Report by the Board of Directors and Financial Statements

2022

GARANTIA

Garantia Insurance Company Ltd

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Garantia's mission is to promote capital efficiency. Our goal is to modernise inefficient collateral practices for the benefit of our customers and to provide our customers with easy and cost-effective guaranty solutions and new business opportunities through digital channels.

We are a specialised non-life credit and guaranty insurance company supervised by the Finnish Financial Supervisory Authority, and we have extensive experience in the financial sector. We collaborate closely with our customers and partners and build long-lasting customer relationships. We increase the trust between different parties and thus promote the generation of business transactions. Our customers are Finnish companies and consumers.

Our competitive advantages are based on a broad network for cooperation and partnership, solutions tailored for individual customers and a scalable way of working. The international credit rating agency Standard & Poor's has confirmed Garantia's rating as A- with a stable rating outlook, which is a testament to the reliability and strong solvency of our operations.

Garantia is a wholly-owned subsidiary of Taaleri Plc and part of the Taaleri Group. Taaleri is a Nordic investment and asset manager with an emphasis on renewable energy and other alternative investments. Taaleri's business comprises two reporting segments: Private Asset Management and Strategic Investments. The Private Asset Management segment contains the renewable energy, real estate and bioindustry businesses. The Strategic Investments segment includes Garantia Insurance Company Ltd. Taaleri Plc's share is listed on Nasdaq OMX Helsinki.

Further information: www.garantia.fi, www.taaleri.com

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GARANTIA'S YEAR 2022 IN BRIEF

Profitability of insurance operations reaches new record, exceptionally weak market conditions weigh on investment operations

- Premiums written decreased by 1.9% to EUR 24.7 (25.1) million. The decrease in premiums written was caused by a decrease in premiums from corporate exposures, while premiums from consumer exposures were up on the previous year.
- Earned premiums grew by 2.1% to EUR 18.2 (17.9) million due to growth in the guaranty insurance portfolio.
- The total guaranty insurance exposure grew by 9.8% on the previous year and was EUR 1,862 (1,695) million. The volume of consumer exposures in the total guaranty insurance exposure increased and the volume of corporate exposures decreased.
- Claims incurred remained low and totalled EUR 0.6 (0.7) million. The claims ratio was 3.2% (3.8).
- Operating expenses contracted by 17.3% to EUR 4.7 (5.7) million. The expense ratio improved substantially and was 25.6% (31.7).
- The balance on the technical account before changes in the equalisation provision rose to EUR 13.0 (11.5) million, and the combined ratio fell to 28.8% (35.5). The solid profit in insurance operations was attributable to an increase in earned premiums and a decrease in operating expenses.
- The investment environment was exceptionally weak during the year, and investment return at fair value amounted to -11.2% (6.1). Investment performance was weakened in particular by the historically fast and strong rise in market interest rates and increasing credit risk spreads.
- Earnings before tax declined to EUR -1.6 (19.9) million due to the weak investment performance.
- Solvency strengthened and the solvency ratio was 231% (219) at the end of the financial year.
- On 7 November 2022, S&P confirmed Garantia's credit rating as A- with a stable outlook.

Key Figures

EUR thousands	2022	2021	Change
Gross premiums written	**24,664**	**25,142**	**-1.9 %**
Other items [1)]	-6,420	-7,277	-11.8 %
Earned premiums	**18,244**	**17,865**	**2.1 %**
Claims incurred	-579	-677	-14.6 %
Operating expenses	-4,676	-5,657	-17.3 %
Balance on technical account before changes in equalisation provision	**12,990**	**11,531**	**12.7 %**
Change in equalisation provision	579	677	-14.6 %
Balance on technical account	**13,568**	**12,208**	**11.1 %**
Investment income and expenses, net	-15,211	7,652	-298.8 %
Other income and expenses	15	44	-64.8 %
Earnings before tax	**-1,627**	**19,904**	**-108.2 %**
Claims ratio, %	3.2 %	3.8 %	-0.6%-p.
Expense ratio, %	25.6 %	31.7 %	-6.0%-p.
Combined ratio, %	28.8 %	35.5 %	-6.7%-p.
Return on investments at fair value, %	-11.2 %	6.1 %	-17.3%-p.
Solvency ratio (S2), % [2)]	231.3 %	219.2 %	12.1%-p.
Total insurance exposure, EUR million	1,862	1,695	9.8 %
Average number of personnel	23	23	0
Credit rating (S&P)	A-	A-	-

The figures used for result comparison are those from 2021. The figures used for the comparison of balance sheet and other cross-sectional items are those from the end of 2021 unless otherwise indicated.

1) Reinsurers' share of premiums written, change in provision for unearned premiums and reinsurers' share of change in provision for unearned premiums.

2) Solvency II regulations do not fall within the scope of statutory auditing under the Insurance Companies' Act, and the solvency figures have not been audited.

BOARD OF DIRECTORS' REPORT

Operating environment

Over the past year, Europe's economic performance was decisively affected by the assault launched by Russia on Ukraine in February. The ongoing war had broad geopolitical repercussions during the year, the most significant of which were related to energy policy and the almost complete suspension of trade with Russia. The war, and especially the ensuing energy crisis, substantially weakened Europe's near-term economic outlook. Accelerating inflation also led to the end of years of expansionary monetary policy, causing market interest rates to rise in an unprecedented fashion during the year.

The crisis in Europe naturally also had an impact on the Finnish economy. According to the latest forecasts, the country's GDP grew by 1.9% in 2022, while a year earlier, economic growth of 3.0% had been predicted. In addition to lower-than-expected economic growth, the growth prospects for 2023 also deteriorated substantially.

In Finland, the uncertainty caused by the war in Ukraine, the rising cost of living due to inflation and the sharp increase in energy prices were reflected in consumer confidence, in particular, which fell to its lowest level in the history of the relevant index. During the year, business confidence in the economy also fell well below its long-term average. The main bright spot in the Finnish economy was the strong employment trend, which reached its best level in decades. At the end of November, Finland's employment rate was 74.5%, while at the end of the previous year it was 73.3%.

The deteriorating economic outlook and rising market interest rates affected the housing market, especially towards the end of the year. The number of housing transactions decreased substantially compared with the previous year, and housing prices fell by 2.5% in December, compared against the corresponding period of the previous year. The lower volume of housing transactions was also reflected in new residential mortgage loans, fewer of which were drawn down than in the previous year.

The weak economic outlook had a negligible impact on the business sector, with the exception of heightened caution in new investment. Turnover from industrial activities was clearly increasing at the end of the year, and the number of new orders increased compared with the previous year. Although the number of applications for corporate restructuring and bankruptcy rose slightly year on year, the extent of financial distress within the business sector remained at a relatively low level in relation to recent years.

The greatest impact of the crisis was seen in the investment markets. Equity prices, which had been in a prolonged ascent, went into decline immediately at the beginning of the year and for example the S&P 500 Index, which describes the performance of the US equity market, and which in turn is central to the global economy, fell by 19.7% during the year. With inflation accelerating, the European Central Bank raised its key interest rate three times during the year, causing market interest rates to rise sharply. The 12-month Euribor rate, which is commonly used as the reference rate for housing loans in Finland, rose by 3.8 percentage points over the year. Economic uncertainty and recession fears also widened the credit spreads of fixed income investments which, together with the general rise in interest rates, reduced the value of fixed income investments across the board.

Insurance operations

Garantia's gross premiums written decreased by 1.9% to EUR 24.7 (25.1) million from the previous year. While premiums from the consumer exposures, namely the mortgage guarantees and the rent guarantees, increased, premiums from corporate exposures lagged behind the previous year.

A significant proportion of the gross premiums written during the period was booked into provisions for unearned premiums, that are recognised as earned in future reporting periods. The net provision for unearned premiums grew by EUR 5.9 (6.7) million during the year. The growth in the provision for unearned premiums is mainly associated with growth in the residential mortgage guaranty portfolio. Earned premiums grew by 2.1% during the financial year and amounted to EUR 18.2 (17.9) million. The increase in earned premiums was mainly due to growth in the total guaranty insurance exposure.

The total guaranty insurance exposure grew by 9.8% during the year and was EUR 1,862 (1,695) million at the end of the year. Of the total guaranty insurance exposure, EUR 1,343 (1,130) million, or 72% (67), consisted of consumer exposures and EUR 519 (565) million, or 28% (33), consisted of corporate exposures.

Claims incurred remained at a low level and totalled EUR 0.6 (0.7) million. The claims ratio was 3.2% (3.8) and the ratio of claims incurred against the total guaranty insurance exposure was 0.03% (0.04). No substantial individual guaranty insurance claims occurred during the financial year.

Operating expenses declined by 17.3% to EUR 4.7 (5.7) million during the financial year. The decrease in operating expenses was mainly due to a reduction in variable personnel expenses and other operating expense savings. The expense ratio decreased to 25.6% (31.7). The improvement in the expense ratio was a result of growth in earned premiums and a decline in operating expenses.

The balance on the technical account before changes in the equalisation provision rose to EUR 13.0 (11.5) million, and the combined ratio fell to 28.8% (35.5). The excellent profitability of insurance operations was a result of growth in earned premiums, claims incurred remaining low, and lower operating expenses than in the previous year. The equalisation provision was reversed by EUR 0.6 (0.7) million and thus the balance on the technical account came to EUR 13.6 (12.2) million.

Investment operations

The market conditions were exceptionally challenging for investment operations during the financial year. Equity prices fell, market interest rates shot up, inflation accelerated and credit risk spreads on fixed income investments increased. The euro also weakened against the US dollar. In particular, rising interest rates and the increase in credit risk spreads weighed on the company's investment performance, as the majority of the company's investment assets are invested in fixed income investments.

Garantia's net investment income recognised in profit and loss amounted to EUR -15.2 (7.7) million and was depressed especially by impairments booked during the financial year. The valuation difference between the fair value and the book value of investment assets was EUR 3.2 (6.8) million at the end of December.

At the end of the financial year, 88.2% (83.2) of the investment portfolio was allocated to fixed income investments, 10.4% (15.9) to equity and private equity investments, and 1.4% (0.9) to real estate investments. Investment income at fair value was -11.2% (6.1). Net investment income on invested capital at fair value was EUR -18.8 (9.2) million, or -11.3% (5.9).

Garantia's investment portfolio (incl. cash and bank balances and accrued interest) at fair value was EUR 154.7 (170.5) million at the end of the year.

