 2015 – but 2016 still seems more likely.

We are putting this period of deferment to good use. Given that our preparations are so advanced, we can afford to use the extra time to focus on priorities. For example, the Internal Capital Model (ICM) tools, developed for Solvency II compliance, are now being put to work. They are beginning to transform our business and we are already using them to gain a deeper understanding of the capital implications of business options.

Solvency II milestones

The Club completed many Solvency II preparatory tasks in 2012. Most significantly, the Board approved a new Corporate Governance Manual at its meeting in Athens during October. This sets out a clear legal framework and defines the roles and responsibilities of the various corporate bodies. The Manual has a very important set of appendices, which are known as Board Directives. They are, in effect, sets of instructions from the Board to the Club's management. Some of the directives are based on previous documents; others are entirely new.

The appendices include the Actuarial Directive, which defines the roles and responsibilities of company actuaries. This has particular significance, as we took the decision during 2012 to bring many actuarial functions in-house by employing an experienced Actuary.

Another appendix is the Risk Tolerance and Solvency Directive. This sets out a range of controls relating to the capital strength. For example, it defines the limits within which risks may be increased, at a time when the capital position is strong. Equally, risk parameters must be reduced whenever the position is at the lower end of the prescribed range. The aim, of course, is to ensure that capital strength is maintained, by respecting the desired target range.

Under the Risk Tolerance and Solvency Directive, associated functions covered include the annual calculation of capital adequacy and the determination of the Club's current position. This allows for recalculation in a range of ad-hoc circumstances which could warrant a fresh look at capital-related issues.

Refining the Club's ORSA

We presented our first draft ORSA to the Board in 2011. The 2012 edition was refined, smaller and more focused, and we now believe it meets regulatory expectations. With the presentation of the second version, we are operating as if this requirement is already operational.

As previously mentioned, we are putting our Internal Capital Model tools to work, to assess the capital implications of the business enhancement options. We are also using these tools for "stress-testing", to verify our capacity to absorb adverse developments – such as an abnormal rise in numbers of major casualties. We intend to harness the skills of the in-house Actuary to the full. Clearly, there are likely to be benefits, in terms of better informed risk decisions. At the same time, we must respect the essential independence of the Actuary to strike an appropriate balance.

Priorities for 2013

Our priorities for 2013 include the establishment of a Risk Committee – with a membership set according to the nature of the matters under review. We want to focus on specific risk-related issues, ranging from data quality and IT to optimised asset management. The Risk Committee's job is to take "deep dives" into specific risk-related issues. Obviously, there is scope for the in-house Actuary to participate in this important new initiative for 2013.

Review of Operations
Lars A. Malm, Director Risk & Operations

Underwriting: selective growth continues

The development of The Swedish Club's P&I portfolio continued and the book increased by around two million GT. The focus on growth in chartered tonnage is of particular importance to us and we anticipate further opportunities, as industrial groups are seeking to fully integrate ocean transportation within their logistics chains. These groups include mining majors, steel producers and coal and other mineral interests operating on a global stage.

> This approach benefits Members, as it speeds up claims processing and eases cash flow.

The Swedish Club's growth is selective at several levels. Perhaps the most fundamental factor is the application of strict underwriting strategies, which focus on quality tonnage and appropriate pricing. We continue to apply firm criteria when rating new business. In doing so, we have successfully offered pricing levels, which are fully commensurate with risk. Indeed, during 2007-12 (a period of considerable growth) The Swedish Club's ratio of premium to GT remained constant.

Reaching a milestone

With our goal of measured expansion in mind, we have continued to invest in the establishment of a full service centre in Oslo. Team Norway has had considerable initial success in developing its Energy portfolio consisting of FPSOs and MOUs. All objectives set for the first two years of operation have been met or exceeded and the book already represents a useful broadening of the Club's business spread. Most importantly though – the Energy business contributes to the overall positive underwriting result in Marine & Energy for the Club. We look forward to further expansion in the team for years to come as far as Blue Water P&I and Marine is concerned.

In recent years we have steadily added tonnage to the P&I portfolio, with expansion across the board in terms of geographic regions and vessel types. Consequently, there is no special significance in passing the 50 million GT mark. Yet, this is a real milestone in the sense that The Swedish Club is now regarded as a medium-sized P&I provider, with new and beneficial perceptions in the market.

Freight, Demurrage and Defence, as an insurance class, has grown on the back of our growth in P&I. The portfolio has trebled over the past five years. Around half of the Club's P&I-entered fleet is also covered for Defence. Looking ahead, we believe the FD&D activities will increase in many markets, including Germany and other shipping centres.

We expect an increased number of commercial disputes and arbitrations due to the difficult economic times. In this area, as in all other areas, we are determined to continue to deliver service excellence. We are reinforcing the FD&D team with recent appointments including two Solicitors who have joined our Hong Kong office and an English Solicitor now settling in at the Gothenburg office.

The importance of FD&D is out of all proportion to its rather modest premium generation. This significance centres on the close relationship which develops between Club and Member when FD&D cases arise.

Marine Hull in balance

The Marine Hull business had a satisfactory year, with a positive result. The outcome reflects a strategy based on the diversification of Marine & Energy business. There was more volume in the War and IV classes, both of which made useful positive contributions to the overall result.

Major Marine Hull claims are random in character. The Club had two cases of this type in 2012. The fact that we took these in our stride, demonstrates our financial strength and resilience. We are structured to deal with all aspects of major claims. The Swedish Club has the engineers, surveyors, adjusters, lawyers, nautical experts and other specialists to handle cases in-house, with a correspondingly low call on external expertise. This approach benefits Members, as it speeds up claims processing and eases

cash flow. It also reinforces our status as a claims leader.

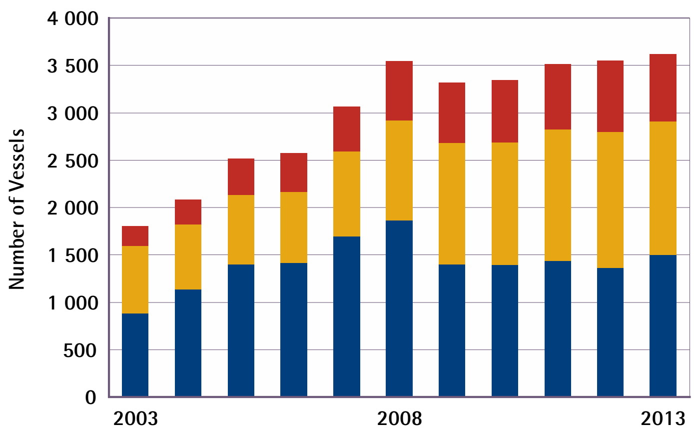
Future prospects

Difficult trading conditions will always put pressure on pricing. We saw this in 2012 and we expect such pressures to continue in 2013. As a leader, however, The Swedish Club has an edge in this competitive market. We are in a stronger position to add value to services than those providers who write on a following basis and by delivering a claims service second to none. Our support for Members involved in major cases shows we provide added value when it really counts...in highly adverse circumstances.

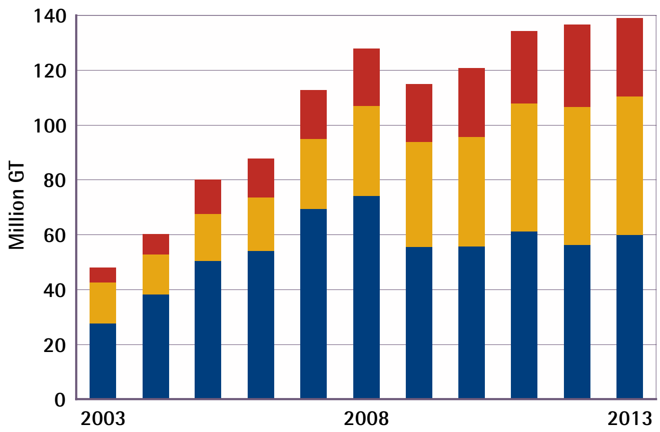
During the coming year we look forward to more growth, governed by a strategy of responsible pricing over time. Today, we have an attractive profile, both in terms of new business and the ability to generate organic growth within existing memberships. The next step is to focus more effort on presenting the benefits of The Swedish Club to major participants in the industrial chartering sector, where there are significant opportunities complementing our interest in quality and commitment to safe operation.

> The Swedish Club is now regarded as a medium-sized P&I provider...

Number of vessels — insurance year start



GT — insurance year start



H&M   P&I + Charterer's P&I   FD&D

Review of Operations

Claims: a proactive stance on loss

P&I and Marine Hull claims frequency levelled off during 2012, although the frequency of the larger claims (USD 500,000 and above) continued to rise. It is important to appreciate that shipping markets may be down but activity remains at historically high levels. Another element in the equation is the escalation in major claims costs. Here, location of casualties as well as intervention by authorities have an impact on the overall cost.

It is important that P&I Clubs do not sit on their hands in this situation. There is plenty of scope for action! Whilst it may be true that large navigational claims are random occurrences, we see this as the best possible reason to take every action to reduce risk through support and education. The Swedish Club takes a proactive stance on loss prevention. For example, our global Maritime Resource Management (MRM) programme makes a major contribution, by focusing on the human factors underlying virtually every accident.

> ...we see this as the best possible reason to take every action to reduce risk through support and education.

There is less of an effect to market MRM training to owners who already invest in training and recognise important human issues, such as the achievement of a high level of crew retention. The challenge is to cast MRM's net further afield. This requires dedication, as it needs to be implemented and absorbed throughout the entire organisation if benefits are to become apparent in the claims record.

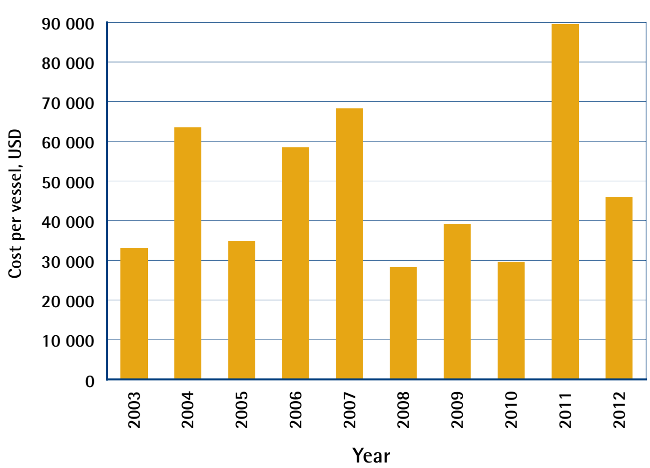
P&I claims trends

P&I claims frequency may have levelled out in 2012, but this followed a sharp rise in crew and cargo claims over the past five years. Many factors contribute to the inflation of major claims costs. The industry as a whole needs to a greater extent than before manage the element of volatility. The principal cost-drivers include casualty location and intervention by the authorities. A remote location means higher costs to mobilise and maintain a major response effort.

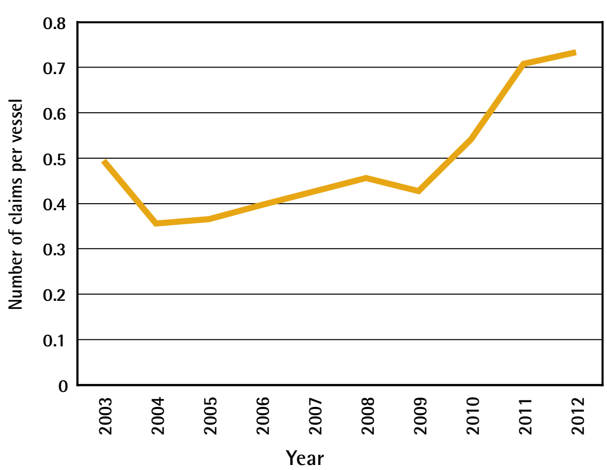
The prevailing trend is a steady increase in the burdens placed on shipowners and their insurers. Examples of increased liabilities are:

- Rotterdam Rules
- Athens Convention

P&I claims cost per vessel in USD



P&I claims frequency



- Wreck Removal Convention
- Increased limit of LLMC
- EU Passenger Liability Regulation

Other pressures include increasing crew costs. The global shortage of experienced seafarers is now reflected in employment contracts — a simple expression of the laws of supply and demand.

