

ALANDIA FÖRSÄKRING ABP

FINANCIAL STATEMENTS AND ANNUAL REPORT FOR 2019



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1 MANAGING DIRECTOR'S REVIEW

A purely maritime insurance company

2019 was Alandia's first year since the 1960s as a purely maritime insurance company. We maintained a good level of premium growth right across our insurance divisions, and all product segments experienced growth, obtaining new customers.

Financially speaking, it was an unusually polarised year. Overall, financial results were somewhat weaker than forecast in 2019. The technical result of insurance operations was significantly lower than expected, while the result of investment operations was much higher than expected.

The Yacht Insurance segment achieved good results in Sweden and Finland as a whole, while in Norway its results were fairly poor. In the Hull and Machinery segment, certain markets were very weak, while others reached a satisfactory level. The P&I, Cargo Insurance and Statutory Accident segments suffered the impact of one major claim during the year. However, only a few claims were large enough to exceed the company's retention.

In terms of operational development, we have been able to focus on a much less diversified range of insurance products, which saves resources. The chance to streamline our business has had a positive effect on the company, permitting us to focus on optimising work processes and IT systems. We also made significant investments into loss prevention in 2019, which will later become evident to our customers.

Overall, the hull and machinery insurance sector has seen a significant increase in claims, particularly in large-scale ones, in recent years. Alandia has also been impacted by several of these major, serious claims. A number of larger fires in cargo and engine rooms stand out among these cases, as they are often relatively consequential in scope and therefore can lead to costly repairs or complete write-offs. A sector-specific problem that has arisen in Sweden is boat engine thefts, which have also affected us. The impact of these fire and theft-related claims is already visible in premium pricing. This means that there is an even greater need for damage prevention efforts to help our customers reduce these costs.

As a result of several years of pressure on the market, leading to excessively low premium rates, a number of international players left the hull and machinery insurance market during 2019. A significant improvement in market pricing was seen during the year, especially the second half, thanks to a generally healthier risk appetite.

Through our associated company, Nordisk Marinförsäkring, we gained several new brokerage partners in the continental European market. This has led to new hull and machinery customers in that market.

The digital customer journey for yacht insurance customers became more comprehensive and clearer in 2019. These days we offer everything from digital marketing and a web shop for customers to take out and pay for their yacht insurance directly, to digital communication through their personal "My Pages". Both the web shop and My Pages functions were revamped during the year, and will continue to be improved in terms of the customer's ability to communicate with Alandia.

At the end of 2019, the company made a deal with Aktia Life Insurance, agreeing that Aktia will take over Alandia Life's entire portfolio of life insurance products during the first quarter of 2020. This deal is still subject to approval from the Finnish Financial Supervisory Authority. The transfer will allow Alandia to further focus its internal resources on the maritime insurance business.

Our customer growth in 2019 demonstrates that there is clear demand among customers for a purely commercial maritime insurance operator, which both nurtures its customer relationships and bears its insurance risks. Such operators number few on the market. I therefore predict a continued healthy level of growth for Alandia, although at a more moderate rate than in the last two years. Recent years have demonstrated that we can now also achieve a scalability in our business that benefits both our customers and the company, in that our operating cost ratio has already significantly fallen and will continue to decline further.

Finally, I would like to take this opportunity, on behalf of myself and all of Alandia's personnel, to thank all of our customers, partners, board members and shareholders for their continued good cooperation in 2019. Alandia's entire personnel look forward to further developing the company in 2020, based on our customers' needs.

2 BOARD OF DIRECTORS' REPORT FOR 2019

Alandia Försäkring Abp is the parent company of the insurance group Alandia Insurance, which also comprises the subsidiary Försäkrings Ab Liv-Alandia. 2019 was the company's 82nd year of operation. During the year, Alandia's corporate form was changed to a public limited insurance company and the company name was changed to Alandia Försäkring Abp. The company is headquartered in Mariehamn (Åland), with branches in Helsinki, Stockholm and Gothenburg. Its primary markets are the Nordic and Baltic regions, but its business is also growing in the rest of Europe. A significant proportion of the company's operations are carried out internationally, across the borders between Sweden, Norway, Denmark and the Baltic states.

The company follows a risk management policy formulated annually by the Board, which is described in further detail in section 4.9 Risks and Risk Management, and in the company's Solvency and Financial Position Report. Risk management forms a part of the corporate governance system and its proper functioning is overseen by the internal audit process. The risk management policy covers the group's entire operations and is revised and supplemented annually.

In 2019, the company's solvency capital requirement (SCR) totalled €64 million, and the capital available to cover the SCR was €136.6 million. This means that on 31 December 2019, Alandia Försäkring Abp had a solvency ratio of 213%.

Per the definition in Chapter 26 of the Finnish Act on Insurance Companies (521/2008), Alandia Försäkring Abp forms the ultimate parent company in a group of insurance companies. This group comprises Alandia Försäkring Abp, Försäkringsaktiebolaget Liv-Alandia (subsidiary) and Nordic Marine Insurance AB (associated company). At the group level, the SCR was €74 million, and the available capital was €142.7 million, making the group's solvency ratio 193% at year's end.