Sustainability

Garantia takes account of sustainability factors related to environmental responsibility, social responsibility and good governance when conducting its insurance and investment operations. The company's sustainability risk management is guided by the Commission Delegated Regulation (EU 2015/35, known as the Solvency II Regulation) and other applicable legislation, orders and instructions. Sustainability risk is assessed when making guaranty insurance underwriting decisions and when assessing the risk level of investment assets. In accordance with its Code of Conduct, Garantia complies with the UN Principles for Responsible Investment (PRI) in its investment activity.

Risks and risk management

The principal risks associated with Garantia's business operations are credit risk arising from guaranty operations, and the market risk regarding investment operations.

In guaranty insurance operations, credit risk refers to the risk of the guaranteed counterparty being unable to meet its contractual obligations towards the beneficiary of the guaranty. The amount of credit risk is mainly dependent on the creditworthiness of the guaranteed counterparties and the amount of any counter-collateral. The market risks regarding investment operations consist of interest, equity, property, currency and counterparty credit risks affecting the value and return of investment assets.

The risk position of Garantia's guaranty insurance operations has remained stable. The total guaranty insurance exposure grew compared with the end of the previous year. The proportion of consumer exposures in the total guaranty insurance exposure increased and the proportion of corporate exposures decreased.

The volume of consumer exposures at the end of the financial year was EUR 1,343 (1,130) million and their proportion in the total guaranty insurance exposure was 72% (67). Consumer exposures consist of residential mortgage guaranties and rent guaranties granted to households. A residential mortgage guaranty is a supplementary collateral underwritten to cover a housing loan. A rent guaranty protects the landlord of a dwelling against the tenant defaulting on commitments specified in the lease contract.

The majority of the consumer exposures is made up of residential mortgage guaranties. The risk position of the residential mortgage guaranty portfolio did not change substantially during the year. The portfolio is well diversified by counterparty, geographical location of collateral property and underwriting year, and the creditworthiness of the mortgage borrowers in the portfolio is very good on average. In addition, the credit risks of the residential mortgage guaranty portfolio are managed through an excess of loss portfolio reinsurance arrangement.

The volume of corporate exposures was EUR 519 (565) million at the end of the financial year, and their proportion in the total guaranty insurance exposure was 28% (33). Corporate exposures include corporate loan guaranties, commercial bonds and other business-related guaranties. The guaranteed companies are mainly medium-sized and large Finnish companies and other organisations. In addition to risk selection, reinsurance, counter-collateral and risk-mitigating contractual terms and conditions are also used to hedge against the credit risks of corporate exposures.

The share of investment grade exposures, or exposures rated between AAA and BBB-, made up 23.0% (20.6), while exposures with a rating of at least BB- accounted for 67.0% (78.4) of the rated corporate insurance portfolio. The share of exposures with weak credit ratings of C+ or lower decreased slightly and was 2.2% (3.9). The creditworthiness of the company's corporate counterparties has remained good on average, despite the creditworthiness of some counterparties having been affected by the deteriorating economic outlook.

The principal sectors in the corporate insurance portfolio were manufacturing at 23.8% (28.3), construction at 17.2% (25.6), trade at 15.6% (10.4) and finance and insurance operations at 13.1% (5.5). The proportions of other industries were all less than 10%.

In investment operations, the risk level was reduced from the previous year, in particular by reducing equity and interest rate risks of the investment portfolio. At the end of the year, fixed income investments made up 88.2% (83.2), equity and private equity investments 10.4% (15.9) and real estate investments 1.4% (0.9) of the investment portfolio (incl. cash and bank balances). Fixed income investments mainly consist of investments in the bonds of Nordic companies and credit institutions with strong creditworthiness. A total of 68.8% (73.4) of fixed income investments had an investment grade credit rating. The modified duration of the fixed income investments was 2.3 (3.9).

The risk position of guaranty insurance operations and investment operations is discussed in greater detail in Note 17: Risks and risk management

Solvency

Garantia's solvency strengthened from the previous year due to a reduction in the solvency capital requirement. The company's basic own funds amounted to EUR 105.3 (117.0) million at the end of the financial year and the solvency capital requirement was EUR 45.5 (53.4) million. The solvency ratio, or the ratio of basic own funds to the solvency capital requirement, was 231.3% (219.2).

Basic own funds decreased as a result of the negative profit for the financial year and a decline in the value of investment assets. Basic own funds include, as a deduction, foreseeable dividends, the amount of which also decreased from the previous year.

The reduction in the solvency capital requirement during the financial year resulted mainly from a decrease in the capital requirement for market risk. The capital requirement for market risk decreased as a result of lower equity risk and credit spread risk. The reduction in the amount of market risk was caused by the decline in the value of the investment portfolio and the investment allocation changes that were carried out during the year. The underwriting risk related capital add-on also decreased compared with the previous year.

Solvency

EUR thousands	31 Dec 2022	31 Dec 2021
Basic own funds	**105,324**	**117,019**
Solvency capital requirement		
Market risk	21,403	31,072
Non-life underwriting risk	30,743	27,703
Counterparty default risk	226	431
Operational risk	564	559
Diversification effect and adjustment for loss-absorbing capacity	-19,098	-21,947
Total	**33,837**	**37,818**
Capital add-on	11,707	15,578
Total	**45,544**	**53,396**
Amount of own funds in excess of the solvency capital requirement	59,780	63,623
Solvency ratio, %	**231.3 %**	**219.2 %**

Garantia's basic own funds consist fully of unrestricted Tier 1 basic own funds. Garantia does not apply transition arrangements in defining its basic own funds and Garantia's own funds do not include items classified as ancillary own funds. Garantia does not use the matching adjustment or the volatility adjustment in the calculation of technical provisions. Garantia applies the standard formula in the calculation of the solvency capital requirement. Garantia does not use simplified calculation in the standard formula's risk modules or sub-modules, or company-specific parameters instead of the parameters of the standard formula. Garantia does not apply the transition arrangements of technical provisions or market risk calculations.

Garantia's solvency capital requirement has included a capital add-on related to insurance risk set by the Financial Supervisory Authority as of 30 June 2018. The Financial Supervisory Authority assesses the amount of the capital add-on at least once a year. The Financial Supervisory Authority previously adjusted its decision regarding the capital add-on on 17 June 2022, when the amount of the add-on was set at EUR 11.7 (15.6[1]) million. The updated capital add-on is included in the company's solvency capital requirement as of 30 June 2022. When making the add-on decision, the Financial Supervisory Authority acknowledged the capital requirement for insurance risk calculated as per Garantia's own economic capital model.

In its decision regarding the capital add-on, the Financial Supervisory Authority stated that the risk profile of Garantia's non-life underwriting risk differs from the underlying assumptions in the standard formula for the solvency capital requirement calculation by more than 15%, and therefore the preconditions for raising the company's capital

[1] The capital add-on that was in force as of 30 June 2021 in parentheses.

requirement continue to exist. According to the Financial Supervisory Authority's estimate, there have been no substantial changes in the company's risk profile since the previous decision made on 10 June 2021.

Garantia's Solvency and Financial Condition Report for 2021 in accordance with Chapter 8 a of the Insurance Companies Act is published on the company's website, www.garantia.fi, in accordance with the timetable prescribed by regulation. The report is also available at the following address: Garantia Insurance Company Ltd, Kasarmikatu 21 B, 00130 Helsinki.

The Solvency II capital adequacy regulations do not fall within the scope of statutory auditing under the Insurance Companies Act, and the capital adequacy figures are unaudited.

Credit rating

On 7 November 2022, Standard & Poor's Global Ratings (S&P) confirmed Garantia Insurance Company Ltd's credit rating as A- with a stable outlook. The rating concerns the company's Issuer Credit Rating (ICR), Financial Strength Rating (FSR) and the company's Financial Enhancement Rating (FER) depicting its capacity and willingness to meet its commitments on financial guaranties.

Personnel

During the financial year, Garantia employed an average of 23 (23) people. The average age of the personnel at the end of the financial year was 39.3 (38.3), and their average duration of employment at Garantia was 8.3 (7.3) years. Women made up 53.5% (46.7) of the personnel and men made up 46.5% (53.3).

Shares and shareholders

Taaleri Plc (Business ID 2234823-5, registered domicile Helsinki) owns the entire share capital of Garantia Insurance Company Ltd. On 31 December 2022, the number of Garantia shares was 60,000 and shareholders' equity was EUR 10,200,000. The company has one share class.

Equity-based incentive programmes

Garantia's personnel are part of the Taaleri Group's share savings plan, which offers employees the opportunity to save part of their salary and invest it in Taaleri Plc shares. In return, the employee receives shares in Taaleri Plc at the end of the specified holding period based on the number of shares purchased with savings. Some of Garantia's employees are also members of the Taaleri Group's share-based incentive scheme for key employees. Further information on the equity-based incentive programmes can be found in Note 13: Commitments.

Management and governance

The company's Board of Directors was composed of Karri Haaparinne (Chairperson), Timo Hukka (member of the Board and Vice Chairperson until 18 February), Kenneth Kaarnimo, Laura Paasio (as of 19 February) and Antti Suhonen (Vice Chairperson as of 19 February) during the financial year. The term of the members of the Board of Directors lasts until the end of the following Annual General Meeting. The Annual General Meeting was held on 18 February 2022.

The company's Board of Directors convened 11 times during the financial year. The Board of Directors had no separate committees during the financial year.

Titta Elomaa was the company's CEO during the financial year. The company's Executive Committee was composed of Titta Elomaa, Henrik Allonen, Assi Ikonen, Timo Lehikoinen and Riku Saastamoinen during the financial year.

The Annual General Meeting appointed Ernst & Young Oy as the auditor and Authorised Public Accountant Johanna Winqvist-Ilkka as the principally responsible auditor.

Garantia's Actuarial Function, duties of the Appointed Actuary, internal audit and compliance function are outsourced to external service providers. During the financial year, the service regarding the Actuarial Function and the Appointed Actuary were provided by Kaippio & Kaippio Oy, with actuary SHV Janne Kaippio as the Appointed

Actuary. The internal audit service was provided by PricewaterhouseCoopers Oy. The compliance service has been outsourced to KPMG Oy Ab.

Significant events after the end of the financial year

Garantia has not had any significant events after the end of the financial year.

Board of Directors' proposal for the treatment of net profit for the financial year and the use of distributable funds

The loss for the financial year was EUR 1,626,991.59, and the company's distributable funds amount to EUR 26,157,225.11. The Board of Directors proposes that the loss be transferred to the retained earnings account, and that a total of EUR 10,000,000.00 from retained earnings be distributed as dividends.