Looking ahead, The Swedish Club intends to target more business for tankers and bulk carriers. During 2013 we expect attritional claims to remain stable, although we are all too aware of the volatile dimension of large claims exposure. We have had our share of large cases, but have come through them in a way which demonstrates our robust character. The experiences, have added a keener edge to our claims-handling capabilities.

> **The experiences, have added a keener edge to our claims-handling capabilities.**

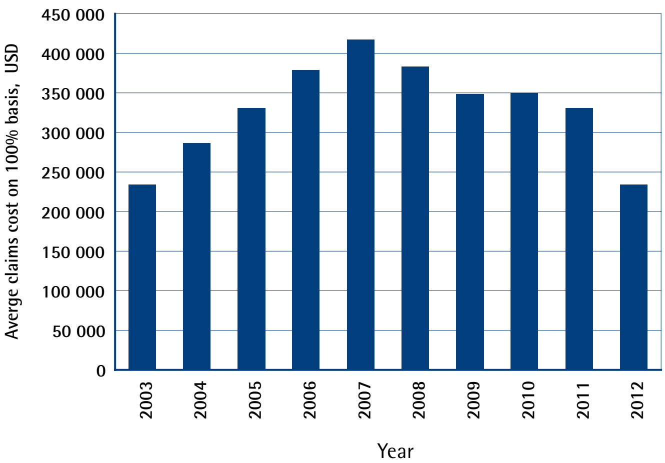
Marine Hull claims

The inherent volatility of major claims is evident and will remain so, especially in relation to navigational claims. Awareness of these risks provides the motive power for our proactive loss prevention measures, such as MRM and Root Cause Analysis. The latter now feeds back all-important claims experience to our entire Membership.

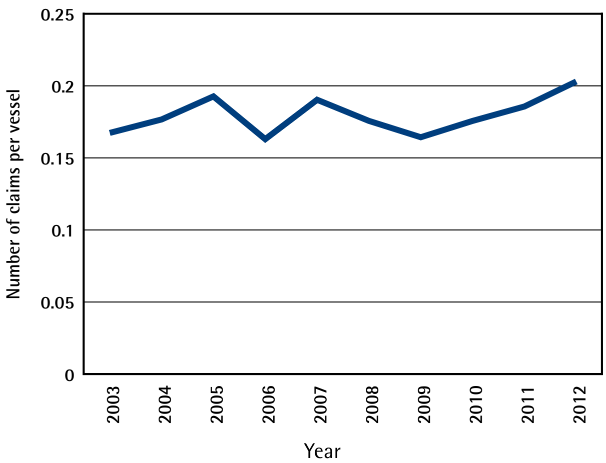
When a major claim occurs, Club and Member soon develop a close working relationship. But it is also vital to share lessons with a wider community; this goes to the very heart of mutuality. We achieve our goals here in many ways, including the publication of our P&I Claims Analysis Review and the release of updates of the long-running Main Engine Damage Survey. The latest update highlights an improvement in the in-service reliability of medium speed engines. Historically, the incidence of damage has always been higher for them, but the gap between them and slow speed engines now appears to be closing.

We look forward to new loss prevention initiatives during 2013. One such measure is SCORE — The Swedish Club Operations Review. This will take the form of a Club audit and assessment of shore and shipboard management, followed by the provision of specific loss prevention recommendations. This is an important initiative, directly linked to MRM's emphasis on appropriate attitudes towards safe ship operation.

H&M average claim in USD



H&M claims frequency



The Swedish Club Academy
Martin Hernqvist, Managing Director

A new phase in MRM's development

The Swedish Club Academy had a positive year and took the opportunity to increase the team with three new members. We are now ready to progress with the upgrading of Maritime Resource Management (MRM) training materials as well as placing a greater emphasis on sophisticated video-based teaching aids. At the same time, we intend to develop a range of new products and services.

The MRM global network continued to expand, with the addition of 24 new licensees – a record number in a single year. MRM training is now available at more than 100 training establishments, in 35 countries.

Acknowledgements & new colleagues

Higher income flows from the larger network made it possible to appoint three new staff members. Our team now includes an Academy Assistant whose role spans all our activities and, in particular, the vital function of acting as the main point of contact for clients. Another new team member has key responsibilities for the roll-out of the Mariner Attitude Survey and the third has a particular brief to develop contacts and secure new MRM licensees in China, where the subtleties of training focused on human behaviour may benefit from a bilingual approach.

This has brought the Academy to a new phase of development as we entered our third year as a distinct entity. The Club's support is as strong as ever since MRM remains the central pillar of The Swedish Club's loss prevention effort. This was acknowledged in the first half of 2012, when MRM provided the main theme of club meetings and events for Members in Oslo, Copenhagen, Hamburg, Piraeus and Istanbul.

Broadening the view of attitudes

Our priorities for the future include the gradual phase-in of new-look MRM training modules, supported by advanced video elements. This is an extremely effective way of delivering training concerned with human attitudes. There is nothing quite like seeing the expression on someone's face! Nuances of body language are very difficult to describe in words, but a few seconds of video will suffice. We need to take a highly professional approach to video production if we are to get the MRM message across in visual terms. This requires the hire of professional actors and the adoption of production standards of the highest quality.

As for MRM programme content, we now take a much broader view of attitudes with an impact on safe operation. The key elements here are: safety, efficiency and job satisfaction. All play a role in shaping prevailing attitudes in the work environment. For this reason we must address highly diverse issues, to take in the many causal factors which contribute to attitude and, ultimately, to safe operation.

Mariner Attitude Survey

The Swedish Club Academy's highlights in 2012 included the launch of the Mariner Attitude Survey. A pilot exercise in 2010 produced encouraging results. For the first time participants can compare, on a confidential basis, human attitudes and safety performance.

This pilot survey was well-received. It encouraged us to introduce a more comprehensive Mariner Attitude Survey, open to all owners, not just Members of The Swedish Club. We now call on all forward-thinking owners to join us and confront the human equations behind safe operation. By working together we can better understand how attitudes and behavioural interactions, both on board ship and ashore, impact on safety performance. The Survey exposes areas which need to be strengthened and strengths which need to be defended and reinforced. The Mariner Attitude Survey will be rolled out in full during 2013 – which promises to be yet another fascinating year in the short yet busy life of this Academy.

New MRM licensees in 2012

New MRM licensees in the Asian region during 2012 include four training establishments in the Philippines, three in Singapore, one in India and one in Thailand. In Europe we welcomed two Russian, one Ukrainian, two Finnish, one Icelandic, one Norwegian, one Swedish, two Greek, two German, one Croatian, one Belgian and one Spanish licensee.

We are especially pleased to have Centro Jovellanos of Gijón, Spain, joining the MRM network, since they are our first training provider in the country. Centro Jovellanos will focus primarily on the training of maritime pilots. ■

Legal

Anders Leissner, Director Corporate Legal and FD&D

Sanctions rules and the search for clarity

Sanctions compliance continued as a matter of concern for The Swedish Club and its Members during 2012. This is essential if cover is not to be jeopardised. Naturally, Members turn to us for guidance, but this is far from straightforward. Certainly, we do everything we can on this front, and liaise closely with the International Group on these questions. We have also developed lines of contact with governments and their agencies. One example is our close dialogue with the Swedish Foreign Ministry in Stockholm. The Ministry does its best, whenever possible, to clarify the many issues which cause confusion.

Vague interpretation of sanctions

The complexity of the subject cannot be understated. For example, does the ban on carriage of Iranian oil apply to Iranian bunkers on board vessels? This is just one of many issues which for a long time remained unanswered and which we asked The Swedish Foreign Ministry to raise in Brussels in order to seek clarification. Needless to say, in the absence of clear guidance, Clubs and their members generally need to take a prudent position in order to minimise the risk of falling foul of sanctions.

The inability to make payments in Iran also gives rise to difficulties. As things stand, vessels are generally free to call at Iranian ports. Yet, should they be detained for any reason, no mechanism is available to make payments. In these circumstances it would be difficult to secure the release. Syria is another country posing difficulties. The fundamental problem is the lack of a uniform approach to interpretation and enforcement. Sanctions rules are a maze, applying in different "layers" and in different ways, involving a host of entities and covering an extremely broad spectrum of activities. Naturally, some owners are more risk-sensitive than others.

The main issue here is the lack of clarity and potential consequences for insurance cover. One obvious starting point for Members is to consult The Swedish Club's web site and review the section on sanctions compliance. The onus, however, is on the shipowner to ensure that trading activities are lawful. In the final analysis, it is all about due diligence.

During 2012 the European Commission drew a line under its second investigation into the competition aspects of the International Group Agreement (IGA). The decision to go no further, implies recognition of the value of the International Group community, the IGA and the fundamental benefits of mutuality. There were extensive demands for information and The Swedish Club was well placed to respond, thanks to its advanced information management system.

Financial responsibility

International liability legislation focuses increasingly on insurance and insurance providers. This is logical: there is little point in imposing greater liabilities without a system to ensure that they are met. Certificates of Financial Responsibility (COFRs) were first introduced in the CLC convention. The practice has spread and new instruments include mechanisms to ensure vessels carry COFRs (signifying that arrangements are in place to meet liabilities, should they be incurred). When seeking a COFR, the owner will approach his Club for a "Blue Card", prior to contacting the Flag State authority for certification purposes.

These instruments involve the International Maritime Organization's Wreck Removal Convention, the International Labour Organization's Maritime Labour Convention and the Passenger Liability Regulation which took effect last December. The Maritime Labour Convention will enter into force in later of this year.

Problems arise when P&I cover does not extend to all risks. One obvious example is the Passenger Liability Regulation, which reflects Athens Convention requirements for financial security covering War and non-War passenger liability. Acts of terrorism, however, are excluded from P&I cover. The International Group has considered this issue in some depth. The outcome is a process involving the acquisition of two Blue Cards, one covering risks other than war and a second covering war risks including terrorism.

Another concern regarding the Marine Labour Convention is the cover of crew repatriation costs in the event of insolvency. It can be argued that it is not the place of a mutual to insure against insolvency but a pragmatic approach has been taken. Protection of up to USD 9 million is available (with no possibility of Pool involvement) in the form of a "loan", so setting aside the "pay to be paid" principle in this specific instance.

Finance
Jan Rydenfelt, Director Finance, Reinsurance & IT

Corporate bonds bolstered strong investment returns

The eurozone crisis continued to influence financial markets during 2012. The year was different, however, in that markets responded positively to the many measures taken by policymakers in the eurozone countries. For example, European Central Bank President Mario Draghi announced on 26 July that the ECB would "do whatever is needed to preserve the euro". This affirmation had a huge impact on financial markets.

As a result, a number of high-risk asset classes did very well during the remainder of 2012. Spanish and Italian Government bonds, by way of example, delivered returns exceeding 20%. In contrast, US Government bonds generated returns close to break-even during the same period. President Obama won the November election and the US focus then shifted to the "fiscal cliff" budget negotiations, which ultimately resulted in a stop-gap agreement.

> Every one of our asset classes outperformed benchmark.

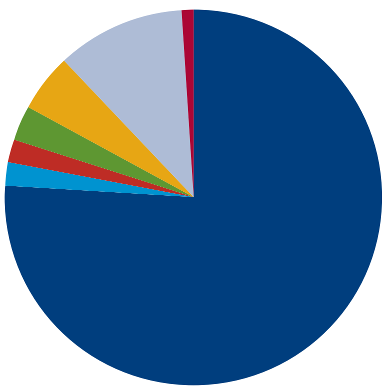
Meanwhile, the Chinese economy picked up, especially during the second half. In November, the Central Committee of the Communist Party elected Xi Jinping as General Secretary. The leadership change seems to have been accomplished smoothly.

Moving to The Swedish Club's position, the year turned out to be one of the best ever in terms of investment income. In summary, global equities were up 16%, our US bond benchmark was up 2.7% and the corresponding euro benchmark was up 6.1%. Every one of our asset classes outperformed benchmark.

