GARANTIA

REPORT BY THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS 2021

Garantia Insurance Company Ltd

Garantia Insurance Company

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 includes the renewable energy, real estate, bioindustry and infrastructure businesses. The Strategic Investments segment includes Garantia Insurance Company. Taaleri Plc's share is listed on Nasdaq OMX Helsinki.

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

CONTENTS

GARANTIA'S YEAR 2021 IN BRIEF

Best year in company history

- Premiums written increased by 32.4% to EUR 25.1 (19.0) million. The growth was mainly attributable to strong demand for residential mortgage guaranties during the financial year.
- Earned premiums grew by 20.0% to EUR 17.9 (14.9) million.
- The total guaranty insurance exposure contracted from the previous year to EUR 1,695 (1,817) million. The contraction was a result of a decrease in corporate exposures. The volume of consumer exposures increased, however.
- Claims incurred remained at a low level and totalled EUR 0.7 (0.6) million. The claims ratio was 3.8% (4.0).
- Operating expenses increased by 12.5% to EUR 5.7 (5.0) million. However, the expense ratio decreased, as a result of growth in earned premiums, to 31.7% (33.8).
- The balance on the technical account before changes in the equalisation provision strengthened to EUR 11.5 (9.3) million, and the combined ratio fell to 35.5% (37.8). The solid financial performance in insurance operations was influenced particularly by the substantial growth in earned premiums and persistently low claims incurred.
- Investment income at fair value improved on the previous year and was 6.1% (1.8).
- Earnings before tax was clearly better than in the previous year, totalling EUR 19.9 (13.6) million. The growth in earnings was due to good profitability in both insurance and investment operations.
- Solvency remained strong. The solvency ratio was 219% (229) at the end of the financial year.
- On 11 October 2021, S&P confirmed Garantia's credit rating as A- with a stable outlook.

Key Figures

EUR thousands	2021	2020	Change
Gross premiums written	**25,142**	**18,988**	**32.4 %**
Other items [1]	-7,277	-4,104	77.3 %
Earned premiums	**17,865**	**14,885**	**20.0 %**
Claims incurred	-677	-592	14.5 %
Operating expenses	-5,657	-5,030	12.5 %
Balance on technical account before changes in equalisation provision	**11,531**	**9,263**	**24.5 %**
Change in equalisation provision	677	592	14.5 %
Balance on technical account	**12,208**	**9,855**	**23.9 %**
Investment income and expenses, net	7,652	3,716	105.9 %
Other income and expenses	44	33	32.7 %
Earnings before tax	**19,904**	**13,604**	**46.3 %**
Claims ratio, %	3.8 %	4.0 %	-0.2 %-p.
Expense ratio, %	31.7 %	33.8 %	-2.1 %-p.
Combined ratio, %	35.5 %	37.8 %	-2.3 %-p.
Return on investments at fair value, %	6.1 %	1.8 %	+4.2 %-p.
Solvency ratio (S2), % [2]	219.2 %	229.4 %	-10,3 %-p.
Total insurance exposure, EUR million	1,695	1,817	-6.7 %
Average number of personnel	23	22	+1 pers.
Credit rating (S&P)	A-	A-	-

The figures used for result comparison are those from 2020. The figures used for the comparison of balance sheet and other cross-section items are those from the end of 2020 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

In 2021 the Finnish economy recovered from the downturn caused by the coronavirus pandemic, although at the end of the year there were still no signs of the actual pandemic subsiding. During the year, private consumption and investment returned to pre-pandemic levels, imports and exports recovered, and the employment rate rose in leaps and bounds. The unemployment rate also returned to near the low level seen in 2019: in November 2021 Finland's unemployment rate was 6.9%, down from 8.2% at the beginning of the year. According to the latest estimates, Finland's GDP grew by 3.4% in 2021, while the economy contracted by 2.9% in the previous year.

Economic recovery was assisted by the public support measures used to support the private sector as the coronavirus pandemic and the restrictions imposed to contain it hampered economic activity. During the year, the government continued to support companies in industries that have been negatively affected by the coronavirus. Support was granted through a variety of direct financial support measures and by granting public funding to companies. Economic recovery was also supported by the euro area's continued loose monetary policy, which kept interest rates low. Expansionary economic and monetary policy and rising energy prices caused inflation to accelerate during the year. The annual change in consumer prices in Finland was as much as 3.7% at the end of November.

The prevailing exceptional situation had a predominantly positive effect on the housing market, especially since the restrictions on movement associated with the pandemic directed consumers' disposable income increasingly into housing. The number of housing transactions continued to rise strongly for the second consecutive year, and house prices rose more quickly than in the previous year. At the end of November, the average price per square metre for old dwellings was 5.1% higher than at the corresponding time in the previous year. Housing demand was supported by consumers' good purchasing power, low interest rates, the ready availability of housing loans, and the continued good creditworthiness of Finnish households. During the year, households took out substantially more housing loans than in the previous year and the average interest rate of new housing loans decreased as banks continued to compete for housing loan customers.

The corporate operating environment remained polarised. During the year, the service sector industries, in particular the restaurant and travel industries, suffered the most from the coronavirus crisis, while outlooks improved in manufacturing, trade and construction. The number of orders in manufacturing increased, manufacturing companies' revenues were up, and the volume of housing construction also picked up. However, companies' activity was marked by cautiousness across the board, and investment appetite remained muted, which was directly reflected in the demand for corporate financing. The volume of corporate loans issued by banks and bonds publicly issued by companies fell clearly short of the previous year. Finnish companies' creditworthiness remained solid on average despite the crisis. The number of applications for corporate restructuring and bankruptcy was up slightly on the previous year on the basis of the statistics for January-September but was still far lower than the level before the coronavirus crisis. The low demand for market-based financing and the low number of applications for corporate restructuring and bankruptcy were at least partly a result of the public-sector support measures for companies.

