

ALANDIA FÖRSÄKRING ABP

FINANCIAL STATEMENTS AND ANNUAL REPORT FOR 2022,
CONDENSED VERSION



MANAGING DIRECTOR'S REVIEW

Improved actuarial performance in 2022

The technical underwriting result improved during the year but there is still some way to go before the long-term target levels are achieved. The results of investment activities worsened considerably due to weak financial market trends.

The conditions for operating international marine insurance business were significantly impacted by two factors during 2022: Russia's invasion of Ukraine in February, as well as rapidly rising inflation. The war has meant a great deal of extra work for Alandia due to a significant increase in the number of sanctions checks, as well as a loss of revenue as a result of customers with links to Russia not having their insurance cover renewed. No new insurance policies underwritten for Russian parties after February 2022.

Rising inflation has affected the claims costs trend in the form of increased costs for spare parts and repair work. Supply chain challenges have also led to longer repair times and thus higher claims costs.

Premium income for the year remained on a par with the previous year. Growth was mainly derived from the international hull insurance market, from the leisure boat markets in both Finland and Sweden and from the strengthening of the US dollar. Premium income was adversely affected by the company's previous Russian exposure and a considerable weakening in both the Swedish krona and the Norwegian krone.

The company's own share of premium earnings increased but was also burdened by reinstatement premiums relating to a relatively large claim where the reinsurers had to cover a significant part of the claim cost.

The loss ratio for the year improved to 70%, compared with 80.4% the previous year. The company's own share of non-life costs decreased as a result of the continued fall in the overall claims frequency during the year. Increasing claims costs per claim had a negative effect, however, as a result of rising inflation.

The company's expense ratio rose during the year to 24.5%, compared with 24.3% the previous year. This increase is due to higher brokerage commissions as a larger proportion of premiums are arranged through brokers in the international markets. Internal administration costs as a share of premium income have continued to fall due to the streamlining of operations and a weaker Swedish krona. We intend to continue our work to streamline our processes and so reduce the expense ratio and enhance the company's competitiveness. A new ERP system was implemented during the course of the year. The implementation of the system has been challenging and in many ways resource-intensive, but we are starting to resolve the final operational issues. As a result, in 2023 we will begin to see the benefit of the implementation and efficiency improvements.

The return in the investment portfolios was 0.7%, compared with 9.3% the previous year. Given the market conditions, this can be considered a good result, as most financial markets had a negative return for the year. The holdings in Ålandsbanken and Viking Line made a positive contribution to the return, as did the Private Equity funds portfolio. The real assets portfolio also showed a clearly positive return. The draining element of the portfolio was the fixed income portfolio, which, despite a shorter duration than before, was negatively affected by rising market interest rates and credit risk margins.

The company's solvency position improved slightly during the year as a result of the portfolio transfer and a lower risk level in the investment portfolio. The solvency ratio in accordance with Solvency II is at a very good level of 251%, compared with 247% at the end of the previous year. During the year, rating agency S&P Global changed its outlook for Alandia to stable and at the same time confirmed its A- rating.

On 1 December 2021, Alandia signed a letter of intent with LokalTapiola to sell its statutory accident and patient insurance portfolio, along with the customer relationships, to LokalTapiola. The transaction was completed on 1 July 2022 and the insurance portfolio was transferred to LokalTapiola entirely according to plan.

In 2021, Alandia signed up to the UN Principles for Sustainable Insurance (UN PSI). Work to implement these principles is ongoing and the aim is for the implementation to take place in a way that allows the company's operations to develop and become continuously more sustainable from the perspective of all stakeholders. The first annual sustainability report was published on the UN's website in June 2022 and the commitment made by the company means that reports will be published there annually.

On behalf of all Alandia's staff, I would like to thank our customers, partners, Board members and owners for their continued good cooperation in 2022. A big thank you also from me personally to the entire staff who, in the aftermath of a pandemic, challenging geopolitical circumstances and uncertain economic times, have worked hard to achieve success for Alandia during the year.

BOARD OF DIRECTOR'S ANNUAL REPORT FOR 2022

Alandia Försäkring Abp is the parent company of the Alandia Försäkring group. The company celebrated its eighty-fifth year of operation in 2022.

Alandia is an insurance company focused on marine, transport and leisure boat insurance. With over 80 years of experience, Alandia offers the best marine insurance solutions and claims services to its customers in a committed and responsible way. With its head office in Mariehamn and offices in Helsinki, Stockholm and Gothenburg, Alandia employs 124 experts.