On 1 January 2019, Alandia Försäkring Abp transferred its voluntary private insurance policies (child and youth, accidents, travel) to LokalTapiola Sydskusten. Income from the transaction is reported under "other income" in the income statement.

2.1 CONSOLIDATED RESULTS

Besides the parent company, in 2019 the consolidated financial statements comprised the wholly owned subsidiary Försäkringsaktiebolaget Liv-Alandia. They also include the wholly owned subsidiaries Alandia Kapitalförvaltning Ab and Alandia Fonder Ab. These two companies had no operations in 2019. Further, in 2019 the group incorporated Bostads Ab Sandåsvägen 4, wholly owned subsidiary of Försäkringsaktiebolaget Liv-Alandia; and the associated companies Nordic Marine Insurance Ab, of which Försäkringsaktiebolaget Alandia owns 44.48 per cent, and Fastighets Ab Kubiken, of which Försäkringsaktiebolaget Liv-Alandia and Försäkringsaktiebolaget Alandia each own 25 per cent.

The group engages in non-life insurance and life insurance operations. The life insurance business is exclusively directed at the local market in the Åland Islands.

Consolidated Key Figures					
EUR 1,000	2015	2016	2017	2018	2019
Non-life insurance:					
Gross earnings	52 262	47 456	49 394	63 674	75 870
Gross earnings, company's own shares	29 629	30 411	37 569	50 217	63 834
Claims incurred, company's own shares	-22 516	-18 316	-24 685	-41 529	-62 360
Operating costs	-7 157	-9 447	-11 688	-13 536	-16 065
Total cost ratio	100 %	91 %	97 %	110 %	123 %
Net investment income	15 304	10 347	8 868	6 130	7 324
Life insurance					
Gross earnings	7 170	6 175	5 520	5 468	4 674
Claims paid	-8 701	-7 862	-7 945	-8 542	-8 019
Cost ratio	104 %	131 %	118 %	115 %	104 %
Net investment income	13 090	4 278	6 278	3 908	5 901
Consolidated					
Gross earnings	59 432	53 631	54 914	69 142	80 544
Net investment income	28 394	14 625	15 146	10 038	13 224
Financial result	19 451	15 227	19 308	21 595	3 140
Balance sheet total	316 315	312 114	309 394	305 498	311 577
Net asset value (NAV)	168 076	163 039	166 325	149 669	152 683
Dividends paid	8 174	12 067	10 120	11 901	1 990
NAV ratio development (adjusted for dividends paid)	11 %	4 %	8 %	-3 %	3 %

The consolidated profit was €3.1 (21.6) million. The group's total income from premiums amounted to €80.5 (69.1) million. The technical result of insurance operations, including the change in equalisation provision for non-life insurance totalled €-9.2 (16.1) million. The decline is due to the high claims costs for the year, but also to changes in the calculation of the equalisation provision. The new calculation principle results in a lower reduction of the equalisation provision than that which applied until 2018. The equalisation provision decreased by €5.4 (21.0) million.

Internal group shareholdings have been eliminated through acquisition accounting.

Operating Costs

Direct operating costs for the year amounted to €21.4 (19.3) million before being broken down by function. The total operating costs are increased by retained commissions and profit shares from reinsurers and decreased by costs related to the claims function and the investment function. The total operating costs thus adjusted were €17.2 (14.9) million. (See Note 3 to the Income Statement, Operating Costs)

The number of Alandia personnel who manage the administration of the entire group's operations averaged 113 (121) employees during the year.

The Managing Director's remuneration and other terms of employment are set by the Board of Directors. In 2019, the Managing Director was paid €255,600 (381,806) in salary and other benefits. The rest of the management group put together received a total of €48,300 (125,888) in variable remuneration for 2018.

Reinsurance

The group has a reinsurance policy for the purpose of limiting the risk associated with reinsurance ceded. This policy sets minimum credit rating requirements for reinsurers, as well as including a recommendation that no overly large proportion should be placed with the same reinsurer. As a rule, the counterparties should have the highest credit quality of 2 in accordance with the rating scale issued by the European Commission (2016/1800). The group's reinsurance scheme consists of a combination of proportional cover and excess of loss cover. The scheme is renewed for one year at a time and adjusted according to the company's strategy. The Board sets the maximum degree of retention.

2.2 GROUP INSURANCE OPERATIONS

2.2.1 Business Insurance

Alandia's corporate unit consists of four principal business areas: Hull and Machinery, P&I, Cargo and Statutory Accident Insurance. The year was less than satisfactory in terms of the result of claims and Hull and Machinery; P&I and Cargo had weak results, while the technical result for Statutory Accidents was good.

Further capacity has been withdrawn from the international marine insurance market, which allows for a more sustainable price level in Hull and Machinery insurance, and this became evident particularly in the second half of 2019. In other products the adjustment was not as clear, as the trend is on more of an international level and those products are aimed at the local Finnish and Swedish markets.

In 2019, the damage prevention function will be fully staffed and a damage prevention strategy will be launched. Damage prevention will have a positive impact on our customers by proactively reducing the number of claims. Alandia will benefit from it in terms of its insurance result and a strengthening of its competitive position.