The investment markets performed positively during the year. Equity prices were up and for example the S&P500 Index, which describes the performance of the US equity market, and which in turn is central to the global economy, rose by 27% during the year. With monetary and economic policy stimulus continuing, interest rates remained low and short-term Euribor rates, which are generally used as the reference rate of loans in Finland, remained firmly below zero at the end of the year. Ushered in by the stimulus measures, accelerating inflation nevertheless raised expectations of tightening monetary policy towards the end of the year, especially in the USA.

Insurance operations

Garantia's gross premiums written increased by 32.4% to EUR 25.1 (19.0) million during the financial year. The increase in premiums written was a result of strong demand for residential mortgage guaranties and the volume growth resulting from the new distribution channel for residential mortgage guaranties, which opened in the previous year. However, premium income from corporate exposures declined because of a decrease in demand for corporate financing.

When compared against earlier periods, a larger proportion of the gross premiums accumulated 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 6.7 (3.9) million during the period. The growth of the provision for unearned premiums was due to increased underwriting volumes of residential mortgage guaranties. Earned premiums grew by 20.0% during the financial year and amounted to EUR 17.9 (14.9) million.

The total guaranty insurance exposure contracted by 6.7% during the year and was EUR 1,695 (1,817) million at the end of the year. The volume of consumer exposures in the total guaranty insurance exposure increased and the volume of corporate exposures decreased. Of the total guaranty insurance exposure at the end of the year, EUR 1,130 (972) million, or 67% (54), consisted of consumer exposures and EUR 565 (844) million, or 33% (46), consisted of corporate exposures.

Claims incurred remained at a low level and totalled EUR 0.7 (0.6) million. The claims ratio was 3.8% (4.0) and the ratio of claims incurred against the total guaranty insurance exposure was 0.04% (0.03). No substantial individual guaranty insurance claims occurred during the financial year. Garantia did not have any recourse receivables from insurance claims paid on its balance sheet at the end of the financial year.

Operating expenses rose by 12.5% to EUR 5.7 (5.0) million during the financial year. The increase in operating expenses was driven mainly by an increase in variable personnel expenses. The expense ratio decreased to 31.7% (33.8) due to earned premiums having grown more than operating expenses.

The balance on the technical account before changes in the equalisation provision strengthened to EUR 11.5 (9.3) million, and the combined ratio fell to 35.5% (37.8). The profitability of insurance operations was boosted by the strong growth in earned premiums and claims incurred having remained low. The equalisation provision was decreased by EUR 0.7 (0.6) million and thus the balance on the technical account came to EUR 12.2 (9.9) million.

Investment operations

The market conditions were favourable for investment during the financial year. Equity prices rose and the key equity indices consistently broke previous records. Short-term market interest rates remained virtually unchanged, and clearly below zero. However, inflation accelerated substantially towards the end of the year and long-term market interest rates picked up. Investment activity benefited from the US dollar strengthening during the year.

Garantia's net investment income recognised in profit and loss amounted to EUR 7.7 (3.7) million and mainly consisted of sales gains and interest income. The amount of impairments recognised in net investment income was low. The valuation difference between the fair value and the book value of investment assets was EUR 6.8 (5.2) million at the end of December.

At the end of the financial year, 83.2% (86.4) of investment assets was allocated to fixed-income investments, 15.9% (12.5) to equity & private equity investments, and 0.9% (1.1) to real estate investments. Return on investments at fair value was 6.1% (1.8). Net investment income on investments at fair value was EUR 9.2 (2.6) million, or 5.9% (1.7).

Garantia's investment portfolio (incl. cash and bank balances and accrued interest) at fair value was EUR 170.5 (159.5) million at the end of the year.

Responsibility

Garantia takes responsibility and sustainability factors related to environmental responsibility, social responsibility and good governance into account when conducting its business. The company's responsibility actions are guided by the Commission Delegated Regulation (EU 2015/35, known as the Solvency II Regulation) and other applicable legislation, decrees and instructions. Sustainability risk is assessed when making guaranty insurance underwriting decisions and when assessing the risk level of investment instruments. 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 the credit risk arising from guaranty insurance 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 contracted slightly 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 1,130 (972) million and their proportion in the total guaranty insurance exposure was 67% (54). Consumer exposures consist of residential mortgage guaranties and rent guaranties granted to Finnish households. A residential mortgage guaranty is an additional 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 limited through an excess of loss portfolio reinsurance arrangement.

The volume of corporate exposures was EUR 565 (844) million at the end of the financial year, and their proportion in the total guaranty insurance exposure was 33% (46). 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.

The share of investment grade exposures, or exposures rated between AAA and BBB-, made up 20.6% (15.6), while exposures with a rating of at least BB- accounted for 78.4% (73.2) of the rated corporate exposures. The share of exposures with weak credit ratings of C+ or lower remained near the level of the previous year and was 3.9% (3.7). The creditworthiness of the company's corporate counterparties has continued to be good.

The principal sectors in the corporate exposure portfolio were manufacturing at 28.3% (24.7), construction at 25.6% (35.4) and trade at 10.4% (8.1). The proportions of other industries were less than 10%. The share of reinsured construction exposures was 40.6% (48.8).

The risk level of investment operations was increased slightly from the previous year by increasing the proportion of equity and private equity investments in the investment portfolio. At the end of the year, fixed income investments made up 83.2% (86.4), equity and private equity investments 15.9% (12.5) and real estate investments 0.9% (1.1) 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 73.4% (61.4) of fixed income investments had an investment grade credit rating. The modified duration of bond investments was 3.9 (3.5).

The risk positions of guaranty insurance operations and investment operations are discussed in greater detail in note 17. Risks and risk management, in the notes to the financial statements.

Solvency

Garantia's solvency decreased slightly from the previous year as the solvency capital requirement grew more during the financial year than the company's basic own funds. The company's basic own funds amounted to EUR 117.0 (114.1) million at the end of the financial year and the solvency capital requirement was EUR 53.4 (49.7) million. The solvency ratio, or the ratio of basic own funds to the solvency capital requirement, was 219.2% (229.4).

Basic own funds grew as a result of the net profit for the financial year and an increase in the value of investments. Basic own funds include, as a deduction, foreseeable dividends, the amount of which also increased on the previous year.