Good decisions...at the right time

We adopted a more cautious investment strategy during the Autumn of 2011, in response to market developments. Later, the Board – meeting that December – decided to return to the Club's normal asset mix as from January 2012 (20% equities; 80% fixed income). The Board also revised the composition of the fixed income portfolio, to include a larger proportion of corporate bonds. These changes proved to be beneficial. Our equity portfolio delivered a return of 18%, outperforming the market return of 16% for global equities. An overweighting in Swedish and emerging market equity holdings contributed to this outcome. The Club's holdings in both the Vontobel Emerging Market Equity Fund and the

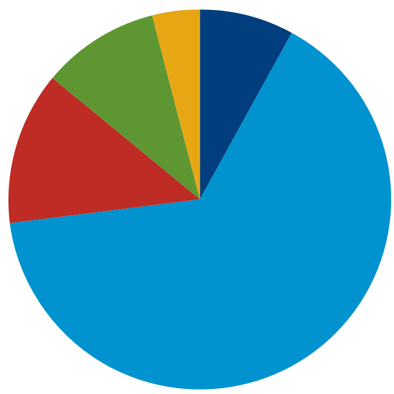
Financial investments by type



- US Core Bonds 76%
- US High Yield Bonds 2%
- Emerging Market Bonds 2%
- Euro Soverign Bonds 3%
- Euro Corporate Bonds 6%
- Equities 11%
- Alternative Investment 1%

As per 31 December 2012.

Quality distribution of bond portfolio



- AAA 8%
- AA 65%
- A 13%
- BBB 10%
- Other 4%

Rating by Standard & Poor.

As per 31 December 2012.

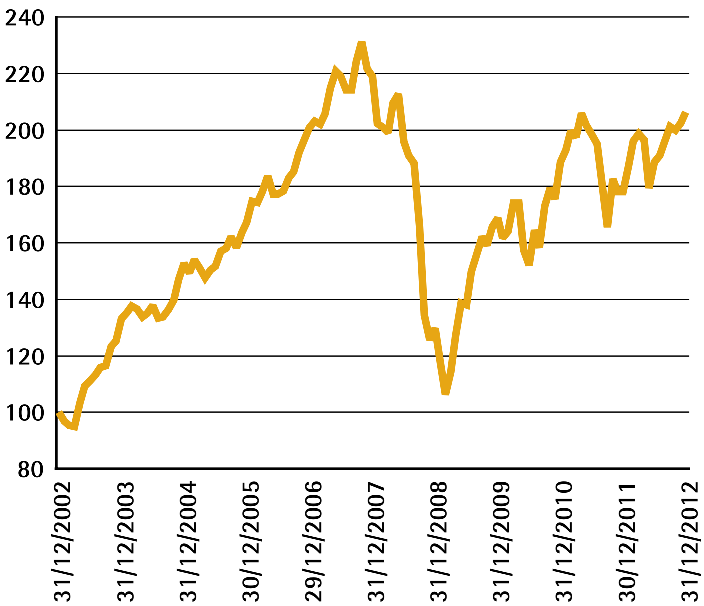
Enter Swedish Equity Fund rose by more than 21% during the year. The Vontobel Fund, in particular, demonstrated remarkable performance. Over the past three years it has outperformed its benchmark by more than 10% per annum! The Swedish Club's fixed income portfolio also outperformed benchmark. For the US bond portfolio, which represents more than two-thirds of the total investment portfolio, the return was 5.5%, as against a 2.7% benchmark return. All five US bond managers contributed to this outcome – particularly those funds specialising in higher credit risk bonds. Our US high yield fund and emerging market corporate bond fund both delivered returns of around 15%. Around 10% of our investment portfolio is in euro bonds. This asset class outperformed its benchmark (6.1%) as well, by delivering a return of 8.7% – due to a fund, managed by SEB, specialising in euro-subordinated debt. We invested USD 10 million in this fund in July and it provided a return of 12% to year-end. Due to the euro's appreciation during this period, the USD return exceeded 20%.

> **The investment portfolio delivered a total surplus of USD 23 million in 2012.**

The investment portfolio delivered a total surplus of USD 23 million in 2012. The yield exceeded 8%, against a benchmark yield of just below 6%. This strong outcome was achieved despite the temporary reduction in risk level adopted during the last three months of the year. In early October we again sold half the equity portfolio, together with some bonds with a lower credit rating. As markets were relatively flat during this period, however, there was no significant impact on returns.

In January 2013 we returned to the asset mix of September 2012 and we are cautiously optimistic about the outlook for 2013. Financial markets may benefit from economic growth, not only in the US and China, but also in emerging markets. In 2012, the yield for 10-year Italian Government bonds moved from 7% to 4.5% and the corresponding yield for Greek Government bonds went from 34% to 12%. This trend is likely to reverse if the weaker eurozone economies are unable to demonstrate fundamental improvements in competitiveness, lower unemployment figures and economic growth. Let us hope these trends take hold in 2013.

World Equity Index



For the ten year period 2003-2012 the average yearly return for a global equity portfolio was 7.5%. The corresponding figure for the last five year period was only -1.2%.

Information taken from MSCI Inc.

Five-year summary

Insurance facts	2013	2012	2011	2010	2009
P&I insurance, 20 February					
Number of vessels	1,013	1,032	994	891	884
Gross tonnage (Million)	34.8	33.9	30.9	25.9	24.5
FD&D insurance, 20 February					
Number of vessels	710	754	753	670	567
Gross tonnage (Million)	28.5	30.0	29.1	25.5	21.3
Marine H&M insurance, 1 January					
Number of vessels	1,501	1,365	1,436	1,396	1,400
Gross tonnage (Million)	60.0	56.3	60.2	55.5	55.6
Insurance value (USD Million)	51,025	48,807	50,960	48,344	53,708
of which the Club has insured (USD Million)	10,696	12,050	12,226	11,386	12,648

Call history, policy year	2013/14	2012/13	2011/12	2010/11	2009/10
P&I insurance					
General increase	7.5%	5%	2.5%	2.5%	15%
Additional call/Estimated additional call	0%	0%	0%	0%	0%
Open/Closed	Open	Open	Open	Closed	Closed
FD&D insurance					
General increase	5%	5%	10%	5%	15%
Additional call/Estimated additional call	0%	0%	0%	0%	0%
Open/Closed	Open	Open	Open	Closed	Closed

Financial statements

Contents

Financial statements

Notes

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 2012, the Club's 140th year of operation.

Principal activities and structure

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

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

Reinsurance acceptances are in run-off, with a remaining provision for outstanding claims of USD 0.5 million.

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

Significant events during the year

During the year, the Club was affected by two major claims involving several classes of insurance. The container ship, MSC Flaminia caught fire on 14 July 2012 and the total cost before reinsurers' share is estimated at USD 19 million. The capesize bulk carrier, Flash, ran aground off the coast of Tunisia on 25 June 2012. The total cost for this incident, before reinsurance, is estimated at USD 8 million.

On 16 January 2012, a fire started aboard the jack-up drilling rig, KS Endeavor, off the coast of Nigeria. The estimated claims cost before reinsurance for the Club's share of 4.5% is USD 7.7 million.

The total provision for the cargo ship, Rena, which ran aground off New Zealand in October 2011 was increased during 2012 from USD 144 million to USD 319 million. The increase was covered by the Club's reinsurance arrangements.

During the year, the Club received a total of USD 29 million in repayments for a claim from 2004. This was the result of confirmation of a shipowner's right to limit liability for oil pollution. The repayment does not have a direct impact on the Club's result, since this amount gets refunded to reinsurers. However, we can expect an indirect impact via lower future reinsurance costs.

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 2012, the result before appropriations and tax was USD 9.1 (-9.3) million. The majority of the Club's assets are valued in USD and the weakening of that currency has resulted in exchange gains of USD 0.8 (-0.5) million.

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

Solvency capital	USDm	SEK/USD	SEKm
December 31 2011	141.9	6.9234	982.4
December 31 2012	151.0	6.5156	983.7
Result	9.1		1.3

Insurance activities

Gross premiums written in 2012 amounted to USD 170 (176) million. Following the deduction of outward reinsurance premiums totalling USD 40 (40) million, premiums written amounted to USD 130 (136) million. Earned premiums, net of reinsurance, amounted to USD 130 (134) million. In relation to premium volume, the cost for reinsurance is at the same level compared to last year.

A portion of investment income relates to insurance activities. The amount is based on the expected return on the investment portfolio and the current year's average technical provisions for own account. The amount of transferred investment income was USD 3.8 (1.1) million.

Claims incurred, net of reinsurance, amounted to USD 117 (121) million. In relation to earned premiums, net of reinsurance, this corresponds to 90 (91)%.

During the year, 27 (15) claims were reported in excess of USD 500,000. Two of the claims also affected several insurance classes. For 8 of the claims, the cost before reinsurers' share exceeded USD 2 million, which is the same figure as in 2011.

Operating expenses for insurance activities amounted to USD 26 (25) million. In relation to earned premiums, net of reinsurance, this corresponds to 20 (19) %. The balance on the technical account totalled USD -10 (-12) million.

Result by class of insurance

The combined ratio for P&I was 124 (116)%. Earned premiums, net of reinsurance, amounted to USD 68 (72) million. The claims cost for other clubs' pool claims significantly increased from USD 12 million in 2011 to USD 18 million in 2012.

Claims incurred, net of reinsurance, was USD 71 million in both 2011 and 2012. The loss ratio for the year was 106 (91)%.

As of 31 December 2012, the P&I portfolio, including charterer's liability, consisted of 1,373 (1,431) vessels with gross tonnage of 51 (50) million.

The combined ratio for FD&D was 71 (115)%. The decrease in this ratio compared to last year is the result of an improvement in the claims cost for both the current and prior insurance years.

As of 31 December 2012, the FD&D portfolio consisted of 730 (745) vessels with gross tonnage of 29 (29) million. Earned premiums, net of reinsurance, amounted to USD 5 (6) million. Claims incurred, net of reinsurance, fell from USD 6 million in 2011 to USD 3 million in 2012. The loss ratio for the year was 58 (99)%.

The combined ratio for Marine & Energy was 97 (101)%. The results for the various subclasses belonging to this business area were mixed. 2012 was a good year for the largest class, H&M, which reported a break-even result, compared to a large loss in 2011. Loss of Hire, however, reported a loss. Other subclasses reported good results in line with 2011. Earned premiums, net of reinsurance, amounted to USD 57 (56) million. Claims incurred, net of reinsurance, fell from USD 45 million in 2011 to USD 42 million in 2012. The loss ratio for the year was 75 (80)%.

At the end of 2012, the H&M portfolio consisted of 1,576 (1,370) vessels and the covered insured value amounted to USD 12 (13) billion. The number of insured vessels covered for Loss of Hire amounted to 499 (540).

The new subclass, Energy, which started up on 20 February 2011, incurred a total loss in 2012. The performance for earned premiums, net of reinsurance, was in line with business plans, with earned premiums of USD 8 million, which corresponds to 6% of the total premium volume.

Investments

The result from financing activities, including exchange rate differences amounted to USD 22 (4) million. The result from interest-bearing securities was USD 13 (9) million. The result for quoted shares amounted to USD 8 (-5) million.

The translation of investment assets into USD resulted in exchange gains of USD 1,3 (-0,6) million. Exchange rate gains arising from claims outstanding amounted to USD -0,8 (0,7) million. Other exchange differences amounted to USD 0,3 (-0,6) million. The majority of the Club's assets are valued in USD. As such, currency effects are primarily related to the weakening of USD against other currencies. As of year-end 2012, the Club's investments amounted to a value corresponding to USD 325 (315) million, of which 88 (88)% was interest-bearing securities and 12 (12)% was mutual funds.

Balance sheet

The amount reported for the provision for outstanding claims is somewhat lower in 2012 compared to 2011. However, the amount for 2012 is still high and it pertains to outstanding claims from prior years, for which a provision is necessary. For 2012, the provision for claims outstanding was USD 351 (386) million.

The value of the Club's investments increased to USD 325 (315) million.