During the year, Alandia continued to work on strengthening its services for customers, and it will continue to do so in the coming years to maintain its strong competitiveness. The plan for 2020 is portfolio consolidation before growth.

Hull and Machinery Insurance

The Coastal Tonnage segment refers to hull and machinery insurance for vessels in commercial use with a gross tonnage of below 500 GT. The market comprises Sweden, Finland, Norway, Denmark and, to a lesser degree, the Baltic region. Lower tonnage on the Norwegian and Danish markets remains an area with great development potential.

The Hull and Machinery segment refers to insurance for vessels exceeding 500 GT in tonnage. Customers are chiefly linked in some way to the Nordic or Baltic regions, but there are also international operations, centred on continental European markets.

With a focus primarily on Nordic shipping companies, Alandia continuously works on improving its services to customers. Thanks to its leading market position in Finland and Sweden, and growing market shares in Norway and Denmark, Alandia is continuing to gain the confidence of more and more customers. The number of customers who choose to have Alandia as their leading insurer is also increasing.

Premium income for 2019 totalled €49.1 (38.7) million. The marine insurance market overall has increasing premium levels, which has affected Alandia's business volumes. In addition, as in the preceding years, an increasing number of business enquiries have led to new customers and contributed to growth in premium volumes. The company is continuing its sales efforts in new markets through Nordic marine insurance brokers, and via its collaboration with Marine Underwriting Services in Riga and Nordic Marine Insurance in Stockholm.

The financial period also comprised an increase in the number of claims – which is natural, given the growing number of customers – as well as in total claims costs, compared to the previous year. The biggest impact on the claims result came from the Norwegian, Baltic and continental European markets. There were relatively few major claims (> €1 million), but the number of medium-sized claims accumulated, leading to a significantly worse claims result than in previous years. This causes the year to have been very weak year in terms of earnings.

P & I

Alandia offers P&I insurance for shipowners and charterers. Furthermore, the company provides defence insurance, as well as diverse supplements to its P&I policies.

Competition in the P&I market remained tough in 2019, but Alandia's growth succeeded in spite of it, thanks to its local presence and good contacts via the hull and machinery insurance sector. Alandia's product and high-quality claims service are a competitive and attractive alternative to the larger competitors that dominate the P&I market.

Premium income grew in 2019, reaching a total of €3.8 (3.3) million. Taking into account the competition, especially on the Norwegian market, this level of growth was good, especially as in 2019 we have signed on a number of new major customers in both shipowners' and charter P&I.

There were more major claims than usual during the year, but according to our assessment, this seems to have been due to natural volatility rather than any trend. The frequency of claims as a whole was normal. We see good opportunities for continued growth and profitability in P&I insurance.

Cargo Insurance

Alandia provides goods and carrier liability insurance in Sweden, Finland and the Baltic region, as well as, to a lesser degree, for one-off risks in Denmark, Norway and Central Europe.

From 1 January 2019, the company's cooperation with Marine Underwriting Services in Riga has been extended to also cover cargo insurance, which has led to a considerable increase in volume from the Baltic market.

The hardening trend of international cargo insurance markets has not had a noticeable impact on the local core markets and, especially, the small and medium-sized customer segment. The market's available capacity remains largely unchanged, which means an oversupply in the Swedish and Finnish markets. Despite this challenging market situation, Alandia has managed the competition well.

In 2019, the division's premium income was €4.4 (3.2) million. The claims result for 2019 was better than 2018 in terms of both frequency and claims paid, with the exception of one major claim that had a negative impact on the result.

Statutory Accident Insurance

Alandia Insurance offers statutory accident insurance for cargo and passenger vessels registered in mainland Finland and Åland, as well as for shipping companies' office personnel.

Premium income from statutory accident insurance totalled €2.7 (2.7) million.

In 2019, the segment suffered from one particular claim that resulted in a large one-off reserve. The number of high-frequency claims increased marginally (+1.4%). Claims paid during the year (excluding pool claims) increased by 33% compared to 2018. The results for the division were positively affected in 2019 by a number of new and some cancelled claim-specific reserves, combined with changes in the calculation principles of reserves.

The market is limited due to the company's specialisation in the maritime sector and the fact that the product is a Finnish statutory insurance that cannot be sold elsewhere. Therefore Alandia's strategy does not include specific growth forecasts for this product. We will strive to maintain our market position through organic growth among existing customers, among other means.

Statutory accident insurance complements Alandia's other services offered to Finnish shipping companies, especially taking into account the personnel's specialist competence within the maritime sector and onboard work.

2.2.2 Private Insurance

After the transfer of travel and accident insurance to LokalTapiola Sydskusten, and given Liv-Alandia having stopped selling new policies, Alandia Försäkrings' private insurance division consists purely of yacht insurance sold on the Nordic market.

Yacht Insurance

The company carries out yacht insurance operations in Sweden, Finland (including Åland) and Norway. The division has three sales channels: online, partners and direct sales teams. Operations in Norway are managed by our partner Söderberg & Partners. Alandia is responsible for products and premium pricing, while the partner takes care of sales, the insuring process and handling of claims.