The rise in the solvency capital requirement during the financial period resulted mainly from an increase in the capital requirement for market risk. The capital requirement for market risk was raised especially by the increase in the value of the company's investment portfolio and increased equity and currency risks. During the financial year, the growth of the solvency capital requirement was restricted by a decrease in the capital requirement for underwriting risk, increased benefits of diversification across risk classes and improved loss-absorbing capacity.

Solvency

EUR thousands	31 Dec 2021	31 Dec 2020
Basic own funds	**117,019**	**114,076**
Solvency capital requirement		
Market risk	31,072	25,005
Non-life underwriting risk	27,703	28,645
Counterparty default risk	431	267
Operational risk	559	468
Diversification effect and adjustment for loss-absorbing capacity	-21,947	-19,929
Total	**37,818**	**34,456**
Capital add-on	15,578	15,265
Total	**53,396**	**49,722**
Amount of own funds in excess of the solvency capital requirement	63,623	64,354
Solvency ratio, %	**219.2 %**	**229.4 %**

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 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 10 June 2021, when the amount of the add-on was set at EUR 15.6 (15.3[1]) million. The updated capital add-on is included in the company's solvency capital requirement as of 30 June 2021. 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 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 29 May 2020.

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

[1] The capital add-on that was in force as of 30 June 2020 in parentheses.

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 11 October 2021, Standard & Poor's Global Ratings (S&P) confirmed Garantia Insurance Company'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 guarantees.

Personnel

During the financial year, Garantia employed an average of 23 (22) people. The average age of the personnel at the end of the financial year was 38.3 (37.2) years, and their average duration of employment at Garantia was 7.3 (6.6) years. Men made up 53.3% (51.2) of the personnel and women 46.7% (48.8).

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 2021, 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

Synthetic options have been granted to Garantia personnel as part of the parent company Taaleri Plc's equity-based incentive programmes. Further information on the equity-based incentive programme can be found in note 13. Commitments, in the notes to the financial statements.

Management and governance

The company's Board of Directors was composed of Karri Haaparinne (Chairperson as of 20 February and Vice Chairperson until 19 February), Timo Hukka (Vice Chairperson as of 24 March), Kenneth Kaarnimo, Robin Lindahl (19 February to 29 October), Antti Suhonen and Hannu Tonteri (member and Chairperson 1 January to 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 19 February 2021.

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 Board of Directors appointed Henrik Allonen Deputy CEO as of 1 December. The company's Executive Committee was composed of Titta Elomaa, Henrik Allonen, Tuukka Fabritius (until 30 November), Assi Ikonen (as of 1 December), Timo Lehikoinen and Riku Saastamoinen (as of 1 December).

The Annual General Meeting appointed Ernst & Young Oy as the auditor and Authorised Public Accountant Ulla Nykky 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 was outsourced to KPMG Oy Ab as of 1 October 2021.

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 net profit for the financial year was EUR 15,899,121.90, and the company's distributable reserves amounted to EUR 42,784,216.70. The Board of Directors proposes that the profit be transferred to the retained earnings account and that a total of EUR 15,000,000.00 from retained earnings be distributed as dividends.

Outlook for 2022

At the core of Garantia's confirmed strategy is increasing capital efficiency and changing traditional market collateral practices for the benefit of customers. During the strategy period, Garantia will actively seek new business opportunities related to guaranty insurance for consumer and corporate customers in order to complement current product areas. Our competitive advantage on the market is derived from a broad collaboration and partnership network, our customer-oriented approach, strong solvency, and competent risk selection. The confirmed strategy includes financial targets related to premiums written, profitability, solvency and credit rating.

Finland's near-term economic outlook is positive but remains tinged with the uncertainty borne by the coronavirus pandemic. According to forecasts by the Ministry of Finance, the economy will grow by 3.0% in 2022.

Garantia's strong solvency enables business growth in uncertain times. The company's premiums written are forecast to continue growing during the 2022 financial year and the profitability of insurance operations is expected to remain good. The development of claims incurred and net investment income have a significant effect on Garantia's profitability.

FINANCIAL STATEMENTS

Profit and loss account

EUR	Note	2021	2020
Technical Account			
Earned premiums			
Premiums written	1, 2, 3	25,142,016	18,988,434
Reinsurers' share		-532,470	-243,357
Change in provision for unearned premiums		-6,519,765	-3,395,458
Reinsurers' share		-224,716	-464,822
		17,865,065	**14,884,796**
Claims incurred			
Claims paid		-2,112,329	-1,401,546
Reinsurers' share		842,522	546,877
Change in provision for claims outstanding		1,965,005	591,592
Reinsurers' share		-1,372,669	-328,503
		-677,472	**-591,579**
Operating expenses	5, 6, 7, 8	-5,656,767	-5,029,933
Balance on technical account before change in equalisation provision		**11,530,826**	**9,263,283**
Change in equalisation provision		677,472	591,579
Balance on Technical Account		**12,208,298**	**9,854,863**
Non-technical account			
Investment income	4	9,410,980	15,782,227
Investment expenses	4	-1,758,998	-12,066,133
Other income and expenses		43,531	32,798
Direct taxes on ordinary operations		-4,004,689	-2,861,720
Profit/loss for the financial year		**15,899,122**	**10,742,035**