Environment

The Swedish Club has an ongoing commitment to reducing its environmental impact. The Club has successfully implemented a paperless electronic claims handling/archiving system. It is also focusing on other ways of reducing its production of documents. 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

At the beginning of February 2013, the estimated provision for the P&I claim associated with the grounding of the capesize bulk carrier, Flash, in 2012 was increased from USD 3 million to USD 12 million. This results in an increased claims cost for the Club of USD 3.7 million.

At the beginning of 2013, the securities portfolio was adjusted to restore the balance between bonds and equity to the same level that it was a year ago. Bonds, which now represent 80% of investments, were sold for USD 44 million and investments were made in corporate bond funds for USD 11 million, as well as in global share index funds for USD 23 million.

Employees

The Club is a knowledge-intensive organisation. The commitment, competence and performance of employees are decisive factors for 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:

Committed

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

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

Proactive

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

The average number of employees during the year was 96 (see Note 25 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 will be paid for 2012. Note 25 also contains information on the principles for establishing salaries and benefits for the Club's management team.

Risks and uncertainties

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

There are four main categories of risk:

- Insurance risk
- Reinsurance risk
- Financial risk
- Operational risk

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

During 2012, an internal capital model (ICM) designed as a control mechanism for the Club's management process was implemented. The model aims to promote more efficient capital utilisation in the following areas: direct insurance, reinsurance and investments. The model is an important tool used by the Board when setting the Club's level of risk and Solvency Capital Requirements (SCRs).

ICM is also an important component of The Swedish Club's preparations for meeting the future requirements contained in the EU Solvency II Directive, which is expected to come into force during 2015 at the earliest.

Miscellaneous

The annual credit valuation, carried out by Standard & Poor's, was published on 4 August 2012. The Swedish Club now has a higher rating, BBB+/Stable, compared to its previous rating, BBB/Positive.

Prospects for 2013

The volume for the new business area, Energy, is expected to increase slightly. For the other business areas, a lower rate of increase or stable volume is expected.

There is a great deal of uncertainty due to the debt crisis in Europe and the maritime industry, which is facing major challenges of overcapacity in several sectors. In financial markets, interest rates on bonds are low and there is continued turbulence in equity markets. It will thus be even more important to achieve a positive technical result in 2013.

Appropriation of earnings

The Board's proposed appropriation of earnings is presented on page 47.

■

Five-year summary

Amounts in USD million	2012	2011	2010	2009	2008
Income statement					
Earned premiums, gross	170,3	173,7	160,1	150,0	192,4
Earned premiums, f.o.a.[1]	129,7	133,6	123,8	104,2	136,5
Investment income, allocated from non-technical account	3,8	1,1	1,7	2,1	6,2
Claims, f.o.a.	-116,8	-121,5	-85,5	-78,7	-80,2
Net operating expenses	-26,3	-25,0	-22,2	-19,7	-23,4
Balance on technical account	-9,6	-11,8	17,7	7,8	39,1
Balance on non-technical account	18,6	2,5	11,8	7,0	-31,9
Result before appropriations and tax	9,1	-9,3	29,5	14,8	7,2
Financial position					
Investment assets at fair value	325,0	314,8	297,5	237,4	185,3
Technical provisions, f.o.a.	210,7	205,6	180,9	154,2	145,9
Solvency Capital	151,0	141,9	151,2	121,7	106,8
Deferred tax liability included in solvency capital	36,2	40,1	42,6	34,4	30,2
Key data insurance business					
Loss ratio	90%	91%	69%	76%	59%
Expense ratio	20%	19%	18%	19%	17%
Combined ratio	110%	110%	87%	94%	76%
Average Expense Ratio	13,3%	13,0%	11,6%	11,4%	10,9%
Key data asset management					
Total return	7%	2%	5%	5%	-11%
Other key figures					
Solvency ratio, claims	83%	80%	97%	90%	85%
Average number of employees	96	97	92	93	96

Definitions are provided on page 55-56.

[1] The figures for 2008 include supplementary calls of 35.1 MUSD for the 2006/07 and 2007/08 insurance years.

Income statement

For the financial year January through December. Amounts in USD thousands.	Note	2012	2011
Technical account for insurance business			
Earned premiums, net of reinsurance			
Premiums written, gross	3	169 580	176 355
Outward reinsurance premiums		-39 843	-40 253
Change in provision for unearned premiums		707	-2 641
Reinsurers´share of change in provision for unearned premiums		-738	147
		129 706	**133 608**
Investment income transferred from the non-technical account	4	**3 800**	**1 100**
Claims incurred, net of reinsurance			
Claims paid	5		
Before outgoing reinsurance		-317 376	-131 473
Reinsurers´ share		204 834	32 964
		-112 542	-98 509
Change in provision for claims outstanding			
Before outgoing reinsurance		35 645	-161 707
Reinsurers´ share		-39 915	138 727
		-4 269	-22 980
		-116 812	**-121 489**
Net operating expenses	6, 25	**-26 266**	**-25 012**
Balance on technical account		**-9 571**	**-11 793**
Non-technical account			
Balance on the technical account		**-9 571**	**-11 793**
Financial result			
Financial income	7	11 547	9 565
Unrealised gains on investments	8	12 214	867
Financial costs	9	-1 315	-2 396
Unrealised losses on investments	10	-	-4 455
		22 446	**3 581**
Allocated investment income transferred to the technical account	4	**-3 800**	**-1 100**
Result before appropiations and tax		**9 074**	**-9 312**
Appropriations: change in safety reserve		270	5 629
Result before tax		**9 345**	**-3 683**
Tax on result for the year	19	-2 657	908
Profit/loss for the financial year		**6 687**	**-2 776**

Balance sheet

Assets

As of 31 December. Amounts in USD thousands.	Note	2012	2011
Intangible assets			
Intangible assets	11	291	368
		291	**368**
Investment assets			
Investments in group and associated companies			
Shares in group and associated companies	12	11	11
Other financial investment assets			
Quoted shares	13	39 792	38 807
Bonds and other interest-bearing securities	14	285 159	270 985
Loans to credit institutions		0	5 000
		324 962	**314 803**
Reinsurers' share of technical provisions			
Provisions for unearned premiums	15	2 694	3 432
Provision for claims outstanding	15	168 521	207 785
		171 216	**211 217**
Receivables			
Receivables related to direct insurance operations	16	35 015	28 662
Receivables related to reinsurance operations		9 478	7 258
Other receivables		453	684
		44 946	**36 604**
Other assets			
Tangible assets	17	1 009	976
Cash and bank balances		12 506	12 779
Other assets		1 058	995
		14 572	**14 750**
Prepaid expenses and accrued income			
Accrued interest		3 581	3 375
Prepaid acquisition costs		2 636	2 887
Other prepaid expenses and accrued income		624	737
		6 841	**6 999**
Total assets		**562 829**	**584 741**

Equity, provisions and liabilities

As of 31 December. Amounts in USD thousands.		Note	2012	2011
Equity				
Statutory reserve			77	72
Accumulated profit or loss			-11 364	-8 588
Profit/Loss for the financial year			6 687	-2 776
Translation difference capital			261	362
	A		**-4 340**	**-10 930**
Untaxed reserves				
Safety reserve			151 002	151 273
Equalisation reserve			1 653	1 555
	B		**152 654**	**152 827**
Technical provisions before reinsurers' share				
Provision for unearned premiums		15	30 586	31 293
Provision for claims outstanding		15	351 349	385 568
			381 935	**416 861**
Provision for other risks and charges				
Pensions and similar obligations		18	2 179	2 210
Deferred tax	C	19	2 657	-
			4 836	**2 210**
Liabilities				
Liabilities related to direct insurance operations		20	7 507	5 142
Liabilities related to reinsurance operations			11 505	8 951
Other liabilities		21	6 966	8 609
			25 977	**22 702**
Accrued expenses and deferred income				
Accrued expenses			1 765	1 070
			1 765	**1 070**
Total equity, provisions and liabilities			**562 829**	**584 741**
Memorandum items		23		
Assets included in members priority right			366 259	304 642
Solvency Capital (A+B+C)			150 971	141 897

Change in equity

Amounts in USD thousands	Statutory reserve	Accumulated profit or loss	Translation difference captial	Profit/loss for the financial year	Total equity
Balance brought forward 2011-01-01	73	-8 642	334	54	-8 181
Carried forward		54		-54	
Profit for the year				-2 776	-2 776
Change in translation difference capital			28		27
Balance carried forward 2011-12-31	**72**	**-8 588**	**362**	**-2 776**	**-10 930**
Balance brought forward 2012-01-01	72	-8 588	362	-2 776	-10 930
Carried forward		-2 776		2 776	
Loss for the year				6 687	6 687
Change in translation difference capital	5		-101		-96
Balance carried forward 2012-12-31	**77**	**-11 364**	**261**	**6 687**	**-4 340**

Profit/loss for the year includes unrealised gains/losses on investments. Deferred tax has been calculated on that portion. See note 19.

Cash flow statement

Amounts in USD thousands	2012	2011
Paid premiums	165 592	177 581
Paid reinsurance premiums	-39 508	-40 121
Claims paid	-317 376	-131 473
Claims paid, reinsurers' share	204 834	32 964
Cash flow from insurance operations	13 542	38 951
Other expenses	-27 650	-27 802
Interest received	4 719	6 085
Dividends received	173	236
Cash flow from other operations and from insurance operations	-9 216	17 470
Net investments in tangible assets	-255	-246
Sales of tangible assets	-	15
Acquisition of financial assets held for sale	-151 999	-135 863
Sale of financial investment assets	161 259	123 422
Cash flow from investing activities	9 005	-12 657
Cash flow for the year	**-211**	**4 813**
Cash and bank balances		
Cash and bank balances at beginning of the year	12 779	15 443
Cash flow for the year	-211	4 813
Exchange rate difference on cash and bank balances	-63	-7 462
Cash and bank balances at year-end	**12 505**	**12 794**

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 55-56 for an explanation of the classes of insurance.

For the financial year January through December 2012. Amounts in USD thousands.		Total	P&I	FD&D	Marine & Energy
Technical account					
Earned premiums, net of reinsurance					
Premiums written, gross		169 579	91 207	5 602	72 770
Outward reinsurance premiums		-39 843	-23 219	-332	-16 292
Change in provision for unearned premiums		707	-373	5	1 075
Reinsurers´share of change in provision for unearned premiums		-738	-56	-2	-680
	A	**129 706**	**67 558**	**5 274**	**56 874**
Investment income transferred from the non-technical account	**B**	**3 800**	**2 800**	**200**	**800**
Claims incurred, net of reinsurance					
Claims paid					
Before outgoing reinsurance		-317 195	-264 222	-4 304	-48 668
Reinsurers' share		204 834	199 511	0	5 323
Change in provision for claims outstanding					
Before outgoing reinsurance		35 463	35 625	1 266	-1 428
Reinsurers' share		-39 915	-42 190	-2	2 276
	C	**-116 813**	**-71 277**	**-3 039**	**-42 497**
Net operating expenses					
External acquisition costs		-11 978	-5 344	-375	-6 259
Operating expenses for renewal of insurance contracts		-8 466	-4 381	-185	-3 900
Adminstrative expenses		-5 823	-3 063	-166	-2 594
	D	**-26 266**	**-12 787**	**-727**	**-12 753**
Balance on technical account	**A+B+C+D**	**-9 571**	**-13 705**	**1 708**	**2 425**
Run-off result (according 5 Chapter 4 § 6 ÅFRL)		7 156	2 552	1 560	3 044
Result outward reinsurance		124 339	134 046	-335	-9 373
Result accepted reinsurance		0			
Key figures					
Loss ratio [C/A]		90%	106%	58%	75%
Expense ratio [D/A]		20%	19%	14%	22%
Combined ratio [(C+D)/A]		110%	124%	71%	97%
Three-year average combined ratio		102%	111%	92%	92%
Number of insured vessels		-	1 373	730	1 774
Gross Tonnage (millions)		-	51	29	68
Average share covered (per cent of gross tonnage)		-	100%	100%	27%
Average age (years)		-	11	9	27

Performance analysis per class of insurance

As of 31 December 2012. Amounts in USD thousands.	Total	P&I	FD&D	Marine & Energy
Technical provisions				
Before reinsurers' share				
Provision for unearned premiums	30 586	12 523	703	17 361
Provision for claims outstanding[1)]	351 349	288 079	7 987	55 282
	381 935	**300 602**	**8 690**	**72 643**
Reinsurers' share				
Provision for unearned premiums	2 694	2 505	41	147
Provision for claims outstanding	168 521	146 852	320	21 350
	171 215	**149 357**	**361**	**21 497**
For own account				
Provision for unearned premiums	27 892	10 018	661	17 213
Provision for claims outstanding	182 827	141 228	7 667	33 932
	210 719	**151 245**	**8 329**	**51 146**

[1)]The provision is reported excluding incoming reinsurance 460 (see note 15).