During the year, growth continued in all boat segments in Sweden and Finland. Despite continued tough price competition and a market displaying a variety of behaviours, Alandia achieved an increase in its insured stock of yachts. A strong focus on customer selection and underwriting contributed to improved profitability during the year.

Resources were increased on the sales side to boost sales of new policies, and new boat types were again launched in the online store. Customer service was improved with the new My Pages function, where customer data is protected through strong authentication in all transactions.

2.2.3 Life Insurance

No new sales were carried out in 2019, as the business division has been in run-off since the end of 2018. Existing policies will remain valid for as long as customers pay their premiums and/or the company has liabilities for compensation.

2.3 GROUP INVESTMENT OPERATIONS

The net result of investment operations for 2019 was €13.2 (10.0) million. This figure comes from capital gains and losses, which fluctuate year on year depending on sales in the investment portfolio. For a more detailed description, please refer to Note 2 to the Income Statement.

Group investment operations at market value

At the end of the year, the group's investment assets including bank deposits totalled €291.1 (277.8) million at market value, and the return on investment was 6.8(−0.4) per cent. The market value of interest-bearing investments was €163.4 (151.1) million and that of equity investments was €73.1 (58.3) million. The market value of properties was €43.8 (48.0) million. Investments in hedge funds totalled €22.1 (28.5) million.

Returns on consolidated shareholdings at market value, including exchange hedging, totalled 17.1(−0.2) per cent during the year, with positive results in most markets. Combined, listed shareholdings yielded strong returns.

The return on interest-bearing investments at market value was 4.5(−2.0) per cent. ROI from growth markets was 9.5(−4.5) per cent, from high-yield investments 11.8(−0.2) per cent, and from investment-grade investments 6.0(−2.1) per cent. The group's own direct loan investments yielded returns of −33.7 (1.4) per cent. The low returns were due to a debtor filing for bankruptcy protection during the year. Direct loan investments totalled less than €0.1 million at the end of 2019.

The group's property investments yielded returns of 4.2 (5.3) per cent, and hedge funds 1.6(−2.6) per cent.

2.4 EVENTS AFTER THE REPORTING PERIOD

Alandia Försäkring Abp's shares were entered in Euroclear's book-entry system on 31 January 2020. An agreement to sell the company's holding in Nordisk Marinförsäkring AB has been concluded and is awaiting approval from the Swedish Financial Supervisory Authority.

An application has been submitted to the Finnish Financial Supervisory Authority to transfer Liv-Alandia's insurance portfolio to Aktia Livförsäkring Ab. After that, Liv-Alandia will be merged into the parent company.

On 17 March 2020, S&P Global announced it had designated the company's rating as A- CreditWatch Negative. S&P Global announced at the same time that within 90 days, having undergone discussions with the company's management, it would decide whether to maintain the rating as it was or downgrade it by a maximum of two tiers.

2.5 PROSPECTS FOR 2020

Considering the fact that premium levels are rising in the global marine insurance market, our goal and expectation is that premium income will continue to increase but at a lower rate than in 2019. Operating costs are expected to increase at a relatively lower rate than premium income, which is why the operating cost ratio is expected to fall. Claims costs are expected to be significantly lower than in 2019.

During the year, there will be a great focus on reducing claims costs in order to achieve a positive insurance-technical result. We will continue to work on optimising internal processes and further developing IT support to fit the new, more streamlined business.

In line with the group's strategy, the investment portfolios of Alandia and Liv-Alandia contain a large proportion of low-risk investments.

The current outbreak of COVID-19 and its impact on both the insurance and financial markets make for a high level of uncertainty in providing a forecast for the ongoing year.

2.6 PARENT COMPANY INCOME STATEMENT

The turnover for the year totalled €84.8 (67.1) million and profit after tax was €0.4 (15.9) million. Premium income increased to €75.9 (63.7) million. There was growth in all of the marine insurance segments, i.e., Hull and Machinery, P&I, cargo and yacht insurance. Operating costs rose significantly for the period, reaching €16.1 (13.5) million. This was mostly due to acquisition provisions and personnel costs, but is also an effect of changes in reinsurance, which mean continued reductions in commissions and shares of profits from reinsurers, which are visible as an increase in operating costs. Another contributing factor to the increased costs is that the parent company now bears the costs of crucial services previously shared with Pensions-Alandia.

The number of Alandia Försäkring employees who manage the administration of the entire group's operations averaged 113 (119) during the year.

The Managing Director's remuneration and other terms of employment are set by the Board of Directors. In 2019, the Managing Director was paid €255,600 (305,445) in salary and other benefits. The rest of the management group put together received a total of €48,300 (114,275) in variable remuneration for 2018.

2.7 BOARD OF DIRECTORS

The Board of Directors consisted of Roger Lönnberg, chair (with Matts Rosenberg as his personal deputy), Jan Hanses, vice chair (Ulf Hagström), and Björn Blomqvist (Malin Skogberg), Eero Holma (Tomas Ölander), Laura Paasio (Laura Langh-Lagerlöf) and Peter Wiklöf (Jonny Lilja) as members.