Balance sheet

Assets EUR	Note	31 Dec 2021	31 Dec 2020	Change, %
Intangible assets				
Intangible rights	8	12,063	18,094	-33.3 %
Goodwill	8	316,313	310,248	2.0 %
Other long-term expenditure	8	3,009	4,514	-33.3 %
		331,384	**332,856**	**-0.4 %**
Investments	9			
Real estate investments				
Real estate investment funds		1,171,500	1,525,900	-23.2 %
		1,171,500	**1,525,900**	**-23.2 %**
Other investments				
Shares and participations		22,289,169	17,528,001	27.2 %
Debt securities		135,622,786	132,440,137	2.4 %
		157,911,955	**149,968,138**	**5.3 %**
Total		**159,083,455**	**151,494,038**	**5.0 %**
Receivables				
Arising out of direct insurance operations				
From policy holders		1,893,711	1,244,365	52.2 %
Arising out of reinsurance operations		426,982	64,994	557.0 %
		2,320,693	**1,309,359**	**77.2 %**
Other assets				
Tangible assets	8			
Machinery and equipment		8,317	11,089	-25.0 %
Other tangible assets		48,365	48,365	0.0 %
		56,682	**59,454**	**-4.7 %**
Cash and bank balances		3,446,785	1,278,861	169.5 %
Total		**3,503,467**	**1,338,316**	**161.8 %**
Prepayments and accrued income				
Accrued interest and rental income		1,188,120	1,466,911	-19.0 %
Other accrued income		20,540	23,333	-12.0 %
		1,208,660	**1,490,245**	**-18.9 %**
TOTAL ASSETS		**166,447,659**	**155,964,813**	**6.7 %**

Equity and liabilities EUR	Note	31 Dec 2021	31 Dec 2020	Change, %
Shareholders' equity and reserves	10, 11			
Share capital		10,200,000	10,200,000	0.0 %
Retained earnings		26,885,095	26,143,060	2.8 %
Profit / loss for the financial year		15,899,122	10,742,035	48.0 %
Total		**52,984,217**	**47,085,095**	**12.5 %**
Technical provisions				
Provisions for unearned premiums		36,667,080	30,147,315	21.6 %
Reinsurers' share		-107,751	-332,467	-67.6 %
		36,559,329	**29,814,848**	**22.6 %**
Claims outstanding	12	2,407,871	4,372,876	-44.9 %
Reinsurers' share		-690,356	-2,063,025	-66.5 %
		1,717,515	**2,309,850**	**-25.6 %**
Equalisation provision		70,431,592	71,109,064	-1.0 %
Total		**108,708,437**	**103,233,762**	**5.3 %**
Provisions				
Other provisions		39,704	0	-
		39,704	**0**	**-**
Payables				
Arising out of direct insurance operations		253,894	55,822	354.8 %
Arising out of reinsurance operations		52,642	99,905	-47.3 %
Other		452,674	194,057	133.3 %
		759,210	**349,784**	**117.1 %**
Accruals and deferred income				
Other		3,956,092	5,296,172	-25.3 %
		3,956,092	**5,296,172**	**-25.3 %**
TOTAL EQUITY AND LIABILITIES		**166,447,659**	**155,964,813**	**6.7 %**

Cash flow statement

EUR	2021	2020
Cash flow from operations		
Profit / loss from ordinary operations	15,899,122	10,742,035
Adjustments		
Change in technical provisions	5,474,674	3,005,611
Impairments and revaluations of investments	354,226	1,318,567
Planned depreciation	103,671	92,640
Other non-cash income and expenses	39,704	0
Other adjustments	-2,259,987	-1,943,033
Cash flow from operations before changes in working capital	**19,611,410**	**13,215,820**
Changes in working capital		
Short-term non-interest-bearing trade receivables increase (-) / decrease (+)	-729,749	215,424
Short-term non-interest-bearing payables increase (+) / decrease (-)	-930,654	1,881,865
Cash flow from operations before financing items and taxes	**17,951,006**	**15,313,110**
Direct taxes paid	-2,859,617	-110,868
Cash flow from operations	**15,091,389**	**15,202,242**
Cash flow from investments		
Net investments in financial assets (excl. cash and bank balances)	-2,824,038	-8,466,885
Net investments in intangible and tangible assets and other assets	-99,427	-64,021
Cash flow from investment operations	**-2,923,465**	**-8,530,906**
Cash flow from financing		
Dividends paid and other distribution of profits	-10,000,000	-6,000,000
Cash flow from financing	**-10,000,000**	**-6,000,000**
Change in cash and bank balances	**2,167,924**	**671,336**
Cash and bank balances at the beginning of the financial year	1,278,861	607,525
Cash and bank balances at the end of the financial year	3,446,785	1,278,861
	2,167,924	**671,336**

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.

Insurance premiums

Insurance premiums for the premium contribution periods that began during the financial year as agreed in the insurance contracts have been 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.

Valuation of intangible assets and the accrual concept

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.

Valuation of investments and receivables on the balance sheet and determination of fair values of investments

Shares, participations and real estate investments have been valued at the lower of acquisition cost or 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 have been valued at the lower of acquisition cost or fair value in the case of short-term debt instruments. In the case of bonds, financial market instruments have been 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.

Undisputed claims of recourse due to a loss event have been 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 have been valued at the lower of nominal value or probable value.

Tangible assets and accrual

Office furniture and equipment have been capitalised under machinery and equipment, while art objects have been 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 have been entered at the transaction date rate. In the financial statements, the fair values of investments have been converted into euros at the closing date rate.

Employment benefits

The pensions of personnel have been 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 have been entered 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 have been recognised in the profit and loss account on an accrual basis.

Other liabilities

Liabilities other than technical provisions have been 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.

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: Gross premiums written

EUR	2021	2020
Non-life insurance		
Direct insurance		
Domestic	25,142,016	18,988,434
Reinsurance		
Insurance premiums written before the share of insurers	**25,142,016**	**18,988,434**

Note 2: Information by insurance class

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 equalisation provision

Direct insurance

EUR	1	2	3	4	5	6
Credit & suretyship						
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
2017	15,235,465	11,528,244	-2,118,014	-5,330,391	110,012	4,189,851
Reinsurance						
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
2017	0	38,526	90	0	0	38,616
Total						
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
2017	15,235,465	11,566,770	-2,117,924	-5,330,391	110,012	4,228,467

Change in equalisation provision	
2021	677,472
2020	591,579
2019	1,617,762
2018	-782,714
2017	1,078,907
Balance on technical account	
2021	12,208,298
2020	9,854,863
2019	7,490,588
2018	7,327,474
2017	5,307,373