Note 1. Accounting principles

Statement of compliance with regulations applied

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

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

The Club has a subsidiary which, in accordance with the Swedish 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 company's functional currency, since most of the company's income and costs are in US dollars. It is also the most significant currency regarding provisions in the insurance business and therefore, the primary environment in which the company runs the business. The official accounting currency is Swedish kronor.

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

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

Assessments and estimates made when preparing the financial statements

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

Estimates and assumptions are based on past experience and a number of other factors that under current circumstances seem to be feasible. The result 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 costs, which means that the estimates are always associated with uncertainty. Estimates are based on the Club's own historical statistics on prior claims losses available on the reporting date. The following are examples of items considered when estimating technical provisions: unpaid claims, claims cost development, changes in legislation, judicial decisions and general economic development. For more information, see Note 2.

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

The Board of Directors approved the annual reports for publication on 21 March 2013.

Principles applied

Changes to IFRS that come into force starting in 2012 have not had any impact on the financial reports.

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 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 13 Fair Value Measurement. A new uniform standard for measurement of fair value and improved disclosure requirements. The standard is to be applied prospectively for financial years starting 1 January 2013 or later and it may require additional disclosures. The Club has not yet conducted further evaluation of whether IFRS 13 will likely result in any change to the methods currently used for measurement at fair value.

IASB is working to compile a new standard, IFRS 9 Financial Instruments, which is intended to replace IAS 39 Financial instruments: Recognition and measurement. The standard has not yet been completed, which is why it has not yet been adopted by the EU.

Insurance contracts

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

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

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

Income tax

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

Deferred tax is calculated according to the balance sheet method on the basis of temporary differences between the carrying amounts and tax base values of assets and liabilities. The valuation of deferred tax is based on the extent 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 that is used for this calculation.

The result of this revaluation is shown under the heading "Financial income" or "Financial costs". The change in the provision for claims outstanding, net of reinsurance, is herewith reported excluding the foreign exchange revaluation of claims outstanding.

Net operating expenses

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

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

Since 2007, a model has been used to allocate internal acquisition costs and internal investment administration costs. Before that time, the costs were not allocated (see Note 6 and Note 9).

Investment income – realised and unrealised profit on investments

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

Financial instruments

Financial instruments reported in the balance sheet as assets:

- Accounts receivable – trade (reported under the heading, receivables)
- Shares and participating interests, bonds and other interest-bearing securities
- Loan receivables (loans to credit institutions)
- Derivatives (forward exchange contracts).

Items reported as liabilities or equity include:

- Trade creditors (reported under the heading, liabilities)

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

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

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

Derivative instruments are reported both initially and afterwards at fair value.

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 recognize in this category (according to Fair Value Option)

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

Derivatives with a positive fair value are included in the first subcategory. 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 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 we evaluate our asset management activities on the basis of fair values.

The category, loan receivables and accounts receivable – trade are financial assets that are not derivatives. Furthermore, they have determined or determinable payments and they are not listed on an active market. These assets are valued at amortised cost.

Amortised cost is determined based on the effective rate of interest calculated at the time of the acquisition. Accounts receivable and loan receivables are reported at net realisable value, i.e. after the deduction for doubtful debts.

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

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:

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.

A financial instrument is considered to be "listed on an active market" if the listed prices can easily be obtained from any of the following: a stock exchange, dealer, stockbroker, trade association, a company that provides current price information or a supervising authority. Furthermore, the price must represent actual and regularly occurring market transactions on commercial terms. Such instruments are reported in the balance sheet as, shares and participating interests, bonds and other interest-bearing securities.

Any future transaction costs related to disposal are not taken into account.

For financial liabilities, fair value is determined on the basis of the quoted ask price. The majority of the Club's financial instruments are assigned a fair value based on prices listed on an active market. The fair value of derivatives (i.e. forward exchange contracts) is determined using available market data.

The applied valuation techniques are, to the extent possible, based on market data. Company-specific information is used as little as possible.

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

Intangible assets

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

Tangible assets

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

Subsidiaries and associated companies

A subsidiary is a company that is subject to a controlling influence by the Parent Company AB. Controlling influence is the right to, directly or indirectly, design a company's financial or operating strategies in order to obtain economic benefits. Associates are companies in which the Group has a significant (but not controlling) influence over the operating and financial management, usually through a holding of between 20 and 50% of the votes. Shares in subsidiaries and participations in associated companies are reported in accordance with the cost method. Any dividends received are reported as income.

Cash and bank balances

Cash and bank (with the exception of minor cash amounts) consists of bank accounts and funds that have been transferred to investment 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. This provision has been reported using undiscounted values.

Pensions costs and pensions commitments

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.

Retirement through insurance

The Club's pension plans for collective pension agreements are secured through insurance agreements with SPP. The pension plan for the Club's employees has been assessed as a defined benefit plan covering multiple employers. However, the Club has determined that the Swedish Financial Reporting Board's statement, UFR 6 Pensionsplaner, which covers multiple employers, is also applicable to the Club's pension plan. The Club lacks sufficient information for reporting in accordance with IAS 19. Therefore, in accordance with UFR 6, 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 put up as a cost over the contracted period of time based on utilization.

Assets and liabilities in foreign currency

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

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

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

Currency	2012	2011
Swedish kronor (SEK)	6.5156	6.9234
British pound (GBP)	0.6210	0.6485
Euro (EUR)	0.7562	0.7628
Hong Kong dollar (HKD)	7.7511	7.7708
		1 USD equals

Note 2. Risk management and risk analysis

Risk management

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

During 2011-2012, The Swedish Club implemented an Internal Capital Model (ICM) as a control mechanism for its management process. It is being used to produce consistent, risk-quantified information for the company's risk management report. ICM has facilitated efforts to structure reinsurance and evaluation of new business areas. Development efforts are still under way, focusing on the model's calibration and precision, documentation, and modelling of complementary aspects, such as operational risk and credit risk.

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

Risk management philosophy

The Club has an open risk culture that strives to create risk awareness and encourage all levels of the organization to participate in discussions about risk at their appropriate meeting places. 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 for the company. 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 from each income-generating unit. The risk management philosophy thus 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 throughout the year. The figure on the next page seeks to illustrate the wider spectrum of activities that feed into the core risk and capital management processes, thus ensuring that risk management is an integral part of all functions within the Club, and not only of relevance to those with formal risk management responsibilities.

The figure "Risk and capital management processes" on the next page, illustrates the four key annual processes that contribute to internal risk management and other relevant activities

Solvency II – the three pillars

Within the EU, comprehensive efforts are underway on a project that is called Solvency II. The aim is to introduce a more risk-based model for calculating solvency requirements. Another aim is to facilitate more proactive supervision within the EU. The central purpose of these regulatory requirements is to provide policyholders with better protection.

The three pillars approach is as follows:

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

At present, there are strong indications that the directive will be delayed from 1 January 2014 until 2015 or 2016.

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 organization. The Risk Management Policy also provides the foundation for the Club's acceptance of risk in pursuit of its goals.

Risk management is a traditional line management responsibility which means that risks are generally managed at the source – 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 and internal control ensure that the Club complies with relevant laws and regulations. They also monitor conformity with internal directives and policies.

The figure "Allocation of responsibilities" on the next page, illustrates important information flows and allocation of responsibilities.

An independent internal audit is carried out annually, which includes a formal audit to evaluate the adequacy and effectiveness of the systems for risk management and internal control. Any findings and recommendations of the internal audit are reported to the Board, which determines what actions are to be taken with respect to each of the internal audit findings/recommendations. The Board also ensures that those actions are carried out.

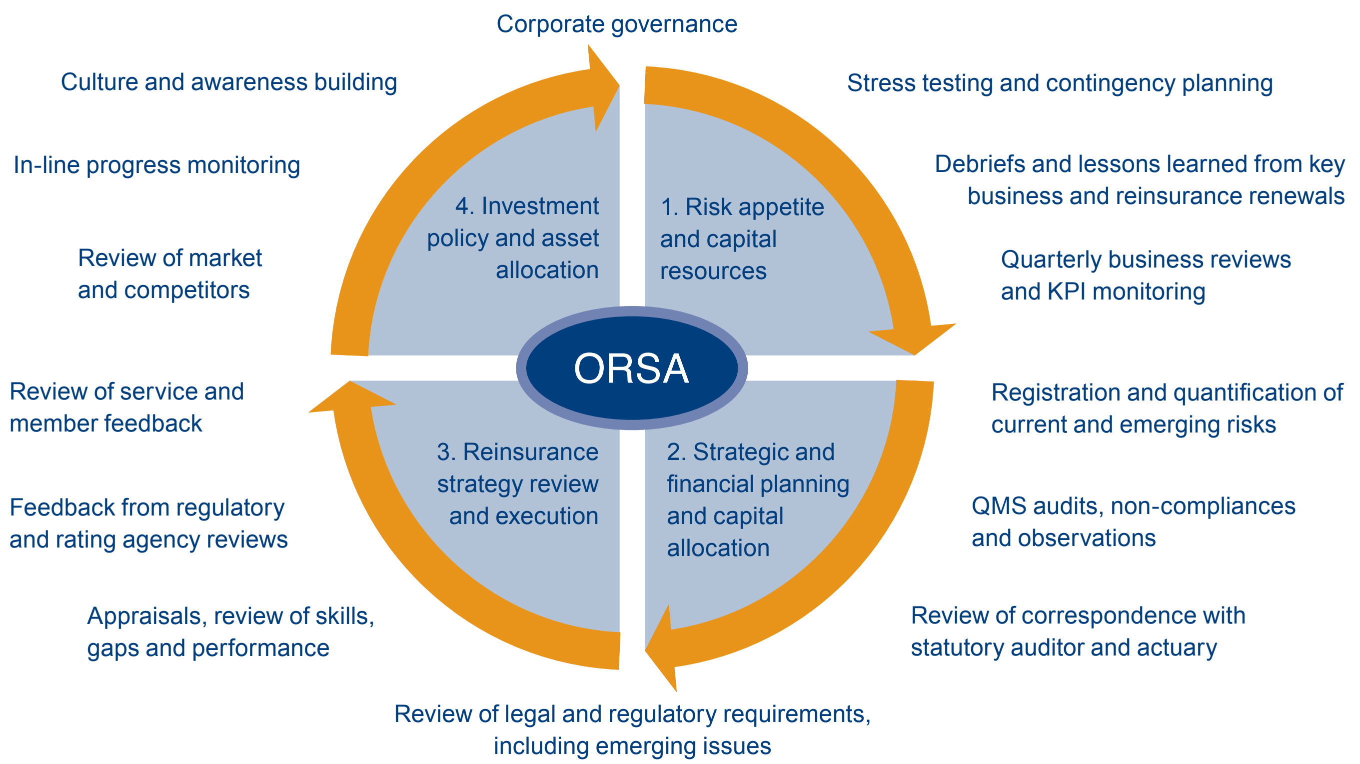
Structure of corporate governance and allocation of responsibilities

The Club has a Board of Directors elected by the Annual General Meeting (AGM). It currently consisting of 24 members, including the Managing Director and two employee representatives. In addition to an elected Chairman of the Board, there are two elected Deputy Chairmen.