Outlook for 2023

At the core of Garantia's strategy is growing its guaranty insurance operations and expanding its business. The company's competitive advantage on the market is derived from a broad collaboration and partnership network, a customer-oriented approach, strong solvency, and competent risk selection. The company's strategy includes financial targets related to premiums written, profitability, solvency and credit rating.

Finland's near-term economic outlook is uncertain. According to forecasts by the Ministry of Finance, the economy will contract by -0.2% in 2023.

Garantia's strong solvency enables business growth also during uncertain times. The profitability of the company's insurance operations is expected to remain good. Garantia's overall profitability is substantially affected by the development in claims incurred, and net investment income.

FINANCIAL STATEMENTS

Profit and loss account

EUR	Note	2022	2021	Change, %
Technical Account				
Earned premiums				
Premiums written	1, 2, 3	24,663,706	25,142,016	-1.9 %
Reinsurers' share		-478,578	-532,470	-10.1 %
Change in provision for unearned premiums		-5,874,315	-6,519,765	-9.9 %
Reinsurers' share		-66,839	-224,716	-70.3 %
		18,243,974	**17,865,065**	**2.1 %**
Claims incurred				
Claims paid		-1,559,902	-2,112,329	-26.2 %
Reinsurers' share		504,766	842,522	-40.1 %
Change in provision for claims outstanding		1,160,116	1,965,005	-41.0 %
Reinsurers' share		-683,498	-1,372,669	-50.2 %
		-578,518	**-677,472**	**-14.6 %**
Operating expenses	5, 6, 7, 8	-4,675,633	-5,656,767	-17.3 %
Balance on technical account before change in equalisation provision		**12,989,822**	**11,530,826**	**12.7 %**
Change in equalisation provision		578,518	677,472	-14.6 %
Balance on Technical Account		**13,568,340**	**12,208,298**	**11.1 %**
Non-technical account				
Investment income	4	14,533,307	9,410,980	54.4 %
Investment expenses	4	-29,743,970	-1,758,998	1591.0 %
Other income and expenses		15,331	43,531	-64.8 %
Direct taxes on ordinary operations			-4,004,689	-100.0 %
Profit/loss for the financial year		**-1,626,992**	**15,899,122**	**-110.2 %**

Balance sheet

Assets EUR	Note	31 Dec 2022	31 Dec 2021	Change, %
Intangible assets				
Intangible rights	8	6,031	12,063	-50.0 %
Goodwill	8	203,064	316,313	-35.8 %
Other long-term expenditure	8	1,505	3,009	-50.0 %
		210,600	**331,384**	**-36.4 %**
Investments	9			
Real estate investments				
Real estate investment funds		1,773,917	1,171,500	51.4 %
		1,773,917	**1,171,500**	**51.4 %**
Other investments				
Shares and participations		30,336,985	22,289,169	36.1 %
Debt securities		117,207,347	135,622,786	-13.6 %
		147,544,332	**157,911,955**	**-6.6 %**
Total		**149,318,249**	**159,083,455**	**-6.1 %**
Receivables				
Arising out of direct insurance operations				
From policy holders		955,834	1,893,711	-49.5 %
Arising out of reinsurance operations		377,552	426,982	-11.6 %
		1,333,386	**2,320,693**	**-42.5 %**
Other assets				
Tangible assets	8			
Machinery and equipment		6,238	8,317	-25.0 %
Other tangible assets		48,365	48,365	0.0 %
		54,603	**56,682**	**-3.7 %**
Cash and bank balances		781,010	3,446,785	-77.3 %
Total		**835,613**	**3,503,467**	**-76.1 %**
Prepayments and accrued income				
Accrued interest and rental income		1,374,391	1,188,120	15.7 %
Other accrued income		926	20,540	-95.5 %
		1,375,317	**1,208,660**	**13.8 %**
TOTAL ASSETS		**153,073,165**	**166,447,659**	**-8.0 %**

Equity and liabilities EUR	Note	31 Dec 2022	31 Dec 2021	Change, %
Shareholders' equity and reserves	10, 11			
Share capital		10,200,000	10,200,000	0.0 %
Retained earnings		27,784,217	26,885,095	3.3 %
Profit / loss for the financial year		-1,626,992	15,899,122	-110.2 %
Total		**36,357,225**	**52,984,217**	**-31.4 %**
Technical provisions				
Provisions for unearned premiums		42,541,395	36,667,080	16.0 %
Reinsurers' share		-40,911	-107,751	-62.0 %
		42,500,483	**36,559,329**	**16.3 %**
Claims outstanding	12	1,247,755	2,407,871	-48.2 %
Reinsurers' share		-6,858	-690,356	-99.0 %
		1,240,897	**1,717,515**	**-27.8 %**
Equalisation provision		69,853,074	70,431,592	-0.8 %
Total		**113,594,454**	**108,708,437**	**4.5 %**
Provisions				
Other provisions		17,781	39,704	-55.2 %
		17,781	**39,704**	**-55.2 %**
Payables				
Arising out of direct insurance operations		40,935	253,894	-83.9 %
Arising out of reinsurance operations		101,781	52,642	93.3 %
Other		405,731	452,674	-10.4 %
		548,447	**759,210**	**-27.8 %**
Accruals and deferred income				
Other		2,555,258	3,956,092	-35.4 %
		2,555,258	**3,956,092**	**-35.4 %**
TOTAL EQUITY AND LIABILITIES		**153,073,165**	**166,447,659**	**-8.0 %**

Cash flow statement

EUR	2022	2021
Cash flow from operations		
Profit / loss from ordinary operations	-1,626,992	15,899,122
Adjustments		
Change in technical provisions	4,886,018	5,474,674
Impairments and revaluations of investments	19,784,910	354,226
Planned depreciation	122,863	103,671
Other non-cash income and expenses	-21,923	39,704
Other adjustments	-1,508,152	-2,259,987
Cash flow from operations before changes in working capital	**21,636,725**	**19,611,410**
Changes in working capital		
Short-term non-interest-bearing trade receivables increase (-) / decrease (+)	820,650	-729,749
Short-term non-interest-bearing payables increase (+) / decrease (-)	-1,611,597	-930,654
Cash flow from operations before financing items and taxes	**20,845,777**	**17,951,006**
Direct taxes paid	0	-2,859,617
Cash flow from operations	**20,845,777**	**15,091,389**
Cash flow from investments		
Net investments in financial assets (excl. cash and bank balances)	-8,511,552	-2,824,038
Net investments in intangible and tangible assets and other assets	0	-99,427
Cash flow from investment operations	**-8,511,552**	**-2,923,465**
Cash flow from financing		
Dividends paid and other distribution of profits	-15,000,000	-10,000,000
Cash flow from financing	**-15,000,000**	**-10,000,000**
Change in cash and bank balances	**-2,665,775**	**2,167,924**
Cash and bank balances at the beginning of the financial year	3,446,785	1,278,861
Cash and bank balances at the end of the financial year	781,010	3,446,785
	-2,665,775	**2,167,924**

NOTES TO THE FINANCIAL STATEMENTS

Accounting principles

Basic information

Established in 1993, Garantia Insurance Company Ltd is a private non-life insurance company specialising in guaranty insurance and supervised by the Finnish Financial Supervisory Authority. In accordance with the authorisation granted by the Financial Supervisory Authority, Garantia may offer insurance in the non-life insurance classes 14 Credit and 15 Suretyship. On the basis of its authorisation, the company may also engage in the reinsurance of such non-life insurance. Garantia does not have any subsidiaries. Garantia is domiciled in Helsinki and its registered visiting address is Kasarmikatu 21 B, 00130 Helsinki, and its registered postal address is PO Box 600, 00101 Helsinki. A copy of Garantia's financial statements is available online at www.garantia.fi or at the company's visiting address.

Garantia is a wholly owned subsidiary of Taaleri Plc (Business ID 2234823-5) and part of the Taaleri Group. Taaleri is a Nordic investment and asset manager with an emphasis on renewable energy and other alternative investments. Taaleri's business comprises two reporting segments: Private Asset Management and Strategic Investments. The Taaleri Group prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). Garantia is consolidated in the consolidated financial statements as a subsidiary and reported as part of the Strategic Investments business segment. A copy of the consolidated financial statements is available online at www.taaleri.com or at the company's business location at Kasarmikatu 21 B, 00130 Helsinki.

Accounting policies

The financial statements have been prepared in accordance with the Finnish Accounting Act, the Finnish Limited Liability Companies Act and the Finnish Insurance Companies Act as well as the decrees pertaining to them, and in compliance with the decisions, regulations and guidelines of the public authorities supervising insurance companies.

Financial year

The financial year of the company is the calendar year.

Insurance premiums

Insurance premiums for the premium contribution periods that began during the financial year as agreed in the insurance contracts are recognised as premiums written. Those premium receivables for which it is likely that payment will not be received have been deducted from premiums written as credit losses.

Operating expenses

Operating expenses are included in the items of the profit and loss account by activity, applying the matching principle. The fees and shares of profit of ceded reinsurance and the fees of the quoting service for employees' pension insurance (TyEL) interest rates are recognised under operating expenses as a deduction.

Intangible assets

Rights to use computer software and the goodwill generated from the business acquisition and merger carried out in 2018 have been capitalised under intangible rights, and modernisation expenses related to the development of the insurance data system have been capitalised under other long-term expenditure. Intangible assets are valued at acquisition cost less depreciation according to plan and any impairments. Intangible assets are depreciated on a straight-line basis over five (5) years.

Investments

Shares, participations and real estate investments are valued at the lower of acquisition cost and fair value. Any reversals of impairments made have been reversed through profit or loss in so far as the fair value of the investment at the closing date exceeded the impaired acquisition cost. Reversals of impairments are recognised only up to the original acquisition cost.

The fair value of publicly listed shares and participations is taken to be the final available bid price during continuous trading at the closing date or, if this is not available, the last trading price. The fair value of private equity funds and other mutual funds is taken to be the expected assignment price, which is based on the net asset value (NAV) per unit calculated by the fund management company.

Financial market instruments are valued at the lower of acquisition cost and fair value in the case of short-term debt instruments. In the case of bonds, financial market instruments are valued at the acquisition cost, which is steadily adjusted towards the nominal value on a bond-specific basis over its maturity. If the fair value of a bond is lower than its acquisition cost less prior impairments, a further impairment is recognised to adjust the acquisition cost through profit or loss.

The fair value of financial market instruments is taken to be the last bid price for the year or, if this is not available, the last trading price, or the expected assignment price. The fair value of other investments is taken to be the expected assignment price.

Receivables

Undisputed claims of recourse due to a loss event are recognised on the balance sheet at probable value in compliance with the principle of prudence and taking into account any counter-collateral remaining with the company.