Note 3: Items deducted from insurance premiums written

EUR	2021	2020
Credit losses of insurance premium receivables	14,379	14,210

Note 4: Breakdown of net investment income

EUR	2021	2020
Investment income		
Income from other investments		
Dividend income		
Interest income	3,041,983	3,377,817
Other income	233,721	50,549
	3,275,704	**3,428,366**
Reversal of impairments	967,497	9,829,565
Gain on sale of investments	5,167,779	2,524,296
	6,135,276	**12,353,860**
Investment income, total	**9,410,980**	**15,782,227**
Investment expenses		
Expenses from real estate investments		
Expenses from other investments	-388,100	-453,675
Interest expenses and other financial expenses	-1,000	-1,000
	-389,100	**-454,675**
Impairments	-1,321,723	-11,148,132
Loss on sale of investments	-48,175	-463,327
	-1,369,898	**-11,611,458**

Investment expenses, total	**-1,758,998**	**-12,066,133**
Net investment income	**7,651,982**	**3,716,094**

Note 5: Breakdown of operating expenses

EUR	2021	2020
Insurance sales expenses	2,126,532	1,770,052
Insurance management expenses	1,019,111	745,091
Administrative expenses	2,511,124	2,514,790
Operating expenses	**5,656,767**	**5,029,933**

Note 6: Total operating expenses by activity

EUR	2021	2020
Claims processing expenses	373,106	321,138
Operating expenses	5,656,767	5,029,933
Investment management expenses	135,621	173,277
Total operating expenses	**6,165,495**	**5,524,348**

Note 7: Auditor's fees

EUR	2021	2020
Ernst & Young Oy		
Auditing fees	40,556	36,988
Other fees	0	1,488

Notes to the balance sheet

Note 8: Changes in intangible and tangible assets

EUR	Intangible assets	Tangible assets	Total
Acquisition cost 1 January	504,493	105,576	610,069
Depreciated fully during the previous year	0	-3,806	-3,806
Increases	99,427	0	99,427
Deductions	0	0	0
Acquisition cost 31 December	**603,920**	**101,770**	**705,690**
Accumulated depreciation 1 January	-171,637	-46,121	-217,758
Depreciated fully during the previous year	0	3,806	3,806
Accrued depreciation on deductions	0	0	0
Depreciation of the financial year	-100,899	-2,772	-103,671
Accumulated depreciation 31 December	**-272,536**	**-45,088**	**-317,623**
Book value 31 December	**331,384**	**56,682**	**388,066**

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	1,171,500	1,171,500	1,510,238
Other investments			
Shares and other equity instruments	22,249,895	22,289,169	27,175,006
Other financial instruments	136,691,118	135,622,786	137,168,905
Total	**160,112,514**	**159,083,455**	**165,854,148**
The remaining acquisition cost of financial instruments includes the difference between the nominal value and the acquisition cost accrued as interest income or expense	-174,402		
Valuation difference			**6,770,694**

Note 10: Changes in shareholders' equity

EUR		2021		2020
Restricted				
Share capital 1 January = 31 December		10,200,000		10,200,000
Unrestricted				
Profit / loss from previous accounting periods 1 January	36,885,095		32,143,060	
Distribution of dividends	-10,000,000	26,885,095	-6,000,000	26,143,060
Profit/loss for the financial year		15,899,122		10,742,035
		42,784,217		**36,885,095**
Shareholders' equity total		**52,984,217**		**47,085,095**

Share capital of Garantia Insurance Company Ltd. is fully owned by Taaleri Oyj (business ID 2234823-5, registered domicile Helsinki). As of 31 December 2021, Garantia's share capital consisted of 60 000 shares. The company has a single series of shares.

Note 11: Distributable reserves

EUR	2021	2020
Profit / loss for the financial year	15,899,121.90	10,742,035.27
Profit / loss from previous accounting periods	26,885,094.80	26,143,059.53
Distributable profits total	**42,784,216.70**	**36,885,094.80**
Distributable reserves total	**42,784,216.70**	**36,885,094.80**

Note 12: Claims outstanding

Adequacy of claims provision by insurance class

	2021	2020
Credit and suretyship		
euro	1,293,540	958,085
% of claims outstanding 1 January	56.0 %	37.2 %

Section 10 (4)(1) Ministry of Social Affairs and Health decree (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: Commitments

EUR	2021	2020
Total gross exposure from guaranty insurance	1,694,865,696	1,816,526,993
Total gross exposure from guaranty insurance after deducting the computational value of collaterals	1,560,796,427	1,574,807,792
Lease liabilities from rental of premises		
Leases payable during the following financial year	166,666	178,174
Leases payable after the following financial year	13,571	249,124
Other lease liabilities		
Leases payable during the following financial year	46,962	68,733
Leases payable after the following financial year	34,551	41,373
Capital commitments related to investment operations	3,989,145	2,291,008

Lease liabilities from rental of premises include Garantia Insurance Company's computational share of the lease liability arising from the lease agreement between Taaleri Plc and the lessor of the facilities at Kasarmikatu 21.

In 2017 Garantia received information that a case concerning a potential insurance event and claim had become pending in Helsinki District Court. The claim amounts to five (5) million euros plus penalty consequences and legal fees. The insurance claim concerns a pension fund which was a loan guaranty customer of Garantia and which was placed in liquidation in December 2011 and subsequently declared bankrupt in 2018. The case regarding the claim is being processed in the district court. Garantia considers that the claim is unfounded, which is why it has not been booked into provisions for outstanding claims.

The Taaleri Group has a long-term remuneration scheme for the personnel, based on which the participating persons can receive a bonus paid partly as Taaleri shares and/or partly as cash (synthetic options) for their work performance during the earning and commitment period. Garantia does not, in accordance with Finnish accounting regulations, book an expense for the bonuses estimated on the basis of the remuneration scheme in its financial statements, as Taaleri Plc books these remuneration programmes in the consolidated IFRS financial statements under shareholders' equity.

On 17 June 2021, the Board of Directors of Taaleri Plc decided on an incentive programme for key persons in the Group. The 2021–2025 incentive programme for key persons consists of three earnings periods: the calendar years 2021–2023, 2022–2024 and 2023–2025. The Board decides on the earnings criteria applied in the programme and the goals set for each criterion at the beginning of an earnings period.