The Annual General Meeting on 27 May 2019 resolved, in accordance with the nomination committee's proposal, to elect the following persons and their personal deputies up until the following Annual General Meeting 2020: Stefan Björkman as chair (with Matts Rosenberg as his personal deputy), Thomas Ekström as vice chair (Roger Lönnberg), and Björn Blomqvist (Malin Skogberg), Jan Hanses (Ulf Hagström), Eero Holma (Håkan Johansson), Laura Paasio (Laura Langh-Lagerlöf) and Peter Wiklöf (Jonny Lilja) as members.

The Board conducts an annual internal audit of its own operations, with the help of tools such as a questionnaire. The outcomes of the audit are discussed in a subsequent board meeting under the leadership of the chairman of the Board.

The Board convened on 10 occasions during the year; minutes were kept of all these meetings.

3 CONSOLIDATED FINANCIAL STATEMENTS

3.1 CONSOLIDATED INCOME STATEMENT

Group		1/1-31/12	1/1-31/12
€	Note	2019	2018
Technical account: non-life insurance operations			
Premiums earned			
Gross earnings	1	75 869 548	63 674 113
Reinsurers' share		-8 025 679	-6 081 774
Gross earnings, company's own shares		67 843 868	57 592 339
Change in premium reserve		-4 628 557	-7 485 065
Reinsurers' share		618 881	110 002
Change in premium reserve, company's own shares		-4 009 676	-7 375 063
Gross earnings, company's own shares		63 834 193	50 217 276
Claims incurred			
Claims paid	3	-48 998 738	-34 053 451
Reinsurers' share		2 251 036	4 452 524
Claims paid, company's own shares		-46 747 702	-29 600 927
Change in indemnity reserve		-16 191 888	-7 917 849
Reinsurers' share		580 005	-4 009 920
Change in indemnity reserve, company's own shares		-15 611 883	-11 927 769
Claims incurred, company's own shares		-62 359 585	-41 528 696
Operating Costs	3, 4	-16 065 487	-13 535 962
Technical result of insurance operations/result before change in the equalisation prov		-14 590 880	-4 847 382
Change in equalisation provision		5 381 354	20 988 988
Technical result of insurance operations	5	-9 209 525	16 141 606
Technical account: life insurance operations			
Gross earnings			
Gross earnings	1	4 674 077	5 467 970
Reinsurers' share		-177 755	-130 017
Gross earnings, company's own shares		4 496 322	5 337 953
Investment income	2	6 731 568	12 678 559
Investments comprising cover for investment fund insurance	2	83 686	5 659
Unrealized increases in value of investment fund insurance assets	2	3 130 740	0
Claims incurred			
Claims paid	1, 3	-8 019 113	-8 541 790
Claims paid, company's own shares		-8 019 113	-8 541 790
Change in indemnity reserve		-1 046 621	-1 434 491
Reinsurers' share		1 048 730	0
Change in indemnity reserve, company's own shares		2 109	-1 434 491
Claims incurred, company's own shares		-8 017 004	-9 976 281
Change in premium reserve			
Change in premium reserve		521 829	6 655 326
Change in premium reserve, company's own shares		521 829	6 655 326
Operating Costs	3	-1 121 125	-1 316 204
Investment expenses	2, 3	-4 027 942	-7 243 465
Unrealized decreases in value of investment fund insurance assets	2	0	-1 520 642
Investments comprising cover for investment fund insurance	2	-17 215	-12 156
Technical result of insurance operations		1 780 858	4 608 749
Non-technical account			
Technical result of non-life insurance operations		-9 209 525	16 141 606
Investment income		11 009 387	14 223 897
Investment expenses	3	-3 685 845	-8 093 417
Net investment income	2	7 323 541	6 130 480
Other income		2 599 617	38 840
Other income, total		2 599 617	38 840
Other expenses		0	-15 047
Other expenses, total		0	-15 047
Share of profit (loss) from associated companies		1 182 064	-660 023
Extraordinary items, total		1 182 064	-660 023
Profit before appropriations and taxes		3 676 554	26 244 605
Income tax			
Tax for the financial period		-491 226	-3 785 362
Tax for previous financial periods		-44 955	161 421
Deferred tax		0	4 280
Income tax, total		-536 182	-3 619 661
Minority interest		0	-1 029 638
Profit (loss) for the financial period		3 140 373	21 595 305

3.2 CONSOLIDATED BALANCE SHEET

BALANCE SHEET ASSETS

Group

€	Note	31.12 2019	31.12 2018
Intangible assets			
Intellectual property rights		374 755	230 960
Intangible assets, total	6	374 755	230 960
Investments			
Investments in properties			
Properties and shares in properties		28 480 804	29 785 747
Loan receivables from the Group and companies representing owners		1 483 708	0
Investments in properties, total	8	29 964 512	29 785 747
Investments in Group companies and in companies representing ownership interests			
Shares and participating interests in associated companies		7 516 503	6 166 944
Investments within Group and in companies representing ownership interests		7 516 503	6 166 944
Other investments			
Shares and participating interests		76 497 071	82 779 587
Financial market instruments		122 346 163	110 399 617
Other loan receivables		56 822	1 780 513
Other investments, total		198 900 055	194 959 717
Deposit receivables within reinsurance		291 409	311 529
Investments, total	9	236 672 479	231 223 937
Investments comprising cover for investment fund insurance	10	15 566 810	12 992 122
Receivables			
From direct insurance operations			
From policyholders		26 402 411	22 938 513
Receivables from direct insurance operations, total		26 402 411	22 938 513
From reinsurance operations		111 444	155 671
Other receivables		0	437 589
Deferred tax credit		0	7 939
Receivables, total	12	26 513 855	23 539 712
Other assets			
Tangible assets			
Machinery and equipment	7	214 710	362 625
Other tangible assets		518 385	518 385
Advance payments and construction in progress		24 135	24 135
Tangible assets, total		757 230	905 145
Cash and bank balances		21 280 839	30 677 670
Other assets, total		22 038 068	31 582 815
Prepayments and accrued income			
Interest and rent		52 073	224 851
Other appropriations aimed at equalising reported net profit		10 359 102	5 703 665
Prepayments and accrued income, total		10 411 175	5 928 516
Total assets		311 577 142	305 498 060