Premium receivables and other receivables are valued at the lower of nominal value or probable value.

Tangible assets

Office furniture and equipment are capitalised under machinery and equipment, while art objects are capitalised under other tangible assets. Machinery and equipment are valued at acquisition cost less depreciation according to plan and any impairment, and other tangible assets are valued at acquisition cost less any impairment. Machinery and equipment are depreciated using the reducing balance depreciation method with a factor of 25%.

Items denominated in foreign currencies

Business transactions denominated in foreign currencies are recognised at the transaction date rate. In the financial statements, the fair values of investments are converted into euros at the closing date rate.

Employment benefits

The pensions of personnel are arranged by means of a pension insurance policy in accordance with the Finnish Employees' Pensions Act (TyEL) taken out with Varma Mutual Pension Insurance Company. Pension contributions are recognised as expenses on an accrual basis.

In addition to a fixed basic salary, Garantia's remuneration scheme includes variable remuneration comprising short-term and long-term remuneration. In the short-term remuneration scheme, the bonus is paid during the year following the earnings year. In the long-term remuneration scheme, the bonus is paid three (3) years after the end of the earnings year, subject to certain conditions. The financial instrument in both the short- and long-term remuneration scheme is cash. The amount of the variable remuneration is entered as operating expenses for the earnings year on an accrual basis, and as deferred salaries under accrued expenses until the compensation has been paid.

Direct taxes

Direct taxes are recognised in the profit and loss account on an accrual basis.

Other liabilities

Liabilities other than technical provisions are recognised in the balance sheet at nominal value.

Technical provisions

Technical provisions include that part of the premiums written accrued during the financial period and during previous financial periods for which the respective risk concerns the period following the financial period. The provision for outstanding claims includes the amounts of claims to be paid by the company after the financial period that are caused by loss events that have taken place during the financial period or earlier.

The technical provisions also include an equalisation provision, which is a buffer calculated for years with substantial amounts of claims.

The calculation bases for the equalisation provision confirmed by the Financial Supervisory Authority on 21 October 2016 have been applied in the financial statements.

Regulated provisions

Future expenditure and losses whose timing or exact amount is not known on the balance sheet date are recognised as regulated provisions.

Notes to the profit and loss account

Note 1. Insurance premiums written

EUR	2022	2021
Non-life insurance		
Direct insurance		
Domestic	24,663,706	25,142,016
Reinsurance		
Insurance premiums written before the share of insurers	**24,663,706**	**25,142,016**

Columns
1 = Insurance premiums written before the share of the reinsurers
2 = Insurance premiums earned before the share of the reinsurers
3 = Claims incurred before the share of the reinsurers
4 = Operating expenses before the fees of the reinsurers and shares of profit
5 = Share of the reinsurers
6 = Balance on technical account before the changes to equalization provision

Direct insurance

EUR	1	2	3	4	5	6
Credit & suretyship						
2022	24,663,706	18,815,204	-399,786	-4,675,633	-724,150	13,015,635
2021	25,142,016	18,596,375	-147,325	-5,656,767	-1,287,333	11,504,950
2020	18,988,434	15,559,978	-809,954	-5,029,933	-489,804	9,230,286
2019	19,626,678	14,011,195	-3,822,578	-5,915,755	1,613,514	5,886,376
2018	17,381,102	13,116,474	1,356,885	-5,087,377	-1,335,303	8,050,679
Reinsurance						
2022	0	-25,813	0	0	0	-25,813
2021	0	25,876	0	0	0	25,876
2020	0	32,997	0	0	0	32,997
2019	0	-13,550	0	0	0	-13,550
2018	0	59,509	0	0	0	59,509
Total						
2022	24,663,706	18,789,391	-399,786	-4,675,633	-724,150	12,989,822
2021	25,142,016	18,622,251	-147,325	-5,656,767	-1,287,333	11,530,826
2020	18,988,434	15,592,975	-809,954	-5,029,933	-489,804	9,263,283
2019	19,626,678	13,997,645	-3,822,578	-5,915,755	1,613,514	5,872,826
2018	17,381,102	13,175,983	1,356,885	-5,087,377	-1,335,303	8,110,188
Change in equalisation provision						
2022						578,518

2021	677,472
2020	591,579
2019	1,617,762
2018	-782,714
Balance on technical account	
2022	13,568,340
2021	12,208,298
2020	9,854,863
2019	7,490,588
2018	7,327,474

Note 3. Items deducted from insurance premiums written

EUR	2022	2021
Credit losses from insurance premium receivables	17,553	14,379

Note 4. Breakdown of net investment income

EUR	2022	2021
Investment income		
Income from other investments		
Dividend income	84,352	
Interest income	3,010,143	3,041,983
Other income	459,013	233,721
	3,553,508	**3,275,704**
Reversal of impairments	8,690,721	967,497
Gain on sale of investments	2,289,078	5,167,779
	10,979,799	**6,135,276**
Investment income, total	**14,533,307**	**9,410,980**
Investment expenses		
Expenses from other investments	-486,412	-388,100
Interest expenses and other financial expenses	-1,000	-1,000
	-487,412	**-389,100**
Impairments	-28,475,631	-1,321,723
Loss on sale of investments	-780,926	-48,175
	-29,256,557	**-1,369,898**

Investment expenses, total	**-29,743,970**	**-1,758,998**
Net investment income	**-15,210,663**	**7,651,982**

Note 5. Breakdown of operating expenses

EUR	2022	2021
Insurance sales expenses	1,740,993	2,126,532
Insurance management expenses	1,040,471	1,019,111
Administrative expenses	1,894,169	2,511,124
Operating expenses	**4,675,633**	**5,656,767**

Note 6. Total operating expenses by activity

EUR	2022	2021
Claims processing expenses	303,105	373,106
Operating expenses	4,675,633	5,656,767
Investment management expenses	188,854	135,621
Total operating expenses	**5,167,593**	**6,165,495**

Note 7. Auditor's fees

EUR	2022	2021
Ernst & Young Oy		
Auditing fees	41,912	40,556

Notes to the balance sheet

Note 8. Changes in intangible and tangible assets

EUR	Intangible assets	Tangible assets	Total
Acquisition cost 1 January	603,920	101,770	705,690
Depreciated fully during the previous year			
Increases			
Deductions			
Acquisition cost 31 December	**603,920**	**101,770**	**705,690**
Accumulated depreciation 1 January	-272,536	-45,088	-317,624
Depreciated fully during the previous year			
Accrued depreciation on deductions			
Depreciation for the financial year	-120,784	-2,079	-122,863
Accumulated depreciation 31 December	**-393,320**	**-47,167**	**-440,487**
Book value 31 December	**210,600**	**54,603**	**265,203**

Note 9. Fair value and valuation difference of investments

EUR	Remaining acquisition cost	Book value	Fair value
Investments 31 December			
Real estate investments			
Real estate investment funds and collective investments	1,774,100	1,773,917	2,197,783
Other investments			
Shares and other equity instruments	31,323,254	30,336,985	33,109,239
Other financial instruments	133,251,165	117,207,347	117,209,601
Total	**166,348,519**	**149,318,249**	**152,516,623**
The remaining acquisition cost of financial instruments includes the difference between the nominal value and the acquisition cost accrued as interest income or expense	-59,531		
Valuation difference			**3,198,375**

Note 10. Changes in shareholders' equity

EUR		2022		2021
Restricted				
Share capital 1 January and 31 December		10,200,000		10,200,000
Unrestricted				
Profit / loss from previous accounting periods 1 January	42,784,217		36,885,095	
Distribution of dividends	-15,000,000	27,784,217	-10,000,000	26,885,095
Profit/loss for the financial year		-1,626,992		15,899,122
		26,157,225		**42,784,217**
Shareholders' equity total		**36,357,225**		**52,984,217**

Share capital of Garantia Insurance Company Ltd. is fully owned by Taaleri Oyj (business ID 2234823-5, registered domicile Helsinki). As of 31 December 2022, Garantia's share capital consisted of 60,000 shares. The company has a single share class.

Note 11. Distributable reserves

EUR	2022	2021
Profit / loss for the financial year	-1,626,991.59	15,899,121.90
Profit / loss from previous accounting periods	27,784,216.70	26,885,094.80
Distributable profits total	**26,157,225.11**	**42,784,216.70**
Distributable reserves total	**26,157,225.11**	**42,784,216.70**

Note 12. Claims outstanding

Adequacy of claims provision by insurance class

	2022	2021
Credit and suretyship		
euro	1,363,920	1,293,540
% of claims outstanding 1 January	79.4 %	56.0 %

Section 10 (4)(1) Ministry of Social Affairs and Health (decree governing pension institutions, STMtpA 614/2008): If there is a material difference between the outstanding claims provision set aside at the beginning of the year for claims that have occurred in previous years, and the payments made for claims that have occurred in previous years and the outstanding claims provision still set aside for these claims. The adequacy of the provision for claims outstanding is reported after the reinsurers' share (net).

Other notes

Note 13: Committments

EUR		2022	2021
Total gross exposure from guaranty insurance		1,861,598,445	1,694,865,696
Total gross exposure from guaranty insurance after deducting the computational value of collaterals		1,770,025,440	1,560,796,427
Lease liabilities from rental of premises			
	Leases payable during the following financial year	14,934	166,666
	Leases payable after the following financial year		13,571
Other lease liabilities			
	Leases payable during the following financial year	37,166	46,962
	Leases payable after the following financial year	36,999	34,551
Capital commitments related to investment operations		3,492,453	3,989,145

Lease liabilities from rental of premises include Garantia Insurance Company Ltd's share of the lease liabilities determined on the basis of the lease agreement between Taaleri Plc and the lessor of the facilities at Kasarmikatu 21.

Employee share savings plan

Garantia's employees are part of the Taaleri Group's share savings plan, which is an incentive programme for the Group's employees. The share savings plan offers employees the opportunity to save part of their salary and invest it in Taaleri Plc shares. In return, the employee receives Taaleri Plc shares (additional shares) at the end of the holding period as a reward based on the number of shares acquired with the savings. The savings period under the plan is one (1) year and the length of the holding period required for the additional shares is two (2) years. The first savings period of the programme started on 1 July 2022 and will end on 30 June 2023.

The parent company, Taaleri Plc, will charge the company for the costs of acquiring the additional shares for Garantia's personnel when the required shares are acquired. In accordance with applicable accounting regulations, Garantia does not recognise a provision for the costs in its financial statements. The company estimates that the share savings accumulated by the personnel during the savings period will entitle them to 9,104 additional shares. Calculated at the closing price of Taaleri Plc's share on the balance sheet date, the value of the additional shares would be EUR 101,783 in total. The receipt of additional shares is conditional on the fulfilment of the conditions of the remuneration scheme.