In the 2021–2023 earnings period, the bonus paid under the programme is based on the compound earnings of Taaleri Plc's share. The gross bonus amount paid for the 2021–2023 earnings period corresponds to the value of no more than 185,000 Taaleri Plc shares, including the portion paid in cash. In the 2021–2023 earnings period, the target group of the programme includes approximately 10 key persons, including members of the Executive Committee.

On 30 October 2017, the Board of Directors of Taaleri Plc decided on an incentive programme for key persons in the Group. The equity-based incentive programme consisted of three three-year earnings periods, 1 November 2017 – 31 October 2020, 1 November 2018 – 31 October 2021 and 1 November 2019 – 31 October 2022, of which the third earnings period was open at the end of the financial year. The Board decides on the earnings criteria applied in the programme and the goals set for each criterion at the beginning of an earnings period.

In the 2018–2021 earnings period, the target group of the programme included 11 persons in the Group, and in the 2019–2022 earnings period the target group includes 19 persons. The possible bonus paid under the programme for the earnings period is based on the compound earnings of Taaleri Plc's share. The total bonuses paid for the 2018–2021 earnings period corresponded to the value of no more than 240,000 Taaleri Plc shares, and for the 2019–2022 earnings period no more than 225,000 shares, including the portion paid in cash.

A total of 15,000 shares have been allocated to Garantia personnel within the framework of the 2021 programme and a total of 117,300 shares have been paid under the 2017 programme, of which the earned rewards of 32,400 shares were paid during the 2021 financial year. At the end of the year, a total of 45,000 shares were in circulation for Garantia's personnel. The bonuses generated on the basis of the programme are paid partly in company shares and partly in cash. The purpose of the cash portion is partly to cover the taxes and tax-like charges payable by key persons on the bonus. The costs accumulated in the Taaleri Group profit and loss account (IFRS) from the shares granted to Garantia's personnel were EUR 23,102.20 during the 2021 financial year and cumulatively they are EUR 40,112.20.

Note 14: Notes on personnel and members of corporate bodies

EUR	2021	2020
Personnel expenses		
Salaries and other remuneration	3,140,247	2,677,313
Pension expenses	444,325	391,876
Other indirect employee expenses	106,099	52,511
	3,690,671	**3,121,700**
Salaries and remunerations paid to		
CEO	477,100	365,779
Members of the Board of Directors	140,000	144,000
Average number of personnel during financial year	**23**	**22**

Note 15: Notes on ownership in other companies

EUR	Book value	Fair value
Shares and funds		
iShares Edge S&P 500 Minimum Volatility UCITS ETF	5,072,162	6,551,367
iShares Core MSCI Japan	906,426	1,087,248
iShares S&P 500 B Ucits	5,176,470	5,483,585
Db Stoxx Europe 600	5,270,224	5,895,340
SPDR MSCI EM Asia UCITS ETF	2,012,153	2,077,475
	18,437,434	**21,095,015**
Private equity funds		
CapMan Buyout X Fund B Ky	189,657	421,543
HL Large Buyout Club Fund	2,662,078	4,562,369
Taaleri Impakti Erikoisrahasto	1,000,000	1,096,079
	3,851,735	**6,079,991**
Real estate property funds		

Taaleri Tonttirahasto Ky	1,171,500	1,510,238
	1,171,500	**1,510,238**
TOTAL	**23,460,669**	**28,685,244**

Note 16: Related party loans and collateral and commitments given to related parties and related party transactions

On 31 August 2018, Garantia acquired the entire share capital of Suomen Vuokravastuu Oy (SVV), and the company was merged into Garantia in a subsidiary merger on 31 December 2018. The acquisition of the shares was a related party transaction, as the main shareholder of SVV was a relative of a member of the Board of Directors of Garantia of that time. The transaction was implemented on normal commercial terms, and an appraisal of SVV's fair value was carried out by an independent expert before the transaction.

Under the sale agreement, the sale price comprises the initial price, which was paid at the time the contract was concluded, and the additional earn-out, which is paid for the calendar years 2019–2021 and is based on a percentage of each year's premiums written. The initial sale price was EUR 350 thousand and the additional earn-out accumulated for 2019–2021 totalled EUR 183 thousand, and therefore the total sale price was EUR 553 thousand. The sale prices including transfer tax have been capitalised in the balance sheet as goodwill. The goodwill is depreciated on a straight-line basis over five (5) years.

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.

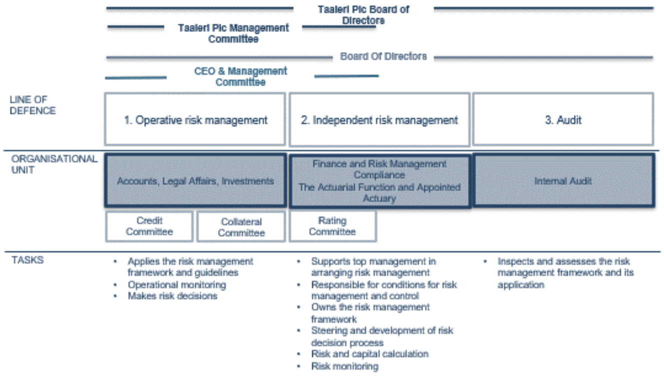

Figure 1: The organisation of Garantia's risk management

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, 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, and

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 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 fulfil its financial and/or contractual obligations towards the beneficiary of the guaranty). This may be a 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 collateral value 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, reinsurance policy and decision-making system confirmed 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 by the amount of 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 separately for each contract with an internal ratings-based approach in accordance with Basel II, which considers the amount of exposure, the counterparty's or instrument's credit rating describing 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 specific to clients and groups of connected clients is also assessed on the basis of credit rating, 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 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.

