

AB BOSTADS

GARANTI

For more than 40 years, we have offered consumer protection in the housing sector.



Operations

INSURANCE AND WARRANTIES

Försäkrings AB Bostadsgaranti, which is a wholly-owned subsidiary of AB Bostadsgaranti, has been active since 2000. The company provides insurance in connection with the production of new dwellings in particular. The largest product in terms of volume is building defects insurance. Building defects insurance is statutory for all newly built housing for permanent use and also for many holiday homes, as well as extensions and substantial renovations. The insurance provides protection for ten years in the event of building defects and damage as a result of such defects in the newly-produced building. Another product is completion warranty insurance, which is an attractive alternative to a bank guarantee when a building contractor needs to provide security to the purchaser for a contractual commitment. Completion warranties are provided for both the construction period and guarantee period.

AB Bostadsgaranti was formed in 1962 and has, since its inception, worked on consumer protection in house-building. The company is owned equally by the State and the Swedish Construction Federation. Today, its operations consist of providing warranties for advance payments and deposits for tenantowner apartment projects. Through the

years, we have built up a genuine knowledge of the tenant-owner housing area and the company also provides education and seminars within this area.

CLAIMS

Over the year, Försäkrings AB Bostadsgaranti has strengthened its internal claims organisation and also engaged external claims adjustment to a limited extent.

As was the case last year, dampness-related claims were most common as regards building defects insurance. The problem with so-called one-step sealed façades has resulted in a further number of claims during the year. This damage consists of mould and rot arising due to moisture penetrating into the façade as a result of leaks caused by poor workmanship. The façade damages have usually appeared over the latter part of the 10-year period covered by the building defects insurance but, in some cases, have manifested themselves earlier.

The number of claims made on the completion warranty insurances have increased by 30 percent compared with the previous year.

Significant events during the year

- A sustainability report was compiled for 2009 in accordance with the Global Reporting Initiative's guidelines and has been published as a separate document and on our website. The report supports us in our role as an employer and, in our business operations, it helps us act from the perspective of sustainability through a dialogue with our stakeholders.
- As part of our efforts to extend and improve the information on our website, the Swedish information has now been complemented with basic information on the company's products in English, Finnish, Spanish, French and German.
- During 2009, Försäkrings AB Bostadsgaranti prepared more actively for a more intensive phase in preparing for the framework directive adopted by the European Parliament in 2009 and the new Solvency 2 regulations that have been ratified by the Council of Ministers and that are due to be implemented as of 31 October 2012. Consequently, during February and March of 2010, we conducted a GAP analysis and established an implementation plan for the insurance company regarding Solvency 2.

The decline in residential construction noted in 2008 continued into 2009. The number of projects to build tenant-owned properties fell, which for Bostadsgaranti entailed a decreased market in sureties and completion warranty insurances. Restructuring measures and personnel cutbacks at residential contracting companies were also felt through declining demand over the year for courses offered by Bostadsgaranti. However, compared to our budget, premium income for building defects insurance and completion warranty insurance during construction rose. It was mainly the market for the production of individually constructed small houses that was stronger than expected. No changes were made to the Swedish Building Defects Insurance Act during the year. However, changes to the Act can be expected from

”Compared to our budget, premium income for building defects insurance and completion warranty insurance during construction rose.”

January 2011, probably entailing the insurance requirement being abolished for owner-constructed small houses. This could result in lower premium income.

As the company's portfolio of building defects insurance policies grows, and with Försäkrings AB

Bostadsgaranti now being in its tenth year of operation, the number of claims being made on our building defects policies is growing.

It is primarily the frequency of claims relating to small houses that has risen. Over the year, claims expenses rose by 35 percent compared with the preceding year, with the number of claims having risen 157 percent. When signing, many insurance policyholders question the value of construction defects warranty insurance. However the value is clearly demonstrated by the number of claims. Insurance settlements are often based on the loss of the contractor from the chain of responsibility, meaning that the building defects insurance may represent the key opportunity to implement repairs. Both the Parent Company and the subsidiary achieved a profit, which is primarily due to recoveries in the financial markets but also to the Group having successfully defended its market shares in guarantee and insurance products. Knowledgeable and loyal staff play a key role in maintaining Bostadsgaranti's strong brand.