BALANCE SHEET EQUITY AND LIABILITIES

Group			
€	Note	31.12 2019	31.12 2018
Shareholders' equity			
Share capital or initial fund		20 000 000	20 000 000
Statutory reserve		97 549	97 549
Balanced profit (loss) from previous financial periods		55 045 173	35 439 448
Profit (loss) for the financial period		3 140 373	21 595 305
Shareholders' equity, total	11	78 283 095	77 132 302
Minority share		0	1 029 638
Insurance-technical reserves			
Premium reserve		83 351 349	83 087 463
Reinsurers' share		-2 143 094	-1 524 213
Premium reserve, own share		81 208 255	81 563 250
Indemnity reserve		105 397 753	90 144 327
Reinsurers' share		-6 927 732	-5 343 372
Indemnity reserve, own share		98 470 021	84 800 955
Equalisation provision		29 366 160	34 872 231
Technical reserves, own share		209 044 436	201 236 436
Technical reserves for investment fund insurance			
Insurance-technical reserves	10	15 659 376	12 687 296
Technical reserves for fund insurance, own share		15 659 376	12 687 296
Liabilities			
From direct insurance operations		1 446 624	309 347
From reinsurance operations		2 095 317	822 373
Other liabilities		825 172	7 463 989
Deferred tax liability		4 098	0
Liabilities, total	12	4 371 211	8 595 709
Prepayments and accrued income		4 219 025	4 816 680
Total equity and liabilities		311 577 142	305 498 060

3.3 NOTES TO THE CONSOLIDATED BALANCE SHEET

Note 9 Market value and valuation gain/loss for investments

	31.12 2019			31.12 2018		
	Remaining acquisition cost	Carrying amount	Market value	Remaining acquisition cost	Carrying amount	Market value
Property investments						
Properties	28 480 804	28 480 804	46 231 103	29 785 747	29 785 747	46 046 087
Loan receivables from companies representing ownership	1 483 708	1 483 708	1 483 708	0	0	0
	29 964 512	29 964 512	47 714 811	29 785 747	29 785 747	46 046 087
Investments in companies representing ownership interests						
Shares and participating interests	7 516 503	7 516 503	9 916 960	6 166 944	6 166 944	7 488 053
	7 516 503	7 516 503	9 916 960	6 166 944	6 166 944	7 488 053
Other investments						
Shares and participating interests	76 497 071	76 497 071	98 462 142	82 779 587	82 779 587	97 734 816
Financial market instruments	123 092 000	122 346 163	126 574 659	116 640 236	110 399 617	112 618 307
Other loan receivables	56 822	56 822	56 822	1 780 513	1 780 513	1 780 513
	199 645 893	198 900 055	225 093 623	201 200 336	194 959 717	212 133 636
Deposit receivables within reinsurance						
	291 409	291 409	291 409	311 529	311 529	311 529
Total	237 418 316	236 672 479	283 016 802	237 464 556	231 223 937	265 979 305

The remaining acquisition cost for financial market instruments comprises the difference between the nominal value and acquisition price, distributed over a period of time as interest income (+) or as a decrease (-) in interest income

	-745 837	-6 240 619
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Yield from indexed loans	45 498	58 630
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Valuation gain/loss (difference between market value and carrying amount)	46 344 323	34 755 369
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Note 10 Investments comprising cover for investment fund insurance

	31.12 2019		31.12 2018	
	Original acquisition cost	Market value (=carrying amount)	Original acquisition cost	Market value (=carrying amount)
Investments comprising cover for investment fund insurance 31 Dec.				
Shares and participating interests	12 550 820	15 566 810	12 506 643	12 992 122
Investments acquired in advance		92 566		-304 826
Total	12 550 820	15 659 376	12 506 643	12 687 296
Investments corresponding to the technical reserves for investment fund insurance	12 550 820	15 659 376	12 506 643	12 687 296
Insurance-technical reserves				
Life insurance companies:				
Investments corresponding to the technical reserves for investment fund insurance		15 659 376		12 687 296
Total		15 659 376		12 687 296