Sensitivity analysis of insurance operations, 31 Dec 2020

Risk parameter	Total, EUR thousand	Change in risk parameter	Effect on equity, EUR thousand	Effect on combined ratio, %
Premiums earned	14,885	increases 10 %	1,191	improves 3.4%-p.
Claims incurred	592	increases 10 %	0	worsens 0.4%-p.
Large claim, EUR 10 million	0	EUR 10 mn.	0	worsens 67.2%-p.

Operating expenses	5,030	increases 10 %	-402	worsens 3.4%-p.

Trend in claims incurred

EUR thousand	Claims paid	Change in provision for outstanding claims	Claims incurred	% of insurance exposure	Claims ratio, %
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 %
2012	-1,772	504	-1,268	0.09 %	11.7 %

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	2021	2020
Consumer exposure	1,130	972
Corporate exposure	565	844
Total	**1,695**	**1,817**

Consumer exposure includes residential mortgage loan guaranties and rent guarantees, where insurance risk is attributable to the credit risk of households. 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.

Corporate insurance exposure by credit rating

	2021	2020
AAA...BBB-	109	126
BB+...BB-	306	462
B+...B-	94	186
C+ or weaker	21	30
Rated exposure total	**530**	**803**
Other exposure	34	41
Corporate exposure total	**565**	**844**

Corporate insurance exposure by industry

	2021	2020
Manufacturing	150	198
Machinery and equipment (incl. repair)	61	81
Metals	42	43
Chemicals	22	21
Food	19	25
Other	7	29
Construction	136	285
Wholesale and retail trade	55	65
Water supply and waste management	37	33
Transport and logistics	35	57
Finance and insurance	29	60
Energy	26	22
Services	15	22
Information and communication	13	15
Other industries	32	47
Rated exposure total	**530**	**803**
Other exposure	34	41
Corporate exposure total	**565**	**844**

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 principles 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 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	2021	2020
Provision for unearned premiums	36,559	29,815
Provision for claims outstanding	1,718	2,310
Provision for known claims outstanding	467	1,373
Provision for unknown claims outstanding	1,250	937
Equalisation provision	70,432	71,109
Total	**108,708**	**103,234**

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 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**

Provision for unearned premiums and claims outstanding by maturity, 31 Dec 2020

EUR thousand	0-1 years	1-2 years	2-3 years	Over 3 years	Total
Provision for unearned premiums	10,000	5,852	4,523	9,439	**29,815**
Provision for claims outstanding	2,310				**2,310**
Total	**12,310**	**5,852**	**4,523**	**9,439**	**32,125**

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 according to 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	2021	%	2020	%
Fixed-income investments	141.8	83.2 %	137.7	86.4 %
Equity investments	27.2	15.9 %	20.0	12.5 %
Real estate investments	1.5	0.9 %	1.8	1.1 %
Total	**170.5**	**100.0 %**	**159.5**	**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 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 %**

Fixed-income investments by maturity and credit rating, 31 Dec 2020

EUR million	0-1 yrs.	1-3 yrs.	3-5 yrs.	Over 5 yrs.	Total	%
AAA...AA-	0.5	0.0	4.6	0.0	**5.1**	**3.7 %**
A+...A-	0.8	8.1	6.5	2.8	**18.3**	**13.3 %**
BBB+...BBB-	0.0	12.1	21.0	28.2	**61.3**	**44.5 %**
BB+ or weaker	5.7	23.4	18.9	5.1	**53.1**	**38.6 %**
Total	**7.0**	**43.6**	**51.0**	**36.1**	**137.7**	**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 operations, 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

Sensitivity analysis of investment operations, 31 Dec 2020

Investment category	Investments at fair value, EUR million	Risk parameter	Change (+/-)	Effect on equity, EUR million (+/-)
Fixed income	137.7	Chg in int. rates	1.0 %	3.8
Equities	15.6	Market value	10.0 %	1.2
Private equity	6.1	Market value	10.0 %	0.5

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 operational risks, identification of corrective measures and the monitoring and reporting of these, continuity planning, principles 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 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 weakens 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 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 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.

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

Liquidity risk means the risk that insurance and reinsurance companies are unable to convert their investments or other assets into cash in order to meet their financial obligations that fall due for payment. Garantia's liquidity risk is limited as premiums written are collected before claims are paid and the largest individual payments are insurance compensation payments to beneficiaries or distribution of profit and/or repayment of capital to shareholders and the payment dates for these payments are usually known well in advance. Garantia has no financial liabilities. 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

		2021	2020	2019	2018	2017
Gross premiums written (before share of reinsurers)	€	25,142,016	18,988,434	19,626,678	17,381,102	15,235,465
Claims ratio	%	3.8 %	4.0 %	12.2 %	-6.4 %	10.1 %
Claims incurred without computational interest expenses (+/-)	€	677,472	591,579	1,617,762	-782,714	1,078,907
Claims ratio without computational interest expenses	%	3.8 %	4.0 %	12.2 %	-6.4 %	10.1 %
Operating profit (+) or loss (-)	%	31.7 %	33.8 %	43.4 %	40.3 %	50.1 %
Combined ratio	%	35.5 %	37.8 %	55.7 %	34.0 %	60.3 %
Combined ratio without computational interest expenses	%	35.5 %	37.8 %	55.7 %	34.0 %	60.3 %
Operating profit (+) or loss (-)	€	19,226,339	13,012,175	12,153,226	10,007,713	15,689,515
Adjustments in off-balance sheet valuation differences, current value reserve and revaluation reserve (+/-)	€	1,559,832	-1,159,605	4,531,751	-4,514,824	-3,542,746

Total result (+/-)	€	20,786,172	11,852,570	16,684,977	5,492,889	12,146,769
Interest expenses and other financial expenses (+)	€	1,000	1,000	1,000	1,000	751
Computational interest expense (+)	€					
Return on total assets (at fair value)	%	12.4 %	7.6 %	11.6 %	4.0 %	9.2 %
Net return on investments at fair value on capital employed (+/)	%	5.9 %	1.7 %	8.0 %	-1.9 %	6.3 %
Equalisation provision	€	70,431,592	71,109,064	71,700,643	73,318,405	72,535,691
Average number of personnel during the financial year	pers	23	22	25	25	24