The company's main market areas are the Nordic and Baltic countries, but operations are also growing in the rest of Europe. A significant proportion of the parent company's operations are carried out internationally, across the borders between Sweden, Norway, Denmark and the rest of Europe.

The company's risk management is managed in accordance with the risk management policy adopted annually by the Board, which is described in more detail in Note 4 Risks and Risk Management as well as in the Progress Report on Solvency and Financial Position. 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.

Alandia's A- rating at Standard & Poor's was confirmed on 4 October 2022 and the company was revised to Stable Outlook.

The solvency ratio of Alandia Försäkring Abp is very good and is 251% (247%) as at the closing date.

CONSOLIDATED RESULTS, IFRS

In addition to the parent company, the group included the wholly owned subsidiaries Alandia Kapitalförvaltning Ab and Alandia Fonder Ab. No operations were carried out in these two companies in 2022. In 2022, the group also includes Bostads Ab Sandåsvägen 4, wholly owned subsidiary of Alandia Försäkring Abp, and the associated company Fastighets Ab Kubiken, which is 50% owned by Alandia Försäkring Abp. The average number of employees in the group during the year was 124 (124).

KEY FIGURES

EUR 1,000	01/01/2022 – 31/12/2022	01/01/2021 – 31/12/2021
Gross written premium	93 087	93 092
Premiums earned, own share	80 993	80 022
Claims incurred, own share	-56 682	-64 313
Operating expenses	-19 848	-19 420
Technical result from insurance operations	4 463	-3 711
Investment result	1 931	27 437
Profit/loss for the period	2 035	18 360

EUR 1,000	31.12.2022	31.12.2021
Shareholder's equity	156 935	161 873
Paid dividend	6 964	24 870
Loss ratio	70,0 %	80,4 %
Expense ratio	24,5 %	24,3 %
Combined ration	94,5 %	104,6 %
Return on equity (adjusted for paid dividend and result from discontinued operations)	1,3 %	10,9 %

The group's profit from continuing operations for the year amounts to EUR 2.0 (18.4) million. The group's total premium income amounts to EUR 93.0 (93.0) million and the actuarial result was EUR 4.5 (-3.7) million.

REINSURANCE

In order to protect the capital and maintain a balanced level of risk, the group buys reinsurance. The group has a reinsurance policy for the purpose of limiting the risk associated with reinsurance ceded. The policy means, among other things, that the group sets minimum requirements for the creditworthiness of its reinsurance partners, and that not too large a share of reinsurance is concentrated at a single reinsurer. The main rule is that counterparties have at least credit quality 2 in accordance with the credit quality scale issued by the European Commission (2016/1800).

The group's reinsurance programme consists of a combination of proportional cover and excess of loss cover. The programmes are renewed for one year at a time and adjusted according to the company's strategy. The Board sets the maximum degree of retention.

Operating costs

The operating costs of the insurance business amounted to EUR 19.8 million (19.4) and the expense ratio was 24.5 per cent (24.3). A more detailed description of costs can be found in Note 8 Employee benefits and Note 9 Operating expenses in the group.

INVESTMENT ACTIVITIES

The return in the investment portfolios was 0.7 per cent (9.3). The return has been relatively stable during the year, in line with target. Equities and real assets have made a positive contribution to the return, while fixed income securities and hedge funds made a negative contribution.

EVENTS AFTER THE CLOSING DATE

There are no significant events after the closing date to report.

OUTLOOK FOR 2023

Alandia strives to achieve its financial targets over time, but is aware that annual variations can be significant given the type of risks to which the business is exposed.

Marine insurance is an insurance sector that can experience significant volatility between years as there are relatively few and relatively large individual risks in the portfolio. The company aims to increase the number of risks by growing the insurance portfolio and to use reinsurance solutions to limit the maximum cost of the company's own share of claims. Over the years, the aim is to achieve a combined ratio of less than 90 percent, but there may be significant variations between years.

Given Alandia's good solvency position, the company's investment portfolio may contain investment assets where the expected return is significantly higher than the risk-free rate but where the annual volatility in market prices may also be high. The objective is to hold a portfolio of long-term investments where the risk-adjusted return is higher than the market but with limited volatility.