Personnel's equity-based incentive programmes

The Taaleri Group has an equity-based incentive programme in place for the Group' key persons, which includes persons employed by Garantia. The bonuses accruing under the remuneration scheme are paid after the end of predetermined earnings periods partly in Taaleri Plc shares and partly in cash. The Board of Taaleri Plc decides on the earnings criteria applied in the programme and the goals set for each criterion. In the valid earnings periods, the bonuses paid under the programme are based on the compound earnings of Taaleri Plc's share.

The parent company Taaleri Plc charges the costs of the shares under the share-based incentive schemes allocated to Garantia's employees to the company when the share bonuses are paid. In accordance with applicable accounting regulations, Garantia does not recognise a provision for the costs arising from the share-based incentive scheme in its financial statements. Instead, the costs are recognised as an expense at the time of paying the bonuses. The number of outstanding shares allocated to Garantia's personnel under the share-based incentive schemes on the balance sheet date was 46,000. The payment of the bonuses is subject to the fulfilment of the conditions of the incentive scheme.

Disputes

In its ruling on 31 October 2022, the Helsinki District Court dismissed an action brought up against Garantia in connection with an insurance claim filed in 2017. The insurance claim amounted to EUR 5 million plus penalty interest and legal expenses. The claim concerned a pension fund which was a guaranty insurance customer of Garantia and which was placed in liquidation in 2011 and subsequently declared bankrupt in 2018. The ruling is final. The district court also ordered the plaintiff to reimburse Garantia for legal expenses worth EUR 277,043. The reimbursement received has been recognised as an expense adjustment under operating expenses for the 2022 financial year.

Note 14: Notes on personnel and members of corporate bodies

EUR	2022	2021
Personnel expenses		
Salaries and other remuneration	2,369,407	3,140,247
Pension expenses	410,500	444,325
Other indirect employee expenses	33,508	106,099
	2,813,415	**3,690,671**
Salaries and remunerations paid to		
Chief Executive Officer	504,771	477,100
Members of the Board of Directors	120,000	140,000
Average number of personnel during financial year	**23**	**23**

Note 15: Notes on ownership in other companies

EUR	Book value	Fair value
Publicly listed shares and funds		
ISHARES Edge S&P 500 Min. Vol. EUR	5,117,315	5,117,315
ISHARES S&P 500 B ucits	1,853,650	1,853,650
SPDR MSCI EM Asia	1,748,863	1,748,863
ISHARES Care MSCI Japan	906,426	962,496
ISHARES Edge S&P 500 Min. Vol.Ucits	1,001,681	1,089,805
iShares $ Treasury Bond 1-3yr EUR	3,025,014	3,025,014
iShares $ Treasury Bond 1-3yr UCITS	13,958,273	13,958,273
	27,611,220	**27,755,415**
Private equity funds		
CapMan Buyout X Fund B Ky	286,075	601,347
HL Large Buyout Club Fund	2,439,690	4,752,477
	2,725,764	**5,353,824**

Real estate property funds		
Taaleri Asuntorahasto VIII	859,817	859,817
Taaleritehtaan Tonttirahasto Ky	914,100	1,337,966
	1,773,917	**2,197,783**
TOTAL	**32,110,902**	**35,307,022**

Note 16: Related party loans, pledges and commitments to related parties, and related party transactions

The company has not given loans or collateral to or entered into material transactions with related parties.

Note 17: Risks and risk management

Garantia's values, Code of Conduct, strategy and business objectives form the basis for the company's risk and solvency management. The purpose of risk management is to support the achievement of the company's targets by identifying the company's threats and opportunities and ensuring that they remain within the limits of risk appetite and risk-bearing capacity. Internal control that has been reliably organised ensures the observance of the company's business strategy, the set targets and the principles and procedures related to risk and solvency management.

At Garantia, the principal goal of internal control and risk management is to secure the company's risk-bearing capacity and thus ensure the continuity of operations. Internal control covers the material activities of all the company's units and this includes the arrangement of appropriate reporting on all the company's organisational levels. Risk management includes the identification, measurement, monitoring, management and reporting of the individual risks and combined effect of risks that the company is exposed to. Risk and solvency management is also integrated as a fixed part of Garantia's business processes, and planning and monitoring of operations.

Organisation, responsibilities and control of risk management

Garantia's internal control and risk management are organised according to the Three Lines of Defence model. In accordance with this model, the tasks have been assigned to: (1) units that take business risks in their operations by processing insurance policies and investments, by making decisions binding on the company and by operating at the client interface (Operational Risk Management); (2) units that are responsible for risk control, carry out independent risk assessments and ensure that company guidelines and acts and other legal provisions are complied with (Independent Risk Management); and (3) independent internal audit (Internal Audit). External control is the responsibility of the auditors and supervisory authorities.

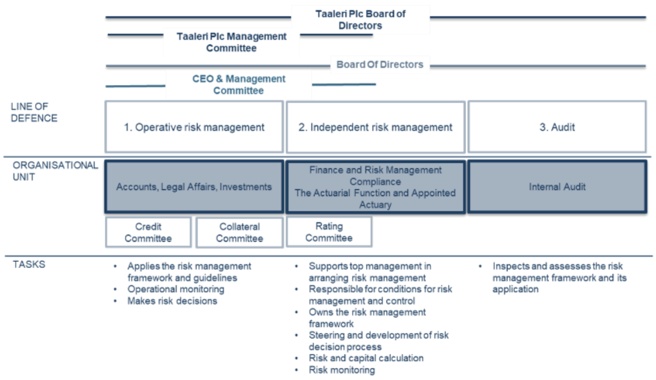

Figure 1: The organisation of Garantia's risk management

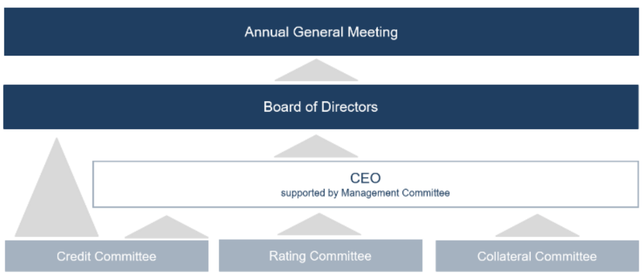

Figure 2: Decision-making bodies and reporting relations

Garantia's Board of Directors is the supreme decision-making body in matters concerning Garantia's internal control, risk management and solvency management. The Board approves the principles and policies (incl. the risk-taking limits) concerning internal control and risk management and their organisation and monitors and controls their effectiveness and the development of the risk and solvency position. Garantia's CEO, supported by the Executive Committee, is responsible for the arrangement of internal control and risk management practices in accordance with internal control and risk management principles.

The Board has appointed a Credit Committee, a Collateral Committee and a Rating Committee, which, in accordance with the decision-making system approved by the Board, decide on matters within their purview. The Credit Committee is responsible for underwriting, claims and investment decisions. The Collateral Committee is responsible for collateral assessment and for ensuring the quality and effectiveness of the collateral assessment process. The independent Rating Committee is responsible for approving credit ratings and for ensuring the quality and effectiveness of the rating process. The Collateral Committee and Rating Committee report to the CEO and the Credit Committee reports to the Board of Directors.

The units in Garantia's organisation that are responsible for risk control carry out independent risk assessments and ensure that company guidelines and acts and other legal provisions are complied with, and thus form an independent risk management function. The task of the independent risk management function is to assist the Board of Directors and other functions to ensure efficient risk management, to monitor the functioning of the risk management system and the company's general risk profile as a whole, to report on exposure to risks and to advise the Board in risk management matters, to identify and assess developing risks and to ensure the appropriateness of the risk models used to measure risks. The independent risk management function reports its activities to Garantia's Board of Directors and CEO.

Internal Audit is an assessment, verification and consulting function that is independent of the company's operational activities. The task of Internal Audit is to support the company's management in the achievement of targets by providing a systematic approach to the assessment and development of the adequacy and efficiency of the organisation's risk management, control, and management and administration processes (system of governance). Internal Audit's activities are based on an action plan that is compiled annually. Internal Audit reports on its observations, conclusions and recommendations to the Boards of Directors of Taaleri Plc and Garantia.

Risk management process

Garantia's risk management process is made up of the following areas:

1. operational planning,
2. capital management,
3. risk appetite,
4. identification and assessment of risks,
5. measurement of risks,
6. control and reporting of risks.

Garantia's *operational planning* is made up of long-term (about 3 years) strategic planning and short-term (1 year) annual planning. Operational planning is based on an analysis of the operating environment, the competitive environment and own operations and also on the Taaleri Group strategy. Profit and solvency scenarios, and stress tests, risk survey results, and a risk and solvency assessment are used to define the company's goals, projects supporting achievement of these goals and risk appetite. Every year the actuary presents the statements required by the Insurance Companies Act to the Board of Directors to support operational planning. The strategy and annual plan, including the company's own risk and solvency assessment, are confirmed by the company's Board of Directors, and the entire personnel is involved in their preparation.

Garantia's goal is to be a reliable partner and the company maintains strong solvency to ensure the continuity and stability of its operations. The Board has set Garantia's target level for capitalisation above the statutory solvency capital requirement, the minimum capital requirement required by credit rating agency Standard & Poor's for an AAA credit rating, and an internally estimated capital requirement (an estimate that is based on the company's internal economic capital model, defined at a confidence level of 99.5%). Garantia distributes dividends or returns capital to the owner only to the extent that this does not put the A- credit rating or the company's internally set solvency target at risk. The purpose of *capital management* is to ensure in an anticipatory way that the company has adequate capital reserves for exceptional situations. The principal means to maintain balance between risks and actual capitalisation is to ensure profitable business operations, and active risk management. If an imbalance is detected, balance is restored with management of profit and risk position, restricting dividend distribution or by acquiring new capital.

Risk appetite means the amount and type of risks that the company is prepared to take in order to achieve the targets set for its business. Garantia has moderate risk appetite, and this is defined with risk-taking limits and risk indicators. The Board of Directors approves the risk-taking limits and risk indicators annually as part of the capital plan (solvency limits), credit risk policy (concentration risks and risk-taking limits concerning insurance operations), reinsurance policy (risk-taking limits concerning reinsurance operations) and the investment plan (risk-taking limits concerning investment operations).