Stockholm, March
Kåre Eriksson, Managing Director and CEO



Five-year-overview

(SEK 000S)	2009	2008	2007	2006	2005
RESULTS					
Insurance operations					
Premium written, gross	103 075	137 634	164 808	167 261	155 822
Premium written, net	66 772	85 482	102 776	99 455	99 170
Premiums earned for own account	34 030	33 171	29 061	29 834	16 516
Operating costs	-22 204	-20 820	-20 650	-16 204	-14 659
Net return on capital in insurance operations	16 567	14 997	11 067	8 924	6 691
Claims, net	-23 642	-43 478	-15 587	2 882	-21 878
Insurance operations' technical profit/loss	3 551	-16 130	5 900	23 427	-13 330
Remaining return on capital	51 642	-20 146	-5 575	16 326	22 647
Profit for the year	22 756	-27 441	181	21 338	6 641
FINANCIAL POSITION					
Investment assets at fair value	624 880	532 439	491 132	417 620	348 986
Insurance technical provisions for own account	462 388	426 096	343 800	262 382	222 499
Consolidation capital					
Shareholders' equity	120 545	88 207	115 649	115 468	94 130
Untaxed reserves	58 325	32 500	32 500	32 500	22 500
Deferred tax effects on equity in the accounts	8 581	-1 449	7 386	8 568	7 268
Total consolidation capital	187 451	119 258	155 535	156 536	123 898
Of which deferred tax	23 920	7 098	16 486	17 668	13 568
Capital base	178 869	120 707	148 149	147 967	116 630
Requisite solvency margin	22 858	27 885	31 128	31 128	27 180
KEY RATIOS					
KEY RATIOS, INSURANCE OPERATIONS					
Claims ratio, net %	69	131	54	-10	132
Operating costs ratio, net %	65	63	71	55	89
Total costs ratio, net %	135	194	125	45	221
FINANCIAL POSITION					
Solvency ratio %	281	140	151	157	128
RESULT FROM CAPITAL INVESTMENTS					
Direct yield %	3,7	4,0	3,2	1,4	1,2
Total yield, net %	11,6	-3,8	1,2	6,4	14,8

Definitions of key ratios and figures

Requisite solvency margin: The Swedish Insurance Business Act's requirement regarding the lowest capital base that an insurance company must have

Claims ratio: Claims as a percentage of earned premiums

Operating costs ratio, net: Total operating costs as a percentage of earned premiums

Total costs ratio, net: Total insurance compensation and total operating costs as a percentage of earned premiums

Solvency margin: Consolidation capital as a percentage of premiums written for own account

Direct yield: Capital return as a percentage of average fair value of investment assets

Total yield: Capital return + change in value + capital gain/loss as a percentage of average fair value of investment assets

This is an abridged version of the Annual report. The full Annual report is available in Swedish at:
www.bostadsgaranti.se/om_oss/arsredovisning.htm

Income statement

(SEK 000S)	2009-01-01 -2009-12-31	2008-01-01 -2008-12-31
TECHNICAL ACCOUNT INSURANCE OPERATIONS		
Premiums earned for own account		
Premiums written, gross	103 075	137 634
Premiums ceded	-36 303	-52 152
Change in provision for unearned premiums and unexpired risks	-45 691	-90 150
Reinsurers' share of change in provision for unrealised premiums and remaining risks	12 949	37 839
Total premium revenues	34 030	33 171
Capital return transferred from the non-technical account	16 567	14 997
Claims for own account		
Claims paid		
Gross	-24 773	-15 301
Reinsurers' share	3 482	1 808
Change in provision for non-settled claims		
Gross	-6 905	-35 204
Reinsurers' share	4 554	5 219
Total claims for own account	-23 642	-43 478
Operating costs	-22 204	-20 820
Change in equalisation provision	-1 200	-
Non life insurance operations technical profit/loss	3 551	-16 130
NON TECHNICAL ACCOUNT		
Insurance operations technical profit/loss	3 551	-16 130
Capital return, income	35 543	29 737
Unrealised profits on investment assets	50 301	23 842
Capital return, costs	-5 472	-2 997
Unrealised losses on investment assets	-12 163	-55 731
Capital return transferred to the technical account	-16 567	-14 997
Profit/loss after financial income and costs	55 193	-36 276
Year-end appropriations		
Provision for guarantee reserve	-25 825	-
Profit/loss before tax	29 368	-36 276
Tax on profit/loss for the year	-6 611	8 835
Profit/loss for the year	22 757	-27 441