Alandia's overall goal is to improve long-term earnings, but given the nature of the company's operations, there may be large-scale annual variations. For these reasons, Alandia does not provide a forecast for the full-year financial outcome of the business for 2023.

SUSTAINABILITY WORK

In 2022, Alandia continued to implement the UN Principles for Sustainable Insurance (PSI). PSI is a global sustainability framework that has led to the most comprehensive collaborative initiative to date between the United Nations and the global insurance industry. Alandia signed up to the PSI in June 2021.

The framework is based on the influence that insurance companies have on environmental, social and corporate governance (ESG) in the company's strategy and risk management, as well as insurance and investment activities. As a signatory, Alandia commits to working with customers, business partners, governments, regulators and other key stakeholders to promote widespread sustainability measures. The principles also promote transparency in terms of how companies manage ESG issues.

Sustainability was integrated into Alandia's corporate strategy during the year. The strategy was launched in June 2022. Nine major topics were identified, with measurable goals and key figures for sustainability. Work will be carried out on these topics over the coming years and will be followed up quarterly by the management team. In June 2022, Alandia issued its first public PSI sustainability report: <https://alandia.wntr.io/uploads/2022/06/alandia-disclosure-1-un-principles-for-sustainable-insurance-report-2021-2022-final.pdf>.

EQUALITY AND DIVERSITY

Alandia has continued to focus on working with equality and diversity by developing specific measures that promote an inclusive culture for all employees regardless of age, gender, sexual orientation, ethnicity and cultural background. To improve the gender distribution in the company's various departments, Alandia is working to establish a standardised recruitment process for the entire company. The target is for at least one-third of the candidates called for initial interview to be of the minority gender in the department for which recruitment is taking place.

As well as having a standardised recruitment process, Alandia works ceaselessly to achieve a salary structure that is equal, regardless of gender or background. In order to monitor the gender distribution in different positions at Alandia, the company has begun analysing statistics on the basis of four different groupings: management team, proportion of leaders, proportion of specialists, and professional groups. In the group of leaders (excluding the management team), the gender distribution is 15 per cent women and 85 per cent men. In order to achieve a more even gender distribution within this group, Alandia is working to promote strategic skills supply (Talent Management).

Over the past year, Alandia has focused strongly on the company's culture and values, as well as associated behaviours. Work will continue on this in 2023 by educating and coaching leaders to see the benefits of an inclusive work environment that promotes equality and diversity.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR 1,000	Note	01/01/2022 – 31/12/2022	01/01/2021 – 31/12/2021
Remaining operations			
TECHNICAL ACCOUNT: NON-LIFE INSURANCE OPERATIONS			
Premiums earned			
Premium written	5, 6	93 087	93 092
Change in provision for unearned premiums and outstanding risks	5, 6	-335	-4 105
Premiums earned, total		92 752	88 988
Claims incurred			
Claims paid	5, 6	-64 618	-52 290
Change in provision for claims outstanding	5, 6	-7 758	-13 331
Total insurance claims		-72 376	-65 622
Reinsurers' share of			
Premiums written	5, 6	-12 232	-9 178
Change in provision for unearned premiums and outstanding risks, reinsurers' share	5, 6	474	213
Claims paid, reinsurers' share	5, 6	13 253	1 764
Change in provision for claims outstanding, reinsurers' share	5, 6	2 441	-456
Reinsurers' result, total		3 935	-7 657
Operating expenses			
Operating expenses in insurance business	8, 9	-19 848	-19 420
Total operating costs		-19 848	-19 420
Technical result from insurance operations		4 463	-3 711
NON-TECHNICAL ACCOUNT			
Investment operations			
Investment income	7	37 056	20 874
Unrealised gains	7	-5 367	16 936
Investment expenses	7	-29 758	-9 950
Operating expenses	7, 9	0	-423
Investment operations, total		1 931	27 437
Other income	10	743	1
Other expenses	10	-140	-112
Cost of hybrid loans	21	-1 982	-1 982
Share in associated company's results	14	-1 910	724
Profit before taxes		3 106	22 356
Income tax	11	-1 071	-3 996
Profit from continued operations		2 035	18 360
Discontinued operations			
PROFIT/LOSS FOR THE FINANCIAL PERIOD		2 035	18 360
Attributable to the parent company's owners		2 035	18 360
OTHER COMPREHENSIVE INCOME			
COMPREHENSIVE INCOME FOR THE PERIOD		2 035	18 360
Attributable to parent company's owners		2 035	18 360