Constant identification and assessment of risks in the business and operating environment are part of Garantia's risk and solvency management process. The principal risks associated with Garantia's business operations are credit risks arising from guaranty insurance operations, investment risks regarding assets covering technical provisions and equity, strategic risks and operational and compliance risks. The identification and assessment of risks are described separately for each risk later in this note.

Garantia defines and assesses its capital requirement and measures the risk of its business operations with three different Value-at-Risk-based *risk indicators*. The primary indicator used in the steering of operations, measurement of risk and assessment of capital adequacy is economic capital ("Internal Risk Capital") at a confidence level of 99.5%. When estimating its capital requirement, the company also uses the solvency capital requirement (SCR) based on the Solvency II standard formula at a confidence level of 99.5% including the capital add-on, and the minimum capital requirement corresponding to AAA credit rating that is in accordance with S&P's Insurance Capital Model. In addition to Value-at-Risk-based risk indicators, Garantia measures, monitors and assesses the risks of its business operations and their development with other quantitative and qualitative risk indicators. The measurement of risks is described separately for each risk later in this note.

Garantia's *monitoring and reporting of risk and solvency position* is divided into internal and external monitoring and reporting. External reporting means the information published for all stakeholders and reporting to the authorities. Garantia also reports on its operations to the external credit rating agency Standard & Poor's. Internal reporting of risk and solvency position means reporting to Garantia's Executive Committee and Board of Directors at least once a month and quarterly reporting to the Board of Directors of the Taaleri Group. The target of internal monitoring and reporting is to ensure that the company's risk and solvency position are within the limits of risk appetite.

Insurance risk

Insurance risk, or underwriting risk, means a risk of loss arising from inadequate assumptions concerning pricing and technical provisions or an unfavourable change in the value of insurance liabilities. In guaranty insurance, the insurance risk mostly consists of credit risk (the inability of the guaranteed counterparty to manage its financial or operational obligations under the contract in relation to the beneficiary of the guaranty). This may be the result of the default of the guaranteed counterparty (default risk) or the guaranteed counterparty may fail to fulfil a contractual obligation on time (delivery risk). The credit risk is also considered to include the counterparty risk of the reinsurers or the party providing other counter guaranties, which results from the default of the reinsurer or the party providing other counter guaranties, and the value change risk, which is caused by changes in the fair value of the collateral.

The aim in the management of the insurance risk, i.e. the credit risk in guaranty insurance, is to ensure that the negative profit impacts arising from client and counterparty risks remain at acceptable levels and that the returns of guaranty operations are adequate in relation to the risks taken. In guaranty insurance, credit risks are reduced by means of client selection, active management of client relationships, monitoring of changes in the clients' operations, pricing, diversification and also, typically with reinsurance, contractual terms and conditions, and collateral and covenant arrangements. Central to the management of credit risks is the process of underwriting insurance policies, which is controlled by the credit risk policy (insurance policy), reinsurance policy and decision-making system adopted by the Board of Directors and the complementary processes and guidelines on credit risk assessment, distribution channel auditing, pricing, collateral and covenants approved by the Executive Committee. The Risk Management function monitors the functioning and quality of the company's underwriting process. In addition to the daily underwriting process, credit risks are identified and assessed at least once a year with a risk survey compiled in conjunction with annual planning.

The amount of insurance risk (credit risk) is measured using the company's internal economic capital model, the solvency capital requirement (SCR) and the Standard & Poor's insurance capital model. The insurance risk's economic capital is defined on contract basis primarily using the Basel II Internal Ratings-based Approach, which considers the amount of exposure, the counterparty's or instrument's credit rating which describes probability of default (PD), its duration, and the loss given default (LGD), which depends on counter-collateral, recovery and reinsurance. The economic capital model also includes concentration risk. Garantia regularly assesses its economic capital model and the functionality of the parameters used in the calculation of the amount of economic capital. In addition to economic capital, the credit risk of individual clients and groups of connected clients is also assessed on the basis of credit ratings, gross and net insurance exposure, the amount and type of collateral, amount of uncovered exposure, covenants and possible risk client status classification of the client or group of connected clients. The credit risk of the insurance exposure is assessed on the basis of gross exposure, amount and distribution of uncovered exposure, expected loss and economic capital by product groups, credit rating and industry. Other criteria for assessing the credit risk of the insurance exposure include the average maturity of exposure and the ratio of claims incurred against earned premiums and insurance exposure. The insurance risk position is monitored and reported to the Executive Committee and the Board of Directors every month.

Quantitative information on insurance risks

Sensitivity analysis of insurance operations, 31 Dec 2022

Risk parameter	Total, EUR thousand	Change in risk parameter	Effect on equity, EUR thousand	Effect on combined ratio, %
Premiums earned	18,244	increases 10 %	1,785	improves 2.6%-p.
Claims incurred	579	increases 10 %	0	worsens 0.3%-p.
Large claim, EUR 10 million	0	EUR 10 mn.	0	worsens 54.8%-p.
Operating expenses	4,676	increases 10 %	-468	worsens 2.6%-p.

Sensitivity analysis of insurance operations, 31 Dec 2021

Risk parameter	Total, EUR thousand	Change in risk parameter	Effect on equity, EUR thousand	Effect on combined ratio, %
Premiums earned	17,865	increases 10 %	1,429	improves 3.2%-p.
Claims incurred	677	increases 10 %	0	worsens 0.4%-p.
Large claim, EUR 10 million	0	EUR 10 mn.	0	worsens 56.0%-p.
Operating expenses	-5,657	increases 10 %	-453	worsens 3.2%-p.

Trend in claims incurred

EUR thousand	Claims paid	Change in provision for outstanding claims	Claims incurred	% of insurance exposure	Claims ratio, %
2022	-1,055	477	-579	0.03 %	3.2 %
2021	-1,270	592	-677	0.04 %	3.8 %
2020	-855	263	-592	0.03 %	4.0 %
2019	-336	-1,282	-1,618	0.09 %	12.2 %
2018	427	355	783	-0.05 %	-6.4 %
2017	-343	-736	-1,079	0.07 %	10.1 %
2016	-934	-240	-1,174	0.09 %	12.4 %
2015	-1,421	-71	-1,492	0.13 %	15.1 %
2014	-569	157	-412	0.03 %	3.7 %
2013	-2,526	121	-2,405	0.18 %	22.2 %

Claims paid includes the share of reinsurers, income from collection of recourse receivables and operating expenses allocated to claims processing. Change in provision for outstanding claims includes the share of reinsurers.

Total insurance exposure by business line

EUR million	2022	2021
Consumer exposure	1,343	1,130
Corporate exposure	519	565
Total	**1,862**	**1,695**

Consumer exposure includes residential mortgage loan guarantees and rent guarantees, where insurance risk is attributable to the credit risk of private households. The risks of the residential mortgage guarantees benefit from second tier collateral rights relating to the residential property collateral of the guaranteed mortgage loan. The risks inherent in the residential mortgage guarantee portfolio are also limited through an excess-of-loss reinsurance arrangement, that covers claims exceeding a certain retention threshold, up until a specified insured amount. The rent guarantees are unsecured.

Corporate exposure is made up of corporate loan guaranties, commercial bonds and other business-related guarantees, where insurance risk is attributable to the credit risk of corporates and other organisations. The corporate exposure is partly covered by reinsurance and collaterals.

Corporate insurance exposure by credit rating

	2022	2021
AAA...BBB-	113	109
BB+...BB-	217	306
B+...B-	152	94
C+ or weaker	11	21
Rated exposure total	**492**	**530**
Other exposure	26	34
Corporate exposure total	**519**	**565**

Corporate insurance exposure by collateral class

EUR million	2022	2021
Reinsured	28	71
Classes 1 & 2	64	63
Classes 3 & 4	117	125
Unsecured	283	272
Rate exposure total	**492**	**530**
Other exposure	26	34
Corporate exposure	**519**	**565**

Collateral classes: 1 = secure liquid collateral, 2 = real collateral within collateral value, 3 = real collateral within fair value, 4 = other collateral.

Corporate insurance exposure by industry

	2022	2021
Manufacturing	117	150
Machinery and equipment (incl. repair)	53	61
Metals	25	42
Chemicals	22	22
Food	13	19
Other	4	7
Construction	85	136
Wholesale and retail trade	77	55
Water supply and waste management	64	37
Transport and logistics	46	35
Finance and insurance	29	29
Energy	20	26
Services	13	15
Information and communication	11	13
Other industries	30	32
Rated exposure total	**492**	**530**
Other exposure	26	34
Corporate exposure total	**519**	**565**

Other exposure consists of exposure where insurance risk is not directly attributable to the creditworthiness or industry sector of the counterparty. Hence, this exposure is not subject to ratings. The industry classification is based on the classification taxonomy of Statistics Finland.

Actuarial assumptions

Under the Insurance Companies Act, insurance companies must adopt prudent calculation criteria for determining the technical provisions. The value of the technical provisions must always be adequate so that the company can be reasonably assumed to be able to manage its commitments. The principles for calculating the technical provisions must be submitted to the Financial Supervisory Authority before they are adopted.

The provision for unearned premiums is determined as 'pro rata parte temporis'. The proportion of the premiums written of the valid insurance policies attributable to future financial years is determined on an insurance contract level. The outstanding claims provision consists of known and unknown claims. The individual claims due after the closing date are allocated on a claims basis as part of the known outstanding claims. A proportion of the premiums written accrued by the company during the financial year is allocated to outstanding claims unknown to the company on the closing date as part of unknown outstanding claims, using a specific coefficient. Actual technical provisions are not discounted.

The purpose of the equalisation provision is to balance the impact of years with exceptional technical results. The equalisation provision acts as a buffer, especially against growth in claims incurred. In Garantia's calculation principles for the equalisation provision, an amount corresponding to the claims incurred for the period in question of the provision is recognised annually into profit and loss until the equalisation provision reaches the target amount. In the long term the equalisation provision will gravitate to its target amount. The calculation of the target amount has been defined in the Insurance Companies Act.

Quantitative information about technical provisions

Technical provisions

EUR thousand	2022	2021
Provision for unearned premiums	42,500	36,559
Provision for claims outstanding	1,241	1,718
Provision for known claims outstanding	12	467
Provision for unknown claims outstanding	1,229	1,250
Equalisation provision	69,853	70,432
Total	**113,594**	**108,708**

Reinsurers' share has been deducted from the provisions for unearned premiums and claims outstanding.