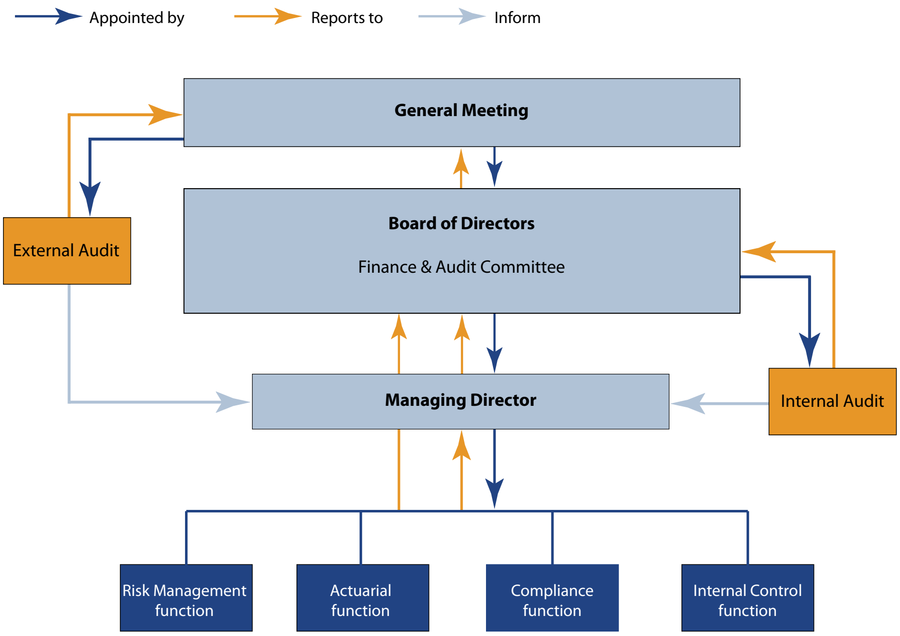
The Club also has an Election Committee elected by the AGM. This committee is responsible for recommending changes to the Board of Directors for the AGM's consideration.

The Finance & Audit Committee is a subgroup of the Board. It is responsible for reviewing recommendations and providing feedback to the management team on key areas, such as changes in investment allocation within the guidelines, audit, compliance and premium collection. The

Risk and capital management processes



Allocation of responsibilities



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 five member management team consisting of the following individuals: Managing Director; Director of Finance, IT & Reinsurance; Director of Risk & Operation; Director of Corporate Legal and FD&D together with the 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 guidelines and instructions is to clarify the allocation of responsibilities within the organisational structure, which is comprised of the following: the AGM, Board of Directors, Managing Director, business areas, support functions, the risk management and actuarial functions, the function for compliance with regulations and the internal audit.

Risk analysis

The Club's risk exposure is primarily associated with variations in the outcome of Marine and P&I claims, 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, reinsurance, financial and operational risks are as follows:

1. Insurance risks

Insurance risks consist of both underwriting risks and reserving risks. Effective management of underwriting risks is fundamental to the Club's operations. Potential member's vessels and management team are thoroughly reviewed prior to acceptance. Rating systems and premium models are used to ensure that correct premium levels have been selected. The Club's comprehensive reinsurance arrangements level out fluctuations in claims results. This helps 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[1]

Insurance risk is solely concentrated to the shipping industry. The table below shows concentration measures for the two largest individual classes of insurance: P&I and H&M. The weighted average duration for outstanding claims is approximately 2.7 years.

It is not uncommon for a vessel to fall into more than one of the Club's business areas. In such 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, clash could affect the allocation of claims costs between reinsurers and The Swedish Club. Clash primarily concerns the insurance classes shown in the table on the next page.

[1]as of 31 December 2012.

	Number of vessels	Average age	Gross tonnage (millions)	Average claim duration
P&I	1,052	10.0	35.8	3
H&M*	1,739	9.3	67.3	2

** incl. Energy*

Exposure	Number of vessels	*H&M	P&I	Loss of Hire*	Hull Interest
Four Classes	166	X	X	X	X
Three Classes	5	X	X	X	
	216	X	X		X
	274	X		X	X
Two Classes	70	X	X		
	5	X		X	
	640	X			X
	7		X	X	
	2		X		X
	39			X	X
Vessels by class of insurance		1,739	1,052	553	1,411
Total number of vessels			2,504		

** incl. Energy*

The table shows the concentration of insurance classes per vessel as of 31 December 2012: 6.6% of vessels were exposed to four insurance classes, 19.8% to three classes and 30.5% 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/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 below 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 2012).

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

The table below also shows the development of net claims in USD thousands. However, the composition of claims outstanding is approximately 80% USD and 20% EUR. Accordingly, when comparing figures in the table, it is important to keep in mind that there is a currency effect associated with these currencies. 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 on page 37.

Estimated final net claims cost at the end of:	2007	2008	2009	2010	2011	2012
claim year	92,995	83,159	80,252	81,842	116,768	119,044
one year later	91,788	80,575	82,504	85,563	117,995	
two years later	91,465	78,913	80,488	79,966		
three years later	88,633	78,229	75,677			
four years later	87,132	77,620				
five years later	88,200					

2. Reinsurance risks

Reinsurance protection is essential for the successful operation of the Club. Reinsurance risks can arise due to insufficient, incorrect or inadequate reinsurance protection. The Club's reinsurance purchasing activities are centralised and are the responsibility of the Reinsurance Department. Documented routines are followed in order to ensure correct wording and consistency of reinsurance contracts. The Reinsurance 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 reinsurance 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 8 million and USD 60 million are pooled (the Pooling Agreement). To supplement this, the Group purchases reinsurance protection up to USD 3,050 million (the Pool 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 30 million in excess of USD 30 million and also part of the layer USD 500 million in excess of USD 60 million. More information on the International Group is available at www.igpandi.org

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

3. Operational risks

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

Operational risks are difficult to assess. They tend to occur as a result of inadequate processes, human error or ambiguous management practices. The Club has a history of adequate documentation of critical activities via its quality systems. This working practice ensures that many undesired operational events are avoided.

Important operational risks include risks associated with a catastrophe scenario, such as an office fire, IT systems breakdown, a lengthy power failure, and so on. The Club has a contingency plan for such situations, which is updated annually. An IT system failure lasting more than a few days would have a serious impact on the Club and it would be very important to restore normal operations as quickly as possible.

4. Financial risks

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

The investment philosophy is based on risk diversification and investments 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 of the investment portfolio. 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 decreased from USD 16 million at the beginning of the year to approximately USD 15 million at the end of 2012.

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.

2012	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	39 792	-	39 792	39 792
Bonds and other interest- bearing securities	285 159	-	285 159	285 159
Loans to credit institutions	-	-	-	-
Receivables	-	44 946	44 946	44 946
Total Financial assets	**324 951**	**44 946**	**369 897**	**369 897**

2012	Other financial liabilities	Total carrying amount	Fair value
Financial liabilities			
Other liabilities	25 977	25 977	25 977
Total Financial liabilities	**25 977**	**25 977**	**25 977**

2011	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	38 807	-	38 807	38 807
Bonds and other interest- bearing securities	270 985	-	270 985	270 985
Loans to credit institutions	5 000	-	5 000	5 000
Receivables	-	36 604	36 604	36 604
Total Financial assets	**314 792**	**36 604**	**351 396**	**351 396**

2011	Other financial liabilities	Total carrying amount	Fair value
Financial liabilities			
Other liabilities	22 702	22 702	22 702
Total Financial liabilities	**22 702**	**22 702**	**22 702**

Valuation method for market-valued financial assets

2012	Published prices in an active market	Valuation technique based on observable market data	Total fair value reported in the balance sheet
Financial assets valued at fair value via the income statement			
Shares	39 792	-	39 792
Bonds and other interest bearing securities	285 159	-	285 159
Loans to credit institutions	-	-	-
Receivables	-	44 946	44 946
Total market value of investments	**324 951**	**44 946**	**369 897**

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. One objective is to hedge investment assets currencies with claims cost currencies, in order to minimise currency risks. In addition, the Club seeks to match the duration of investments with the anticipated duration of liabilities. As of 31 December 2012 the duration of fixed income securities was 2.9 (3.3) years.

Currency exposure	EUR	GBP	SEK
Investment assets	26 277	-	10
Receivables	6 151	2 812	5 053
Other assets	1 069	490	4 738
Total assets	**33 497**	**3 302**	**9 802**
Equity and untaxed reserves	-	-	-
Technical provisions, net	-40 562	-6	-90
Other liabilities and provisions	-1 040	-511	-8 161
Total liabilities and provisions	**-41 691**	**-517**	**-8 251**
Net exposure	**-8 194**	**2 785**	**16 212**

A change in interest rates of 1% would result in a change in the value of the bond portfolio of approximately USD 8 (9) million.

As of 31 December 2012, currency exposure for the Club's most important currencies was USD 10.8 (-1.4) million (see table in the bottom of previous page. As all decisions regarding currency positions are based on a US dollar perspective, the Club has chosen to regard solvency capital as consisting entirely of US dollars.

Approximately 12% of The Swedish Club's investments are quoted shares. All equity exposure is in well-diversified funds or in indexed-linked securities with a high rating. Decisions concerning investments and reallocations of equity investments are the responsibility of the Board of Directors through the Finance & Audit Committee.

The Club's main credit risks are associated with 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 285 (276) million invested in fixed income products.

In order to minimise the risk of losses relating to payments from reinsurers, the Club has centralised reinsurance purchasing to one department. 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 per cent of the reinsurers have a rating of at least A- (Standard & Poor's) or A3 (Moody's). During 2012, 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 2012, premiums more than six months overdue were less than 1.1 (0.5)% of the 2012 gross premium.

There is little liquidity risk in the short term of the Club becoming short of cash funds, since more than 95% of the investment portfolio can be converted to cash within a few days. In addition, The Swedish Club is not dependent on financing from capital markets.

Creditworthiness for classes of financial assets at fair value*	AAA	AA	A	BBB	Other
Bonds and other interest-bearing securities					
Foreign governments	6 567	116 133	40	3 608	-
Other foreign issuers	28 058	48 475	40 527	28 556	13 194
	34 626	**164 608**	**40 567**	**32 164**	**13 194**

**Ratings by Standard & Poor's and Moody's.*

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 to the right shows that the solvency requirement is low compared to the capital base. Alternative calculations are performed to reflect future solvency-related risks, for example via the Swedish Financial Supervisory Authority's traffic-light system. Solvency risk is the risk of The Swedish Club not being able to meet its obligations to the policyholders.

Capital base and solvency requirement, USD million	2012	2011	Change
Capital base	150.7	141.5	+9.2
Regulatory solvency margin	35.9	29.2	+6.7
Surplus	114.8	112.3	+2.5

Note 3. Premiums written by geographic area (Direct insurance)

	2012	2011
Greece	37 008	38 820
Germany	37 756	39 842
China	24 058	23 183
Sweden	8 392	10 130
Other countries	62 366	64 380
	169 580	**176 355**

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

	2012	2011
Allocated investment income transferred to the technical account	**3 800**	**1 100**

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 2012 the expected yield was 2.2 per cent (the actual yield was 8.0 per cent). For previous years the interest rate corresponded to the interest on 3-year risk free investments. The change in method is done to better reflect an expected return from the investments over time.

	2012	2011
Average interest rate	2,2%	0,7%

Note 5. Claims paid

	2012			2011		
	Gross	Reinsurers share	Net	Gross	Reinsurers share	Net
Current year:						
Claims Paid	-42 885	1 030	-41 856	-57 615	9 500	-48 115
Claims Handling Costs	-9 406		-9 406	-8 160		-8 160
Previous years:						
Claims Paid	-265 085	203 804	-61 282	-65 698	23 465	-42 233
	-317 376	**204 834**	**-112 542**	**-131 473**	**32 964**	**-98 509**

Note 6. Net operating expenses

	2012	2011
Specification of net operating expenses reported in the income statement		
Acquisition costs	-11 726	-12 792
Change in prepaid acquisition costs	-251	512
Internal operating expenses for acquisition of insurance contracts	-8 466	-7 768
Acquisition costs	-20 443	-20 048
Administrative expenses	-5 823	-4 963
Net operating expenses	**-26 266**	**-25 012**
Allocation of other operating expenses in the income statement:		
Claims handling expenses reported as claims paid	-9 406	-8 160
Finance administrative expenses reported as investment costs	-682	-960
	-36 354	-34 133

Total operating expenses analysed under the following categories:

Advertising and selling expenses	-809	-847
Personnel costs	-15 471	-14 160
Travel expenses	-957	-785
Cost of premises	-1 511	-1 523
Office Expenses	-2 052	-1 764
External services and fees[1)]	-4 058	-3 650
Depreciation	-379	-390
Charged claims handling cost	3 159	3 513
Other revenue	123	30
External acquisition costs	-11 977	-12 280
Costs for The Swedish Club Hong Kong Limited	-2 422	-2 276
	-36 354	-34 133

[1)]Operating expenses includes remuneration for audit engagements to KPMG for USD -98 (2011: -97) thousands, audit consulting USD -28 (2011: -26), tax consulting USD -7 (2011: -2) and other assignments USD -9 (2011: -10). In addition, renumeration was paid to PWC related to the independent review function for USD -8 (2011: -7) thousand.