CONSOLIDATED BALANCE SHEET (IFRS)

EUR 1,000	Note	31.12.2022	31.12.2021
ASSETS			
Cash and bank balances			
Cash and bank	13	18 937	40 132
Investment assets			
Investments in property	14	34 170	35 397
Shares in associates	14	2 300	4 210
Other investments	14	258 371	249 582
Investments to cover unit-linked insurance			
Reinsurers' share of technical provisions	15	11 552	7 958
Deposit receivables within reinsurance		28	176
Receivables			
Other receivables	16	36 657	32 347
Prepayments and accrued income	16	5 806	6 007
Deferred tax assets	12	5	4
Other assets			
Intangible assets	17	741	297
Right-of-use assets	21	981	1 214
Other property, plant and equipment	18	767	814
Assets held for sale	24	0	759
TOTAL ASSETS		370 314	378 900
LIABILITIES AND EQUITY			
Technical provisions			
Premium provision for unearned premiums and outstanding risks	15, 20	38 688	37 929
Provision for unsettled claims	15, 20	85 516	73 854
Total technical provisions		124 205	111 784
Liabilities			
From direct insurance operations	6	1	116
From reinsurance operations	6	1 336	2 512
Capital loans	21	59 905	59 896
Lease liabilities	21	1 004	1 233
Other liabilities	5	1 344	1 793
Prepayments and accrued income	22	6 461	5 110
Deferred tax liability	12	19 123	19 546
Total liabilities		89 174	90 206
Liabilities relating to assets held for disposal	24	0	15 038
Total liabilities		213 379	217 027
Equity			
Share capital	23	20 000	20 000
Statutory reserve	23	98	98
Retained earnings	23	136 837	141 775
Total equity		156 935	161 873
TOTAL LIABILITIES AND EQUITY		370 314	378 900

PARENT COMPANY FINANCIAL STATEMENTS (FAS)

PARENT COMPANY INCOME STATEMENT

EUR 1,000		Note	01/01/2022 – 31/12/2022	01/01/2021 – 31/12/2021
Premiums earned				
Premium income	1		93 087	93 092
Reinsurers' share			-12 232	-9 178
Premium income, own share			80 855	83 914
Change in premium reserve			-335	-4 105
Of which attributable to portfolio transfer			1 321	0
Reinsurers' share			474	213
Change in premium reserve, own share			139	-3 892
Premiums earned, own share			80 993	80 022
Claims costs				
Claims paid			-64 636	-52 290
Reinsurers' share			13 253	1 764
Claims paid, own share			-51 384	-50 526
Change in indemnity reserve			-7 758	-13 331
of which attributable to portfolio transfer			11 589	0
Reinsurers' share			2 441	-456
of which attributable to portfolio transfer			237	0
Change in indemnity reserve, own share			-5 317	-13 787
Claims costs, own share			-56 701	-64 313
Operating costs	3,4		-19 762	-19 420
Technical contribution/result before change in equalisation provision			4 531	-3 711
Change in equalisation provision			-2 909	0
Technical contribution/result			1 622	-3 711
Non-technical account				
Technical contribution/result of non-life insurance operations			1 622	-3 711
				0
Investment income			37 210	23 752
Investment expenses			-32 777	-13 089
Net investment income	2		4 433	10 664
Other items, total				
Other income	13		743	33 711
Other expenses			-63	-13
Other items, total			681	33 698
Profit (loss) before appropriations and taxes			6 736	40 651
Income tax				
Tax for the financial period			-1 171	-1 045
Tax for previous financial periods			-299	-6
Total income tax			-1 469	-1 051
Profit (loss) for the financial period			5 266	39 599