Provision for unearned premiums and claims outstanding by maturity, 31 Dec 2022

EUR thousand	0-1 years	1-2 years	2-3 years	Over 3 years	Total
Provision for unearned premiums	13,406	8,954	6,817	13,324	**42,500**
Provision for claims outstanding	1,241				**1,241**
Total	**14,647**	**8,954**	**6,817**	**13,324**	**43,741**

Provision for unearned premiums and claims outstanding by maturity, 31 Dec 2021

EUR thousand	0-1 years	1-2 years	2-3 years	Over 3 years	Total
Provision for unearned premiums	11,494	7,498	5,762	11,805	**36,559**
Provision for claims outstanding	1,718				**1,718**
Total	**13,212**	**7,498**	**5,762**	**11,805**	**38,277**

The duration of the cash flow distribution of the technical provisions (excl. equalisation provision) is 2.8 (2.8) years.

Investment risks

The company's investments are used for covering the technical provisions and the equity capital, and their primary purpose is to secure the liquidity of insurance operations in years with exceptionally high claims. Garantia's investment activities are long-term, and the objective is primarily to secure capital and achieve stable and steadily increasing asset growth. Market risks, credit and counterparty risk and liquidity risk are the risks affecting the investment activities.

Market risk means the possibility of losses or an unfavourable change in the economic situation due directly or indirectly to the fluctuation in the market prices and volatility of assets, liabilities and financial instruments. Changes in prices affect the value of investment assets and annual returns. The principal market risks are equity risk, interest rate risk, currency risk, property risk and concentration risk. The credit and counterparty risk of investments is made up of credit spread risk and counterparty risk. Credit spread risk describes the difference in price of risky interest-bearing instruments and risk-free interest-bearing instruments, in other words, the risk arising from a change in the credit spread. Counterparty risk means the risk of default pertaining to the contractual counterparty.

The main aim in the management of investment risks is to keep the negative profit impacts arising from investments and the changes in the values of investments at acceptable levels in the long term, to ensure that investment returns are adequate in relation to the risks taken and to safeguard the company's liquidity. Garantia observes the principle of prudence defined in the Insurance Companies Act in its investment activities. Funds are only invested in the type of assets where the company is able to identify, measure, monitor, manage, control and report the related risks. Investment activities should aim to ensure the security, convertibility into cash, rate of return and availability of investments, and to consider the nature of insurance agreements and the interests of the insured party.

Investment risks are managed through effective diversification of the investments by asset class, sector, geographical area, credit rating and counterparty, and by ensuring adequate liquidity of the investments. Central to the management of investment risks is the daily execution of investment operations, which is controlled by the investment plan and decision-making powers approved by the Board. In addition to the daily investment operations and monthly reporting, investment risks are assessed at least once a year with a risk survey compiled in conjunction with annual planning.

Capital requirements for investment risks are measured by means of the economic capital model, the solvency capital requirement (SCR) and S&P's insurance capital model. In the economic capital model, investment risks are measured on an instrument-specific basis with Value-at-Risk calculation models for equity risk, currency risk, interest rate risk and credit risk. The credit risk with fixed income and private equity investments is defined with an internal ratings-based method in accordance with Basel II, which considers the amount of investment, the instrument's credit rating, the loss given default and modified duration. In addition to economic capital, investment risks are measured on the basis of asset class, country, credit rating, counterparty, duration, interest rate sensitivity and the amount of foreign currency denominated investments. The investment risk position is monitored and reported to the Executive Committee and the Board of Directors monthly.

Quantitative information on investment risks

Investments by asset class at fair value

EUR million	2022	%	2021	%
Fixed income investments	136.3	88.2 %	141.8	83.2 %
Equity investments	16.1	10.4 %	27.2	15.9 %
Real estate investments	2.2	1.4 %	1.5	0.9 %
Total	**154.7**	**100.0 %**	**170.5**	**100.0 %**

Fixed income investments include cash & bank balances and accrued interest. Fixed-income investments mainly include bonds issued by Nordic corporates and credit institutions.

Fixed-income investments by maturity and credit rating, 31 Dec 2022

EUR million	0-1 yrs.	1-3 yrs.	3-5 yrs.	Over 5 yrs.	Total	%
AAA...AA-	0.3	21.8	0.0	0.0	22.1	**16.2 %**
A+...A-	8.8	6.1	2.2	2.0	19.2	**14.1 %**
BBB+...BBB-	3.5	21.7	22.1	5.3	52.6	**38.5 %**
BB+ or weaker	0.0	26.6	14.3	1.6	42.5	**31.2 %**
Total	**12.7**	**76.2**	**38.6**	**8.9**	**136.3**	**100.0 %**

Fixed-income investments by maturity and credit rating, 31 Dec 2021

EUR million	0-1 yrs.	1-3 yrs.	3-5 yrs.	Over 5 yrs.	Total	%
AAA...AA-	2.9	0.0	5.3	6.5	14.7	**10.4 %**
A+...A-	0.5	14.8	2.5	2.7	20.5	**14.5 %**
BBB+...BBB-	0.0	9.9	27.0	32.0	68.9	**48.6 %**
BB+ or weaker	3.2	8.1	20.1	6.3	37.7	**26.6 %**
Total	**6.6**	**32.9**	**54.9**	**47.5**	**141.8**	**100.0 %**

Maturity date is the end of the term to maturity. If the instrument includes a call option, maturity is the first possible call date. The rating of an instrument is an issuer rating or senior debt rating published by an external rating agency. If an external rating is not available, Garantia's internal credit rating is used.

Sensitivity analysis of investment activities, 31 Dec 2022

Investment category	Investments at fair value, EUR million	Risk parameter	Change (+/-)	Effect on equity, EUR million (+/-)
Fixed income	136.3	Chg in int. rates	1.0 %	2.5
Equities	10.8	Market value	10.0 %	0.9
Private equity	7.6	Market value	10.0 %	0.6

Sensitivity analysis of investment activities, 31 Dec 2021

Investment category	Investments at fair value, EUR million	Risk parameter	Change (+/-)	Effect on equity, EUR million (+/-)
Fixed income	141.8	Chg in int. rates	1.0 %	4.3
Equities	21.1	Market value	10.0 %	1.7
Private equity	7.6	Market value	10.0 %	0.6

The calculation of the effects of the changes assumes mark-to-market valuation before and after the change.

Operational risks

Operational risk means the risk of loss resulting from deficient or faulty processes, human error, systems or external events.

Successful management of operational risks helps to ensure that the company's operations are properly organised and that the risks do not cause any unexpected direct or indirect financial losses. Garantia is determined to maintain and strengthen a corporate culture that is positively disposed towards management of operational risks and internal control by continuously providing personnel with training and guidelines.

In order to manage the operational risks, it is central to identify and evaluate risks as well as to ensure the adequacy of the control and management methods. The principal tools in the management of operational risks are risk surveys at least once a year on each function, continuous registration of materialised operational risks, identification of corrective measures and the monitoring and reporting of these, continuity planning, guidelines for outsourcing, the planning and implementation of new products, knowing your customer (KYC) and prevention of money laundering and terrorist financing, and process descriptions and other working instructions and operating guidelines.

The extent of the operational risks is measured by the amount of the solvency capital requirement (SCR) and of economic capital, which is determined on the basis of the annual risk survey. Actual risk events and near misses are also monitored and registered, the corrective measures concerning these are specified and the implementation of the measures is followed. Operational risks are reported to the Executive Committee and the Board of Directors on a quarterly basis.

Other risks

Strategic risk

Strategic risks are the risks that result from changes in the operating and competitive environment, slow reaction to these changes, selection of the wrong strategy or business model or the unsuccessful implementation of a strategy. Reputational and regulatory risks are part of strategic risks. Reputational risk refers to the risk that unfounded or founded unfavourable publicity related to the company's business operations or relations undermines confidence in the company. Reputational risk is usually a consequence of a materialised operational or compliance risk which results in the deterioration of the company's reputation among its customers and other stakeholders. Regulatory risk refers to the risk that changes in laws or regulations will materially weaken the company's prerequisites for carrying out business operations. The principal method in the management of strategic risks is a systematic and continuous operational planning and monitoring process which makes it possible to identify and assess potential risks in the operating, competitive and regulatory environment and to update the strategy and manage the measures launched to manage risks. Reputational risk is managed in an anticipatory and long-term manner by conforming with Garantia's values, complying with regulation and the Code of Conduct confirmed by the Board of Directors and by openly communicating with different stakeholders in an impartial way. Strategic risks are monitored and assessed at least once a year with a risk survey compiled in conjunction with the annual planning.

Compliance risk

Compliance risks are the risks pertaining to legal or administrative consequences, economic losses or loss of reputation that result from the failure of the company to comply with laws, decrees or other regulations applicable to its operations. Legislative changes are actively monitored, and ongoing legislative projects are regularly reported to the Board of Directors. The survey of risks conducted at Garantia in conjunction with annual planning also includes the identification and assessment of regulatory risks and the definition and monitoring of development measures to reduce the risks. Providing the personnel with guidelines and training is also central to managing compliance risks.

Sustainability risk

Sustainability risk refers to an environmental, social or corporate governance event or condition that, if it occurred, could have a negative impact on the value of an investment made by the company or on the volume of the company's insurance payables. At Garantia, sustainability risks may arise to a material degree in the company's investment and guaranty insurance operations. In these functions, sustainability risks are linked in practice to the sustainability of the activities of individual companies and entities that are the credit risk counterparties of investments or guaranty insurance agreements. These risks are assessed as part of the decision making process for underwriting and investment. Sustainability risks are also monitored and assessed with a risk survey prepared in conjunction with the annual planning. The sustainability risk associated with Garantia's operations is assessed as being low for the time being. The company does not have substantial investment or guaranty insurance liabilities from industries or companies whose business is associated with larger than usual sustainability issues.

Concentration risk

Concentration risk means all risk exposures with a loss potential which is large enough, upon materialisation, to threaten the solvency or financial position of an insurance company. The principal concentration risk in Garantia's business operations arises from the concentration risk of direct and indirect credit and counterparty risk in guaranty and investment operations. Garantia's total exposures contain large, individual credit risk concentrations specific to groups of connected clients and industries. In addition, Garantia's guaranties and investments are concentrated in Finland. The selection of guaranty insurance and investment targets and the continuous monitoring of changes in the situation of counterparties is emphasised above all in the management of the credit concentration risk. Concentration risk is measured and assessed in the economic capital model with a separate concentration risk model and with counterparty-specific risk limits.

Liquidity risk

Liquidity risk refers to the risk that an insurance company is unable to convert its investments or other assets into cash in order to meet its financial obligations that fall due for payment. Garantia's liquidity risk is limited, as the cash flow from premiums written is received well in advance of any payment of claims. The company's largest individual outgoing cash flows also consist of items for which the payment dates are usually known well in advance. These items include, for example, insurance claims and dividends. Furthermore, Garantia does not have any financial liabilities with outbound cash flows. Garantia's principal measures in liquidity risk management are sufficient amount of cash for managing daily payments and the liquidity of the investment portfolio.