Note 19: Earnings analysis

EUR	2021	2020	2019	2018	2017
Earned premiums (+/-)	17,865,065	14,884,796	13,242,186	12,281,764	10,637,765
Claims incurred (-/+)	-677,472	-591,579	-1,617,762	782,714	-1,078,907
Operating expenses (-)	-5,656,767	-5,029,933	-5,751,598	-4,954,290	-5,330,391
Other technical income and expenses (+/-)					
Balance on technical account before change in equalisation provision (+/-)	**11,530,826**	**9,263,283**	**5,872,826**	**8,110,188**	**4,228,467**
Investment income and expenses, revaluations and their adjustments and other changes in value (+/-)	7,651,982	3,716,094	6,266,359	1,896,756	11,457,795
Other income and expenses (+/-)	43,531	32,798	14,040	769	3,253
Share of associated companies' profit (+) or loss (-)					
Operating profit (+) or loss (-)	**19,226,339**	**13,012,175**	**12,153,226**	**10,007,713**	**15,689,515**
Change in equalization provision (-/+)	677,472	591,579	1,617,762	-782,714	1,078,907
Profit (+) or loss (-) before extraordinary items	**19,903,811**	**13,603,755**	**13,770,988**	**9,224,999**	**16,768,422**
Income taxes and other direct taxes (-/+)	-4,004,689	-2,861,720	-2,783,497	-1,939,288	-3,454,376
Minority shares (-)					
Profit (+) or loss (-) for the financial year	**15,899,122**	**10,742,035**	**10,987,490**	**7,285,711**	**13,314,045**

Note 20: Investment allocation at fair value

	Basic allocation				Risk allocation [8]			
	31 Dec 2021		31 Dec 2020		31 Dec 2021		31 Dec 2020	
	in euros	%	in euros	%	in euros	%	in euros	% [10]
Fixed income investments	**141,803,810**	**83.2**	**137,716,132**	**86.4**	**141,803,810**	**83.2**	**137,716,132**	**86.4**
Loan receivables [1]								
Bonds [1]	138,357,025	81.2	136,437,270	85.6	138,357,025	81.2	136,437,270	85.6
Other financial instruments and deposits [1] [2]	3,446,785	2.0	1,278,861	0.8	3,446,785	2.0	1,278,861	0.8
Equity investments	**27,175,006**	**15.9**	**19,950,906**	**12.5**	**27,175,006**	**15.9**	**19,950,906**	**12.5**
Listed equities [3]	21,095,015	12.4	15,617,451	9.8	21,095,015	12.4	15,617,451	9.8
Private equity investments [4]	6,079,991	3.6	4,333,455	2.7	6,079,991	3.6	4,333,455	2.7
Unlisted equities [5]								
Real estate investments	**1,510,238**	**0.9**	**1,783,734**	**1.1**	**1,510,238**	**0.9**	**1,783,734**	**1.1**
Direct real estate investments						0.0		
Real estate investment funds and collective investments	1,510,238	0.9	1,783,734	1.1	1,510,238	0.9	1,783,734	1.1
Other investments								
Hedge funds [6]								
Commodities								
Other investments [7]								
Total	**170,489,053**	**100.0**	**159,450,772**	**100.0**	**170,489,053**	**100.0**	**159,450,772**	**100.0**
Effect of derivatives [9]								
Total investments at fair value	**170,489,053**	**100.0**	**159,450,772**	**100.0**	**170,489,053**	**100.0**	**159,450,772**	**100.0**
Modified duration of the bond portfolio	3.9		3.5					

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 invest-ments, %	Net return on investments, %			
		2021		2020	2019	2018	2017
	in euros	in euros	%	%	%	%	%
Fixed income investments	**3,360,451**	**132,630,488**	**2.5**	**2.5**	**6.3**	**0.4**	**5.4**
Loan receivables [1]							
Bonds	3,367,899	130,504,070	2.5	2.6	6.3	0.4	5.5
Other financial instruments and deposits [1] [2]	-7,448	2,126,418	-0.4	-0.2	-0.2	-0.6	-0.5
Equity investments	**5,925,216**	**20,518,864**	**29.0**	**-2.8**	**22.7**	**-11.8**	**11.1**
Listed equities [3]	4,458,941	16,072,608	27.9	-3.2	27.9	-13.6	9.1
Private equity investments [4]	1,466,275	4,446,256	33.1	-1.0	-1.2	6.0	30.1
Unlisted equities [5]							
Real estate investments	**80,904**	**1,650,355**	**4.9**	**4.3**	**3.5**	**4.2**	**2.1**
Direct real estate investments							
Real estate investment funds and collective investments	80,904	1,650,355	4.9	4.3	3.5	4.2	2.1
Other investments							
Hedge funds [6]							
Commodities							
Other investments [7]							
Total	**9,366,572**	**154,799,708**	**6.1**	**1.8**	**8.1**	**-1.7**	**6.6**
Unallocated income, expenses, and operating expenses	-163,813						
Net return on investments at fair value	**9,202,759**	**154,799,708**	**5.9**	**1.7**	**8.0**	**-1.9**	**6.3**

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 premium income 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 provision for unearned premiums
Claims ratio, %	=	Claims incurred / Earned premiums Claims ratio is calculated after deducting the share of reinsurers from earned premiums.
Expense ratio, %	=	Operating expenses / 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 and taxes.
Return on total assets, % (at fair value)	=	+/- Operating profit or loss + Interest expense and other financial expenses +/- Change in revaluation reserve/fair value reserve +/- Change in valuation difference of investments / + 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 differences of technical provisions (excl. equalisation provision) * - 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, %	=	Basic own funds / Solvency capital requirement

SIGNATURES

Helsinki, 3 February 2022

Karri Haaparinne	Timo Hukka
Kenneth Kaarnimo	Antti Suhonen

Titta Elomaa, CEO

A report on the conducted audit has been issued today.

Helsinki, 3 February 2022

Ernst & Young Oy

Ulla Nykky

Authorised Public Accountant