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

Advertising and selling expenses	-905	-858
Personnel costs	-16 946	-15 771
Travel expenses	-1 102	-885
Cost of premises	-1 969	-1 871
Office expenses	-2 178	-1 870
External services and fees	-4 180	-3 750
Depreciation	-379	-390
Charged claims handling cost	3 159	3 513
Other revenue	123	30
External acquisition costs	-11 977	-12 280
	-36 354	-34 133

Note 7. Financial income

Note 7. Financial income	2012	2011
Dividends on quoted shares	173	236
Interest income		
Bonds and other interest-bearing securities	4 713	6 084
Other interest income	962	822
	5 675	6 906
Gains on foreign exchange, net	775	-
Gains on the realisation of investments, net:		
Quoted shares	1 969	-
Bonds and other interest-bearing securities	2 603	1 831
Forward currency contracts	353	592
	5 699	2 424
	11 547	**9 565**

Note 8. Unrealised gains on investments	2012	2011
Quoted shares	6 236	-
Bonds and other interest-bearing securities	5 978	867
	12 214	**867**

Note 9. Financial costs	2012	2011
Internal management expenses	-682	-960
External management expenses	-632	-685
Interest costs	0	0
Losses on foreign exchange, net	-	-466
Losses on the realisation of investments, net		
Quoted shares	-	-284
	-1 315	**-2 396**

Note 10. Unrealised losses on investments	2012	2011
Quoted shares	-	-4 455
	-	**-4 455**

Note 11. Intangible assets	2012	2011
Capitalised expenditure on computer software system		
Opening acccumulated costs	6 091	6 199
Revaluation of accumulated acquisition costs	381	-108
Closing accumulated costs	6 472	6 091
Opening acccumulated depreciation	-5 723	-5 717
Depreciation for the year	-98	-111
Revaluation of depreciation	-360	105
Closing accumulated depreciation	-6 181	-5 723
	291	**368**

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

Note 12. Shares in group and associated companies	2012	2011
Non-quoted shares in subsidiaries:		
The Swedish Club Hong Kong Limited		
1 share nominal value HKD 1	0	0
Non-quoted shares in associated companies:		
The Swedish Club Academy		
750 shares nominal value SEK 100	11	11
	11	**11**

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

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

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

Note 13. Quoted shares	2012	2011
Quoted shares at market value	39 792	38 807
	39 792	**38 807**

Acquisition costs of quoted shares 35 942 (2011: 41 193).

Quoted shares are specified in the table below:

Name	Number	Acquisition cost	Accounted value
Vontobel Emerging Market Equity Fund	12 388	1 734	2 086
Enter Sverige	10 831	1 995	2 216
Asien indexobligation Lån 185	35 000 000	5 372	5 812
Asien indexobligation 2	35 000 000	5 372	6 349
SSGA World Index Equity Fund	111 615	18 971	20 823
Ress Life Investments	1 882	2 499	2 506
		35 942	39 792

Note 14. Bonds and other interest-bearing securities

2012	Nominal value	Acquisition value	Market value	Accounted value
Foreign governments	114 543	113 748	113 443	113 443
Other foreign issuers	107 109	108 990	111 819	111 819
Total quoted securities	221 652	222 738	225 262	225 262
Bond funds		54 193	59 897	59 897
		276 931	**285 159**	**285 159**

2011	Nominal value	Acquisition value	Market value	Accounted value
Foreign governments	55 851	54 805	54 687	54 687
Other foreign issuers	144 270	146 439	148 433	148 433
Total quoted securities	200 121	201 244	203 120	203 120
Bond funds		67 491	67 865	67 865
		268 735	**270 985**	**270 985**

Note 15. Technical provisions

	2012			2011		
Provision for claims outstanding	Gross	Reinsurers share	Net	Gross	Reinsurers share	Net
Opening balance, provision for reported claims	348 598	-206 115	142 483	195 099	-67 712	127 387
Opening balance, provision for incurred not reported (IBNR)	36 970	-1 670	35 300	29 790	-1 690	28 100
Opening balance brought forward	**385 568**	**-207 785**	**177 783**	**224 889**	**-69 402**	**155 487**
Claims occurred during the current year	124 741	-10 178	114 563	298 054	-182 427	115 627
Claims paid current year	-307 970	204 834	-103 136	-123 312	32 964	-90 348
Change in expected cost for claims occurred previous years (run-off result)	147 585	-154 741	-7 156	-13 035	10 736	-2 299
Gains/losses on foreign exchange	1 425	-651	774	-1 028	344	-684
Closing balance	**351 349**	**-168 521**	**182 828**	**385 568**	**-207 785**	**177 783**
Closing balance, reported claims	315 279	-166 851	148 428	348 598	-206 115	142 483
Closing balance, provision for incurred not reported (IBNR)	36 070	-1 670	34 400	36 970	-1 670	35 300
Provision for unearned premiums						
Opening balance brought forward	**31 293**	**-3 432**	**27 861**	**28 651**	**-3 285**	**25 366**
Insurance contracts signed during the period	30 586	-2 694	27 892	31 293	-3 432	27 861
Premiums earned during the period	-31 293	3 432	-27 861	-28 651	3 285	-25 366
Closing balance	**30 586**	**-2 694**	**27 892**	**31 293**	**-3 432**	**27 861**

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

Provision for claims handling included in provision for claims outstanding amounts to 5 607 (2011: 5 607).

The provision for incurred and reported claims is reported including incoming reinsurance amounting to 460 (2011: 641).

Note 16. Receivables related to direct insurance operations

	2012	2011
Members	33 847	27 042
Insurance brokers	47	7
Insurance companies	1 122	1 613
	35 015	**28 662**

Note 17. Tangible assets

	2012	2011
Machinery and equipment		
Opening accumulated cost	3 024	3 063
Acquisitions	255	260
Sales and disposals	-227	-231
Revaluation of accumulated purchase prices	193	-68
Closing accumulated cost	3 245	3 024
Opening accumulated depreciation	-2 049	-2 008
Reversed depreciation on tangible assets sold	227	201
Depreciation for the year	-286	-291
Revaluation of depreciation	-129	49
Closing accumulated depreciation	-2 237	-2 049
	1 009	**976**

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

Note 18. Pensions and similar obligations

	2012	2011
Provision pensions	521	491
Provisions for defered non-vested pension	1 658	1 719
	2 179	**2 210**

The pensions obligations comprise pensions 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, the pension cost comprises the premiums paid for securing the pension obligations in life insurance companies. Total paid premiums during the year was 1 830.

The associations pension plans for collective pensions agreements is guaranteed through insurance agreements. The pension plan for the employees has been assessed as a defined-benefit plan that covers several employers. The company has however done the assessment that "UFR 6 Pensionsplaner" that covers several employers is applicable also for the company's pension plan. The company lacks sufficient information in order to account in accordance with IAS 19, and presents therefore, in accordance with UFR 6, these pension plans as defined-contribution plans. The associations obligations concerning charges to defined-contribution plans has been presented as a cost in the profit and loss account as they are earned through that the employees performed services carried out during a period. Paid premiums to SPP Liv and SKANDIKON during the year was 905.

Employees born before 1956 have according to collective agreement the right to retire from the age of 62. The provision is based on anticipated future pension payments and includes assumptions regarding mortality, employee turnover, salary growth and price inflation. Pension payments during the year was 355.

Note 19. Taxes

Tax on result for the year	2012	2011
Deferred tax[1)]	-2 657	908
	–2 657	**908**

[1)]Tax rate 22% (2011: 26,3%). Current years deferred tax is assignable to unrealised value changes in investment assets.

Change in provision for deferred tax	2012	2011
Opening balance	-	908
Change recognised in income statement	2 657	-908
Closing balance	**2 657**	**0**

Change in provision for deferred tax reported in untaxed reserves	2012	2011
Opening balance	40 194	41 681
Change reported in untaxed reserves	-3 953	-1 487
Closing balance	36 241	40 194

Note 20. Liabilities related to direct insurance operations

	2012	2011
Members	4 377	2 467
Insurance brokers	3 123	2 654
Insurance companies	8	21
	7 507	**5 142**

Note 21. Other liabilities

	2012	2011
Trade creditors	1 076	745
Other creditors	5 890	7 864
	6 966	**8 609**

Note 22. Exptected settlement of assets and liabilities

About 40 per cent of claims outstanding is expected to be paid after more than 12 months in the future. Reinsurer proportion of claims outstanding will generally take somewhat more time. Other balance items that are expected to be settled after more than 12 months are 50% of receivables and liabilities pertaining to other insurance companies. The risk of the Club becoming short of cash funds is small in the short run, as more than 95% of the investment portfolio can be converted to cash within a few days. For more information about liquidity risk, see note 2 and the cash flow statement.

Note 23. 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 fullfiled.

	2012	2011
Government/municipal bonds, etc.	133 702	82 732
Bonds other	151 457	144 319
Quoted shares	39 792	38 807
Cash and bank balances	7 366	9 915
Receivables related to direct insurance operations	33 942	28 870
	366 259	**304 642**
Technical provisions, net	210 719	205 645
Surplus of registered assets	155 540	98 997
	366 259	**304 642**

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 20,4 (2011 18,2) million.

Note 24. 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 25. Personnel

	2012	2011
Average number of employees:		
Sweden	69	69
Greece	14	15
Japan	1	1
Norway	1	1
Hong Kong	11	11
	96	**97**
Of which females	40	41
Females in management team	(17%)	(17%)

Salaries and payments:		
in Sweden		
Chairman of the Board	24	25
of which variable portion	(9)	(8)
Other board members (20 persons)	224	149
of which variable portion	(161)	(122)
Managing Director	349	352
Management team excluding the Managing Director (5 persons)	895	924
Other employees	4 803	4 770
in Greece	1 725	1 536
in Japan	85	139
in Norway	279	282
	8 384	**8 177**
Social security costs:		
in Sweden	4 822	4 334
in Greece	489	355
in Japan	12	16
in Norway	66	56
	5 389	**4 761**
of which pension costs	2 645	2 528
Management team (5)	(86)	(76)

The Managing Director is employed according to a contract with two years' notice on the part of the Association. The heading Provision for pensions in note 18 includes the capital value of a pension undertaking towards earlier management staff amounting to 348 (2011: 348).

Remuneration to the Board has been paid according to decision of the annual general meeting. The distribution of the remuneration, between the Chairman of the Board and the other Board members, is decided by the annual general meeting. The variable part is based on attendance. Remuneration to the Managing Director, MD, is decided by the Chairman of the Board and renumeration to other members of the management team is decided by the MD. Remuneration to the MD and other members of the management consists of a basic salary, other benefits and pensions. There are no variable salary elements. For pensions obligations see note 18. No remuneration is paid to board members employed by the association.

Proposed appropriation of earnings

The Board of Directors proposes that the accumulated deficit **–4 417 TUSD** is to be carried forward.

The income statement and balance sheet will be submitted for adoption by the annual general meeting on 18 June 2013. The Board of Directors and Managing Director assure that the annual accounts have been prepared in accordance with generally accepted accounting practices for insurance companies and offer a true and fair representation of performance and financial position. The board of directors' report offers a true and fair overview of the company's operations, performance and financial position, while describing significant risks and uncertainties that the company face.