Note 18. Summary of financial indicators

		2022	2021	2020	2019	2018
Gross premiums written (before share of reinsurers)	€	24,663,706	25,142,016	18,988,434	19,626,678	17,381,102
Claims ratio	%	3.2 %	3.8 %	4.0 %	12.2 %	-6.4 %
Claims incurred without computational interest expenses (+/-)	€	578,518	677,472	591,579	1,617,762	-782,714
Claims ratio without computational interest expenses	%	3.2 %	3.8 %	4.0 %	12.2 %	-6.4 %
Operating profit (+) or loss (-)	%	25.6 %	31.7 %	33.8 %	43.4 %	40.3 %
Combined ratio	%	28.8 %	35.5 %	37.8 %	55.7 %	34.0 %
Combined ratio without computational interest expenses	%	28.8 %	35.5 %	37.8 %	55.7 %	34.0 %
Operating profit (+) or loss (-)	€	-2,205,509	19,226,339	13,012,175	12,153,226	10,007,713
Adjustments in off-balance sheet valuation differences, current value reserve and revaluation reserve (+/-)	€	-3,572,319	1,559,832	-1,159,605	4,531,751	-4,514,824
Total result (+/-)	€	-5,777,828	20,786,172	11,852,570	16,684,977	5,492,889

Interest expenses and other financial expenses (+)	€	-1,000	1,000	1,000	1,000	1,000
Computational interest expense (+)	€					
Return on total assets (at fair value)	%	-3.5 %	12.4 %	7.6 %	11.6 %	4.0 %
Net return on investments at fair value on capital employed (+/)	%	-11.3 %	5.9 %	1.7 %	8.0 %	-1.9 %
Equalisation provision	€	69,853,074	70,431,592	71,109,064	71,700,643	73,318,405
Average number of personnel during the financial year	Pers.	23	23	22	25	25

Note 19. Earnings analysis

EUR	2022	2021	2020	2019	2018
Earned premiums (+/-)	18,243,974	17,865,065	14,884,796	13,242,186	12,281,764
Claims incurred (-/+)	-578,518	-677,472	-591,579	-1,617,762	782,714
Operating expenses (-)	-4,675,633	-5,656,767	-5,029,933	-5,751,598	-4,954,290
Other technical income and expenses (+/-)					
Balance on technical account before change in equalisation provision (+/-)	**12,989,822**	**11,530,826**	**9,263,283**	**5,872,826**	**8,110,188**
Investment income and expenses, re-valuations and their adjustments and other changes in value (+/-)	-15,210,663	7,651,982	3,716,094	6,266,359	1,896,756
Other income and expenses (+/-)	15,331	43,531	32,798	14,040	769
Share of associated companies' profit (+) or loss (-)					
Operating profit (+) or loss (-)	**-2,205,509**	**19,226,339**	**13,012,175**	**12,153,226**	**10,007,713**
Change in equalisation provision (-/+)	578,518	677,472	591,579	1,617,762	-782,714
Profit (+) or loss (-) before extraordi-nary items	**-1,626,992**	**19,903,811**	**13,603,755**	**13,770,988**	**9,224,999**
Income taxes and other direct taxes (-/+)		-4,004,689	-2,861,720	-2,783,497	-1,939,288
Minority shares (-)					
Profit (+) or loss (-) for the financial year	**-1,626,992**	**15,899,122**	**10,742,035**	**10,987,490**	**7,285,711**

Note 20. Investment allocation at fair value

	Basic allocation				Risk allocation [8]			
	31 Dec 2022		31 Dec 2021		31 Dec 2022		31 Dec 2021	
	in euros	%	in euros	%	in euros	%	in euros	% [10]
Fixed income investments	**136,348,289**	**88.2**	**141,803,810**	**83.2**	**136,348,289**	**88.2**	**141,803,810**	**83.2**
Loan receivables [1]								
Bonds [1]	135,567,279	87.6	138,357,025	81.2	135,567,279	87.6	138,357,025	81.2
Other financial instruments and deposits [1] [2]	781,010	0.5	3,446,785	2.0	781,010	0.5	3,446,785	2.0
Equity investments	**16,125,952**	**10.4**	**27,175,006**	**15.9**	**16,125,952**	**10.4**	**27,175,006**	**15.9**
Listed equities [3]	10,772,128	7.0	21,095,015	12.4	10,772,128	7.0	21,095,015	12.4
Private equity investments [4]	5,353,824	3.5	6,079,991	3.6	5,353,824	3.5	6,079,991	3.6
Unlisted equities [5]								
Real estate investments	**2,197,783**	**1.4**	**1,510,238**	**0.9**	**2,197,783**	**1.4**	**1,510,238**	**0.9**
Direct real estate investments								
Real estate investment funds and collective investments	2,197,783	1.4	1,510,238	0.9	2,197,783	1.4	1,510,238	0.9
Other investments								
Hedge funds [6]								
Commodities								
Other investments [7]								
Total	**154,672,024**	**100.0**	**170,489,053**	**100.0**	**154,672,024**	**100.0**	**170,489,053**	**100.0**
Effect of derivatives [9]								
Total investments at fair value	**154,672,024**	**100.0**	**170,489,053**	**100.0**	**154,672,024**	**100.0**	**170,489,053**	**100.0**
Modified duration of the bond portfolio	2.3		3.9					

1) Includes accrued interest.
2) Includes cash and bank balances, and receivables and payables relating to trading of securities.

3) Includes balanced funds if they cannot be allocated elsewhere.

4) Includes private equity funds and mezzanine funds and also infrastructure investments.

5) Includes unlisted real estate investment companies.

6) Includes all types of hedge fund units irrespective of the fund's strategy

7) Includes items that cannot be allocated to other groups.

8) The risk allocation can be presented for comparison periods as the data accumulates (not retroactively)

If the figures are presented for comparison periods and the periods are not entirely comparable, then this must be stated.
9) Includes the effect of derivatives on the difference between risk allocation and basic allocation. The effect may be +/-. After the correction
the final amount of the risk allocation matches the basic allocation.

10) The relative share is calculated using the final amount of "Total investments at fair value" as the denominator.

Note 21. Net return on investments

	Net return on investments at fair value	Capital employed [9]	Net return on investments, %	Net return on investments, %			
		2022		2021	2020	2019	2018
	in euros	in euros	%	%	%	%	%
Fixed income investments	**-17,425,382**	**143,316,613**	**-12.2**	**2.5**	**2.5**	**6.3**	**0.4**
Loan receivables [1]							
Bonds	-17,419,350	140,353,231	-12.4	2.5	2.6	6.3	0.4
Other financial instruments and deposits [1] [2]	-6,032	2,963,382	-0.2	-0.4	-0.2	-0.2	-0.6
Equity investments	**-1,248,112**	**20,963,348**	**-6.0**	**29.0**	**-2.8**	**22.7**	**-11.8**
Listed equities [3]	-1,884,820	15,697,854	-12.1	27.9	-3.2	27.9	-13.6
Private equity investments [4]	636,707	5,265,495	12.1	33.1	-1.0	-1.2	6.0
Unlisted equities [5]							
Real estate investments	**84,945**	**1,489,153**	**5.7**	**4.9**	**4.3**	**3.5**	**4.2**
Direct real estate investments							
Real estate investment funds and collective investments	84,945	1,489,153	5.7	4.9	4.3	3.5	4.2
Other investments							
Hedge funds [6]							
Commodities							
Other investments [7]							
Total	**-18,588,549**	**165,769,115**	**-11.2**	**6.1**	**1.8**	**8.1**	**-1.7**
Unallocated income, expenses and operating expenses	-209,693						
Net return on investments at fair value	**-18,798,242**	**165,769,115**	**-11.3**	**5.9**	**1.7**	**8.0**	**-1.9**

1) Includes accrued interest.

2) Includes cash and bank balances, and receivables and payables relating to trading of securities.

3) Includes balanced funds if they cannot be allocated elsewhere.

4) Includes private equity funds and mezzanine funds and also infrastructure investments.

5) Includes unlisted real estate investment companies.

6) Includes all types of hedge fund units irrespective of the fund's strategy.

7) Includes items that cannot be allocated to other groups.

8) Change in market value from beginning and end of reporting period less cash flows during the period.

Cash flow = difference between sales/returns and purchases/costs

9) Capital employed = market value at the beginning of the reporting period + daily/monthly time-weighted cash flows.

Note 22: Calculation principles of key financial ratios

Gross premiums written	=	Insurance premiums written before deducting the share of reinsurers
Earned premiums	=	+ Gross premiums written - Reinsurers' share of gross premiums written +/- Change in the provision for unearned premiums +/- Reinsurers' share of the change in the provision for unearned premiums
Claims ratio, %	=	$\frac{\text{Claims incurred}}{\text{Earned premiums}}$ Claims ratio is calculated after deducting the share of reinsurers from earned premiums.
Expense ratio, %	=	$\frac{\text{Operating expenses}}{\text{Earned premiums}}$ Expense ratio is calculated after deducting the share of reinsurers from earned premiums.
Combined ratio, %	=	Claims ratio, % + Expense ratio, %
Operating profit or loss	=	Profit or loss before change in equalisation provision, appropriations and taxes
Return on total assets, % (at fair value)	=	Numerator: +/- Operating profit or loss + Interest expense and other financial expenses +/- Change in revaluation reserve/fair value reserve +/- Change in valuation difference of investments Denominator: + Balance sheet total +/- Valuation difference of investments The denominator is calculated as the average of the balance sheet values from the end of the financial year and the previous financial year.
Basic own funds	=	+ Equity and reserves + Equalisation provision - Intangible assets + Valuation differences of investments - Foreseeable dividends and distributions - Valuation difference of technical provisions * - Deferred tax liability on Solvency II balance sheet - Items in financial statements included in Solvency II technical provisions *) Valuation differences between Solvency II and FAS technical provisions, net of reinsurance recoverable.
Solvency ratio, %	=	$\frac{\text{Basic own funds}}{\text{Solvency capital requirement}}$

SIGNATURES

Helsinki, 2 February 2023

Karri Haaparinne

Antti Suhonen

Kenneth Kaarnimo

Laura Paasio

Titta Elomaa, CEO

A report on the conducted audit has been issued today.

Helsinki, 2 February 2023

Ernst & Young Oy

Johanna Winqvist-Ilkka

Authorised Public Accountant