Pledged assets and contingent liabilities

(SEK 000S)	2009-12-31	2008-12-31
Sundry pledged assets		
For insurance technical provisions registered funds for own account	462 388	428 180
Contingent liabilities	None	None

Balance sheet

(SEK 000S)	2009-12-31	2008-12-31
ASSETS		
Investment assets		
Shares and participating interests	207 364	132 750
Bonds and other interest-bearing securities	417 516	399 689
Total investment assets	624 880	532 439
Reinsurers' share of insurance technical provisions		
Provision for unearned premiums and unexpired risks	285 133	272 184
Provision for non-setteled claims	11 988	7 433
	297 121	279 617
Receivables		
Receivables regarding direct insurance	1 037	1 541
Receivables regarding reinsurance	5 820	3 702
Receivables regarding current tax	2 319	2 474
Receivables regarding deferred tax	–	1 449
Other receivables	13 467	539
	22 643	9 705
Other assets		
Tangible assets	250	260
Cash and bank balances	4 257	10 707
	4 507	10 967
Prepaid expenses and accrued income		
Prepaid acquisition costs	33 113	33 250
Other prepaid expenses and accrued income	13 417	13 027
	46 530	46 277
TOTAL ASSETS	995 681	879 005
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital (60,000 shares at SEK 1,000)	60 000	60 000
Share premium reserve	15 000	15 000
Profit/loss brought forward	22 788	40 649
Profit/loss for the year	22 757	-27 441
	120 545	88 208
Untaxed reserves		
Guarantee reserve	58 325	32 500
	58 325	32 500
Insurance technical provisions		
Unearned premiums and unexpired risks	698 833	653 142
Non-setteled claims	59 476	52 571
Equalization provision	1 200	–
	759 509	705 713
Provision for other risks and costs		
Taxes	8 581	–
	8 581	–
Liabilities		
Liabilities regarding direct insurance	72	70
Liabilities regarding reinsurance	8 304	14 105
Other liabilities	4 829	5 006
	13 205	19 181
Accrued expenses and deferred income		
Reinsurers' share of prepaid acquisition costs	33 524	30 838
Other accrued expenses and deferred income	1 992	2 565
	35 516	33 403
TOTAL EQUITY AND LIABILITIES	995 681	879 005

Board of directors

AB Bostadsgaranti and Försäkrings AB Bostadsgaranti



Leif Jungqvist
Senior Investment Manager
Ministry of Enterprise, Energy
and Communications
Born: 1971.
Elected 11 April 2009.



Kristina Westerståhl
Head of The Swedish Con-
sumers' Banking & Finance
Bureau
Born: 1962.
Elected 16 april 2008.



Kerstin Grönwall
Environmental Manager, KPA
Pension
Born: 1948.
Elected 21 April 2009.



Jan Persson
Head of Operating accounting,
Peab Sverige AB
Born: 1957.
Elected 11 April 2002.



Johan Skoglund
CEO, JM AB and JM Group
Born: 1962.
Elected 11 April 2002.



Bo Antoni
CEO, The Swedish Construc-
tion Federation
Born: 1948.
Elected 16 April 2008.



Hans Wibom
Chairman of the Board
Advokat and senior partner, Vinge law firm
Born: 1949.
Elected 23 October 2008.

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