4 PARENT COMPANY FINANCIAL STATEMENTS

4.1 PARENT COMPANY INCOME STATEMENT

Alandia Försäkring Abp	Note	1/1-31/12 2019	1/1-31/12 2018
Premiums earned			
Gross earnings	1	75 869 548	63 674 113
Reinsurers' share		-8 025 679	-6 081 774
Gross earnings, own share		67 843 868	57 592 339
Change in premium reserve		-4 628 557	-7 485 065
Reinsurers' share		618 881	110 002
Change in premium reserve, own share		-4 009 676	-7 375 063
Gross earnings, own share		63 834 193	50 217 275
Claims incurred			
Claims paid		-48 998 738	-34 053 451
Reinsurers' share		2 251 036	4 452 524
Claims paid, own share		-46 747 702	-29 600 927
Change in indemnity reserve		-16 191 888	-7 917 849
Reinsurers' share		580 005	-4 009 920
Change in indemnity reserve, own share		-15 611 883	-11 927 769
Claims incurred, own share		-62 359 585	-41 528 696
OPERATING COSTS	3, 4	-16 065 487	-13 535 962
Technical result of insurance operations before change in equalisation provision		-14 590 880	-4 847 383
Change in equalisation provision		5 381 354	20 988 988
Technical result of insurance operations	5	-9 209 525	16 141 605
Non-technical account			
Technical result of non-life insurance operations		-9 209 525	16 141 605
Investment income		11 009 387	10 843 962
Investment expenses		-3 985 845	-7 660 924
Net investment income	2	7 023 541	3 183 037
Other items, total			
Other income		2 599 617	38 140
Other items, total		2 599 617	38 140
Profit (loss) before extraordinary items / Profit (loss) before appropriations and taxes		413 632	19 362 783
Appropriations			
Change in depreciation difference		0	6 353
Appropriations, total		0	6 353
Income tax			
Tax for the financial period		-29 784	-3 578 674
Tax for previous financial periods		-15 505	126 301
Income tax, total		-45 289	-3 452 373
Profit (loss) for the financial period		368 343	15 916 763

4.2 PARENT COMPANY BALANCE SHEET

BALANCE SHEET ASSETS				
Alandia Försäkring Abp	Note	31.12.2019	31.12.2018	
Intangible assets				
Intellectual property rights	6	374 755	230 960	
Intangible assets, total		374 755	230 960	
Investments				
Investments in properties				
Properties and shares in properties		13 500 909	14 066 908	
Loan receivables from companies representing ownership interests		741 854	3 006 633	
Investments in properties, total	8	14 242 763	17 073 541	
Investments in Group companies and in companies representing ownership interests				
Shares and participating interests in Group companies		5 138 720	3 713 720	
Shares and participating interests in associated companies		6 026 328	6 990 795	
Investments within Group and in companies representing ownership interests, total		11 165 048	10 704 515	
Other investments				
Shares and participating interests		56 962 499	48 043 896	
Financial market instruments		62 515 429	57 754 539	
Other loan receivables		4 097	165 386	
Other investments, total		119 482 025	105 963 821	
Deposit receivables within reinsurance		291 409	311 529	
Investments, total	9	145 181 244	135 478 406	
Receivables				
From direct insurance operations				
From policyholders		26 227 756	22 780 098	
Receivables from direct insurance operations, total		26 227 756	22 780 098	
From reinsurance operations		111 444	155 671	
Other receivables		1 222	200 470	
Receivables, total		26 340 422	23 136 239	
Other assets				
Tangible assets				
Machinery and equipment	7	192 265	311 542	
Other tangible assets		542 520	542 520	
Tangible assets, total		734 785	854 062	
Cash and bank balances		9 227 875	15 325 164	
Other assets, total		9 962 660	16 179 226	
Prepayments and accrued income				
Interest and rent		23 496	117 342	
Other appropriations aimed at equalising reported net profit	11	9 531 616	4 668 165	
Prepayments and accrued income, total		9 555 111	4 785 506	
Total assets		191 414 193	179 810 337	

BALANCE SHEET EQUITY AND LIABILITIES			
Alandia Försäkring Abp	Note	31.12.2019	31.12.2018
Shareholders' equity			
Share capital or initial fund		20 000 000	20 000 000
Statutory reserve		97 549	97 549
Balanced profit (loss) from previous financial periods		36 046 812	22 119 629
Profit (loss) for the financial period		368 343	15 916 763
Shareholders' equity, total	10	56 512 704	58 133 941
Insurance-technical reserves			
Premium reserve		31 033 462	27 392 037
Reinsurers' share		-2 143 094	-1 524 213
Premium reserve, own share		28 890 368	25 867 824
Indemnity reserve		75 041 183	60 718 008
Reinsurers' share		-5 879 002	-5 343 372
Indemnity reserve, own share		69 162 181	55 374 636
Equalisation provision		29 366 160	34 872 231
Technical reserves, own share		127 418 709	116 114 691
Liabilities			
From direct insurance operations		1 284 847	165 212
From reinsurance operations		1 940 682	705 855
Other liabilities		302 036	463 133
Liabilities, total		3 527 565	1 334 201
Prepayments and accrued income	12	3 955 215	4 227 504
Total equity and liabilities		191 414 193	179 810 337