Auditors' report

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

Report on the annual accounts

We have audited the annual accounts of Sveriges Ångfartygs Assurans Förening (The Swedish Club) for the year 2012.

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

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of Sveriges Ångfartygs Assurans Förening (The Swedish Club) as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Sveriges Ångfartygs Assurans Förening (The Swedish Club) for the year 2012.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

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

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

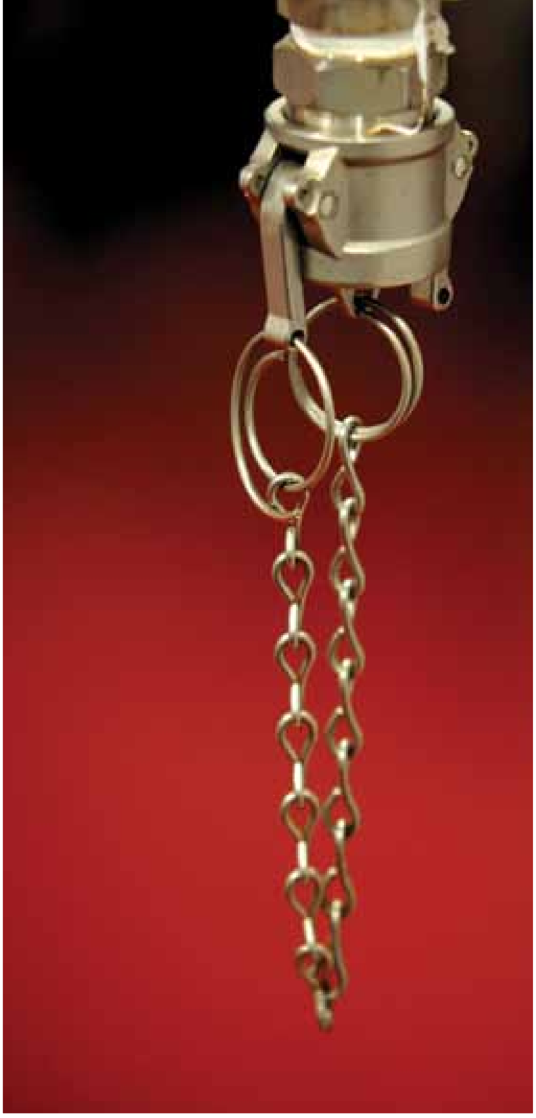
Opinions

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

Gothenburg 21 March 2013

Roger Mattsson
Authorised Public Accountant

Gudbjörn Pálsson
Authorised Public Accountant



Auditors

Auditors

Roger Mattsson Authorised Public Accountant
KPMG, Gothenburg

Gudbjörn Pàlsson Authorised Public Accountant
KPMG, Gothenburg

Deputy Auditors

Lars-Ola Jäxvik Authorised Public Accountant
KPMG, Gothenburg

Mikael Ekberg Authorised Public Accountant
KPMG, Gothenburg

Actuary

Peter Niman Authorised Actuary
The Swedish Club, Gothenburg

P&I policy year statement (unaudited)

At 20 February 2013. Analysis in USD thousands		2012/13	2011/12	2010/11
Calls and Premiums accounting year		91 742	91 356	85 280
Reinsurance premiums		-24 354	-19 038	-16 920
Investment income transferd from non-technical account		2 800	800	1 200
Claims paid accounting year 2010				-6 215
Claims paid accounting year 2011			-62 717	-8 707
Claims paid accounting year 2012		-14 902	-208 863	-12 095
Claims handling costs		-6 857	-6 307	-5 728
Reinsurers share paid accounting year 2010				1
Reinsurers share paid accounting year 2011			29 300	-
Reinsurers share paid accounting year 2012		-	207 257	-
Administrative expenses		-13 376	-12 675	-11 644
Technical balance available to meet claims	A	35 053	19 113	25 172
Net outstanding claims**				
Pool		14 514	11 380	8 001
Members claims		35 699	15 700	11 336
	B	50 213	27 080	19 337
Technical result insurance year	**A-B**	**-15 160**	**-7 967**	**5 835**
Total investment income P&I*		17 878	2 865	9 334
Investment income transferd to technical account		-2 800	-800	-1 200
	C	15 078	2 065	8 134
Balance available to meet outstanding claims	**A-B+C**	**-82**	**-5 902**	**13 969**

**P&I bussiness part of investment income is accounted for in the policy year in which it arises.*

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

All figures are shown net of taxation.

- As the policy year ends 20 February for P&I we have attached a Policy Year Statement together with Income and expenditure account synchronising with this period.
- The Policy Year Statement above shows the likely outcome of the open policy years at 20 February 2013.
- Balance available to meet claims outstanding for all years is a calculated estimate of generated surplus from the P&I business. The balance available amounts to TUSD 111 720 whereof closed years TUSD 103 735.
- The Income and Expenditure account on the next page shows the estimated result for one accounting year ended 20 February regardless of policy year.

P&I income and expenditure account (unaudited)

For the year ended 20 February. Analysis in thousand USD	2012/13	2011/12	2010/11
Calls and premiums	91 742	91 356	85 280
Reinsurance premiums	-24 354	-19 038	-16 920
Claims paid	-207 161	-94 022	-29 812
to Pool	-13 529	-4 187	-3 162
on own business	-193 632	-89 835	-26 650
Change in provision claims	19 421	-127 645	-14 797
to Pool	-8 529	-9 185	-2 839
on own business	27 950	-118 460	-11 958
Reinsurance recoveries	143 748	40 399	9 768
from Pool	50 236	31 856	1 406
Group	83 566	4 980	5 144
other reinsurers	9 946	3 563	3 218
Change in provision claims	-20 427	116 561	-11 519
from Pool	-35 984	58 155	-1 041
Group	-31 045	56 598	-2 999
other reinsurers	46 602	1 808	-7 479
Claims handling costs	-6 857	-6 307	-5 728
Technical result	**-3 888**	**1 304**	**16 272**
Investment income *	17 878	2 865	9 334
Administrative expenses	-13 376	-12 675	-11 644
Result	**613**	**-8 506**	**13 962**

**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

Anders Boman
Wallenius Lines
Stockholm, Sweden

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

Fred Cheng
Shinyo International Group Ltd.
Tokyo, Japan

Peter Claesson
Stena AB
Gothenburg, Sweden

Demetri Dragazis
Latsco London Ltd
London, United Kingdom

Rob Grool
Seaspan Ship Management Ltd.
Vancouver, Canada

Gustaf Grönberg
Star Cruises Management Ltd.
Kuala Lumpur, Malaysia

Lars Höglund
Furetank Rederi AB
Donsö, Sweden

Board of Directors

Kim Kyung Soo
IMC Corp.
Singapore, Singapore

Anders Källsson
Erik Thun AB
Lidköping, Sweden

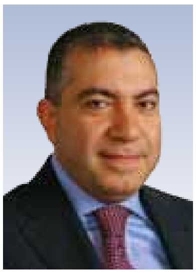
Andonis Lemos
Enesel S.A.
Athens, Greece

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

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

John P. Samartzis
J P Samartzis Maritime Enterprises S.A.
Piraeus, Greece

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



Tuğrul Tokgöz
Geden Lines
Istanbul, Turkey

Suay Umut
Dünya Denizcilik ve Ticaret A.S.
Istanbul, Turkey

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

Jakob Osvald
Elected by the employees

Elisabeth Rydén
Elected by the employees

Management Group

Lars Rhodin

Managing Director

Born: 1959 · **Years at The Swedish Club:** 27 · **In management group since:** 1997

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

Lars A. Malm

Director of Risk & Operations

Born: 1969 · **Years at The Swedish Club:** 13 · **In management group since:** 2007

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

Jan Rydenfelt

Director of Finance, IT & Reinsurance

Born: 1954 · **Years at The Swedish Club:** 14 · **In management group since:** 1999

Master of Arts in Economics, University of California, Santa Barbara and Bachelor of Business Administration from University of Lund. Assistant to the managing director of Länssparbanken Gothenburg. Next various positions within the financial sector, whereof the latest, before The Swedish Club, as property consultant at Catella, IKEA Group.

Anders Leissner

Director Corporate Legal & FD&D

Born: 1969 · **Years at The Swedish Club:** 15 · **In management group since:** 2011

Master of Law from University of Lund. Legal Counsel at GF Konsult 1997–1998. Joined The Swedish Club 1998 as P&I and FD&D claims handler and served at the London office 2001–2003. Appointed FD&D Manager in 2003. Serves on various International Group of P&I Club Committees and BIMCO Documentary Committee.

Helena Wallerius Dahlsten

Director of Human Resources

Born: 1955 · **Years at The Swedish Club:** 31 · **In management group since:** 2003

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

Definitions & Glossary

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

Overspill: claims exceeding the International Group of P&I Clubs' reinsurance are pooled amongst the members up to the overall limit set by the P&I Rules. The estimate is currently USD 2.4 billion in excess of reinsurance.

P&I, Protection & Indemnity: insurance that indemnifies or covers the insured in respect of the discharge of legal liabilities incurred during the operation or employment of the vessel.

Pool: the P&I clubs in the International Group share claims made in excess of the retention of USD 7 million. In the excess of the pool limit, the Group has jointly purchased Excess of Loss reinsurance.

Retention: the highest insured or claims amount relating to the same risk that an insurer retains for its own account, without reinsurance.

Solvency capital: equity less deferred tax assets plus untaxed reserves and deferred tax liability.

Solvency ratio, claims: solvency capital, as a percentage of provision for claims outstanding f.o.a..

Total return: direct yield on investments (operating surplus from buildings and land, dividends received and interest income), unrealised profits and losses and realization result in the sale of investment assets, in relation to the average market value of the investments and cash/bank.

Underwriting: includes the risk assessment and pricing conducted when insurance contracts are drawn up. In accounting contexts, the term is also used more broadly to designate the operations of an insurance company that do not have the character of asset management.

Furetank

The photo theme for this year's annual report was taken on the chemical and product tanker Fure West. The vessel is managed by Furetank Rederi AB, which is located on the island of Donsö, and has its roots in an archipelago tradition going back to the 18th century. The company is owned by the Höglund family and is currently run by the third generation.

The Managing Director of Furetank Rederi AB – Lars Höglund – is a member of The Swedish Club's board of directors and the company has been a member of the Club since 1999.

The vessel, Fure West, was built in 2006 by Shanghai Edward Shipbuilding Co and is insured by us for Protection & Indemnity.

Read more at: www.furetank.se

Fure West

Length O.A	144 m
Length BTW P.P	135.8 m
Breadth moulded	21.5 m
Depth moulded	12.5 m
Draught S.W.L	9.75 m
Deadweight at 9.75 m	17,557 t
Gross tonnage	11,548 t
Net tonnage	5,290 t
Cargo tanks incl. slops 98%	18,833 m^3
Ballast tanks cap.	7,032 m^3
Fuel oil tanks cap.	698 m^3
Main engine output MCR	6300 kW
Trail speed at draught 9 m	15.4 knots

SVERIGES ÅNGFARTYGS ASSURANS FÖRENING
The Swedish Club
Est. 1872

Contact

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

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

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

Tokyo
2-14, 3 Chome, Oshima, Kawasaki-Ku,
Kawasaki, Kanagawa 210-0834 Japan
Tel: +81 90 6185 2206, Fax: +81 44 222 0145
E-mail: mail.tokyo@swedishclub.com
Emergency: +81 44 222 0082

Oslo
Tjuvholmen Allé 17,
NO-0252 Oslo, Norway
Tel: +47 9828 1822, Mobile: +47 905 86 725
E-mail: mail.oslo@swedishclub.com
Emergency: +46 31 151 328

Printed by: PR-Offset, Mölndal, www.pr-offset.se
Printed on: Lessebo Linné White, www.mapsverige.se
Photos: Photos, Fure West motives: © Anna Jolfors
Photos of The Swedish Club's staff: © Jonas Ahlsén, (www.ahlsénsfoto.se)
Produced inhouse by The Swedish Club, Corporate Communications
1304pr2200/cw

www.swedishclub.com