PARENT COMPANY BALANCE SHEET

EUR 1,000	Note	31.12.2022	31.12.2021
Assets			
Intangible assets			
Intellectual property rights	6	741	297
Total intangible assets		741	297
Investments			
Investments in property			
Properties and shares in properties		7 407	7 826
Loan receivables from companies representing ownership interests ar		7 010	8 523
Total investments in property	8	14 417	16 348
Investments in Group companies and in companies representing ownership interests			
Shares and participating interests in Group companies		5 100	5 100
Shares and participating interests in associates		440	440
Total investments in Group companies and in companies representing ownership		5 540	5 540
Other investments			
Shares and participating interests		97 544	81 823
Financial market instruments		113 066	116 159
Other loan receivables		56	57
Deposits		1 750	0
Other investments			
Total other investments		212 417	198 039
Deposit receivables within reinsurance		28	176
Total investments	9	232 402	220 103
Receivables			
From direct insurance operations			
From policyholders		33 437	28 810
Total receivables from direct insurance operations		33 437	28 810
From reinsurance operations		0	52
Other receivables		3 057	4 187
Total receivables		36 494	33 049
Other assets			
Property, plant and equipment			
Machinery and equipment	7	221	269
Other property, plant and equipment		546	546
Total property, plant and equipment		767	814
Cash and bank		18 254	40 058
Total other assets		19 021	40 873
Prepayments and accrued income			
Interest and rent	11	12	8
Other prepayments and accrued income		6 256	5 999
Total prepayments and accrued income		6 268	6 007
Total assets		294 925	300 330

Liabilities				
Equity				
	Share capital or initial fund		20 000	20 000
	Statutory reserve		98	98
	Retained earnings from previous financial periods		54 412	21 776
	Profit (loss) for the financial period		5 266	39 599
Total equity		10	79 776	81 473
Capital loans		14	60 000	60 000
Technical provisions				
	Premium reserve		39 075	38 340
	Reinsurers' share		-2 921	-2 638
	Premium reserve, own share		36 154	35 701
	Indemnity reserve		85 516	88 734
	Reinsurers' share		-8 630	-5 320
	Indemnity reserve, own share		76 886	83 414
	Equalisation provision		33 165	30 375
Technical provisions, own share			146 205	149 490
Liabilities				
	From direct insurance operations		1	116
	From reinsurance operations		1 336	2 512
	Other liabilities		1 865	1 628
Total liabilities			3 203	4 256
Prepayments and accrued income		12	5 742	5 110
Total equity and liabilities			294 925	300 330

Note 10 Market value and valuation gain/loss for investments

EUR 1,000	2022			2021		
	Remaining acquisition cost	Carrying amount	Market value	Remaining acquisition cost	Carrying amount	Market value
Property investments						
Properties	7 407	7 407	20 638	7 826	7 826	20 867
	7 407	7 407	20 638	7 826	7 826	20 867
Investments in Group companies						
Shares and participating interests	5 100	5 100	7 890	5 158	5 158	7 790
	5 100	5 100	7 890	5 158	5 158	7 790
Investments in companies representing ownership interests						
Shares and participating interests	440	440	2 300	440	440	2 723
Loan receivables	7 010	7 010	7 010	8 523	8 523	8 523
	7 450	7 450	9 310	8 962	8 962	11 245
Other investments						
Shares and participating interests	97 544	97 544	140 183	81 765	81 765	128 489
Financial market instruments	113 066	113 066	115 752	117 906	116 159	119 962
Mortgage loan receivables	0	0	0	0	0	0
Other loan receivables	56	56	56	57	57	57
Deposits	1 750	1 750	1 759	0	0	0
Other investments	0	0	0	0	0	0
	212 417	212 417	257 751	199 727	197 981	248 507
Deposit receivables within reinsurance	28	28	28	176	176	176
Total	232 402	232 402	295 618	221 850	220 103	288 585
*)	0			-1 747		
Yield from indexed loans	0			1		
Valuation gain/loss (difference between market value and carrying amount)			63 216			68 482

*) 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.

BOARD'S PROPOSAL FOR DISTRIBUTION OF PARENT COMPANY PROFITS

Alandia Försäkring Abp had 198,958 registered shares as at 31/12/2022.

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

2022 profit for the year	5 266 183
Retained earnings from previous financial periods	54 412 126

be used so that a dividend is paid of EUR 43 per share, totalling EUR 8,555,194.

If the above proposal is approved by the Annual General Meeting, the company's own resources and funds will amount to EUR 71,220,664, broken down as follows:

Share capital	20 000 000
Statutory reserve	97 549
Retained earnings from previous financial periods	<u>51 123 115</u>
	71 220 664

SIGNATURES

Mariehamn, 21 March 2023

Stefan Björkman
Chair

Mats Engblom

Eero Holma

Anders Å Karlsson

Kenneth Neovius

Peter Wiklöf

Tony Karlström
Managing Director

A report of the audit conducted has been presented today.

Place

Date: 27 March 2023

Ernst & Young Ab
Auditors

Kristina Sandin, CGR

Fredric Mattsson, CGR