4.4 NOTES TO THE PARENT COMPANY BALANCE SHEET

Note 9 Market value and valuation gain/loss for investments

	31.12 2019			31.12 2018		
	Remaining acquisition cost	Carrying amount	Market value	Remaining acquisition cost	Carrying amount	Market value
Property investments						
Properties	13 500 909	13 500 909	27 115 460	14 066 908	14 066 908	26 932 949
	13 500 909	13 500 909	27 115 460	14 066 908	14 066 908	26 932 949
Investments in Group companies						
Shares and participating interests	5 138 720	5 138 720	19 984 053	5 138 720	5 138 720	19 984 053
	5 138 720	5 138 720	19 984 053	5 138 720	5 138 720	19 984 053
Investments in companies representing ownership interests						
Shares and participating interests	6 026 328	6 026 328	7 282 500	6 990 795	6 990 795	8 921 699
Loan receivables	741 854	741 854	741 854	3 006 633	3 006 633	3 006 633
	6 768 182	6 768 182	8 024 354	9 997 427	9 997 427	11 928 332
Other investments						
Shares and participating interests	56 962 499	56 962 499	73 478 509	48 043 896	48 043 896	59 160 712
Financial market instruments	62 961 384	62 515 429	64 775 810	59 318 431	57 754 539	59 137 903
Other loan receivables	4 097	4 097	4 097	165 386	165 386	165 386
Other investments	0	0	0	0	0	0
	119 927 980	119 482 025	138 258 416	107 527 713	105 963 821	118 464 002
Deposit receivables within reinsurance						
	291 409	291 409	291 409	311 529	311 529	311 529
Total	145 627 199	145 181 244	193 673 691	137 042 298	135 478 406	177 620 865

The remaining acquisition cost for financial market instruments comprises the difference between the nominal value and acquisition price, distributed over a period of time as interest income (+)

or as a decrease (-) in interest income

	-445 955	-1 563 892
Yield from indexed loans	27 299	35 178

Valuation gain/loss (difference between market value and carrying amount)

48 492 447

42 142 459

4.5 BOARD'S PROPOSAL FOR DISTRIBUTION OF PARENT COMPANY PROFITS

Alandia Försäkring Abp had 198,958 registered shares as of 31 December 2019.

The Board of Directors proposes that the earnings at the disposal of the Annual General Meeting, namely:

Profit for 2019	368,343
Balanced profit from previous financial periods	36,046,812

be used as follows:

€15 per share to be paid out in dividends, for a total of €2,984,370.

If the above proposal is approved by the Annual General Meeting, the company's own cash and funds will amount to €53,528,334, distributed as follows:

Share capital	20,000,000
Statutory reserve	97,549
Balanced profit from previous financial periods	<u>33,430,785</u>
	53,528,334

Mariehamn, 17 March 2020

ALANDIA FÖRSÄKRING ABP

Stefan Björkman, Chairman

Thomas Ekström

Björn Blomqvist

Jan Hanses

Eero Holma

Laura Paasio

Peter Wiklöf

Tony Karlström, Managing Director

A report of the audit conducted has been presented today.

Place 20 March 2020

Ernst & Young Ab
Auditors

Kristina Sandin, APA

Erika Grönlund, APA

5 ADMINISTRATIVE BODIES

5.1 BOARD OF DIRECTORS

Member

Roger Lönnberg, Chair
Jan Hanses, Vice Chair
Björn Blomqvist
Eero Holma
Laura Paasio
Peter Wiklöf

Deputy

Matts Rosenberg
Ulf Hagström
Malin Skogberg
Tomas Ölander
Laura Langh-Lagerlöf
Jonny Lilja

New Board of Directors as of 27 May 2019

Ordinary

Stefan Björkman, Chairman
Thomas Ekström, Vice-Chairman
Björn Blomqvist
Jan Hanses
Eero Holma
Laura Paasio
Peter Wiklöf

Deputy

Matts Rosenberg
Roger Lönnberg
Malin Skogberg
Ulf Hagström
Håkan Johansson
Laura Langh-Lagerlöf
Jonny Lilja

Each member's term expires at the end of the Annual General Meeting.

Board committees

The Compensation and Succession Committee consisted, until the AGM, of Björn Blomqvist (chair), Eero Holma, Laura Paasio and Tony Karlström (convener).

The Nomination Committee consists of representatives of the three major shareholders, and, for the time being, Matts Rosenberg (convener), Jan Hanses and Håkan Johansson.

The Audit Committee consisted, until the AGM, of: Jan Hanses (chair and convener), Tomas Ölander and Malin Skogberg. After the Annual General Meeting, the committee consisted of Thomas Ekström (chair and convener), Jonny Lilja and Malin Skogberg.

The Solvency and Investment Committee consisted, after the AGM, of: Stefan Björkman (chair and convener) and Eero Holma.

5.2 AUDITORS

Ordinary

Kristina Sandin, APA, Ernst & Young Oy
Erika Grönlund, APA

Deputy

Ernst & Young Oy
Robert Söderlund, APA

5.3 PHYSICIANS

Teemu Takala, until 28 February 2019
Kerstin Kronqvist, from 1 March 2019

5.4 ACTUARIES

Mathias Brunnsberg, Alandia Försäkring Abp
Olof Eriksson, Försäkringsaktiebolaget Liv-Alandia