Financial Summary
1 January – 30 June 2024

GARANTIA

Garantia Insurance Company Ltd

Financial summary January-June 2024

Garantia Insurance Company Ltd

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 with 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 help generate business transactions. Our customers are Finnish companies and consumers.

Our competitive advantages are based on a broad network for cooperation and partnerships, individually tailored customer solutions and a scalable way of working. The international credit rating agency Standard & Poor's has confirmed Garantia's rating as A- 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 that focuses on businesses with industrial-scale opportunities within bioindustry and renewable energy. Taaleri has two business segments: Private Asset Management and Garantia. Private Asset Management consists of Renewable energy and Other private asset management. Garantia segment includes Garantia Insurance Company Ltd. Taaleri Plc is listed on Nasdaq Helsinki.

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

Financial results and key figures

Good result in challenging environment, solvency position continued to strengthen.

- Adjusted gross premiums written decreased by 3.1% to EUR 7.8 (1–6/2023: 8.0) million. The decrease was driven by weak demand for new residential mortgage guarantees caused by the weak housing market in Finland.
- Adjusted earned premiums decreased by 1.0% to EUR 9.9 (10.0) million and it was driven by decreased insurance exposure in addition to decreased premiums written.
- Insurance exposure fell by 0.2% from the year end 2023. The relative proportion of consumer and corporate exposure remained at the level of the year end.
- Claims incurred remained low and were EUR 0.2 (0.5) million during the first half of the year. The claims ratio was 2.3% (4.8)
- Operating expenses decreased by 19.0% to EUR 2.0 (2.5) million. The expense ratio was 20.3% (24.8)
- The adjusted balance on the technical account before changes in the equalisation provision strengthened to EUR 7.7 (7.0) million and the combined ratio improved to 22.6% (29.6)
- Net investment income recognised in profit and loss improved substantially and stands at EUR 5.3 (2.8) million. The excellent investment income was supported by favourable market development. Investment return at fair value reached 4.9% (2.5).
- Adjusted earnings before tax increased to EUR 13.2 (10.3) million.
- Garantia's solvency position strengthened during the first half of the year and ended up at 271.2% (245.7).
- Garantia has changed the calculation principles of premium provision and the accounting treatment of premiums written in the fiscal year 2024. Additional information about the change is found in the section "Material changes to accounting principles".

Profit and loss account and key ratios

EUR thousands	1-6/2024	1-6/2024 adjusted*	1-6/2023	Change, adjusted	2023
Gross premiums written	**11 259**	**7 794**	**8 043**	**-3,1 %**	**19 023**
Other items[1)]	26 925	2 108	1 954	7,8 %	1 271
Earned premiums	**38 184**	**9 902**	**9 998**	**-1,0 %**	**20 294**
Claims incurred	-225	-225	-479	-53,2 %	-845
Operating expenses	-2 011	-2 011	-2 481	-19,0 %	-5 143
Balance on technical account before changes in equalisation provision	**35 949**	**7 667**	**7 037**	**8,9 %**	**14 306**
Change in equalisation provision	225	225	479	-53,2 %	845
Balance on technical account	**36 174**	**7 891**	**7 517**	**5,0 %**	**15 151**
Investment income and expenses, net	5 266	5 266	2 771	90,1 %	8 262
Other income and expenses	27	27	22	23,6 %	37
Earnings before tax	**41 467**	**13 185**	**10 309**	**27,9 %**	**23 450**
Claims ratio, %	0,6 %	2,3 %	4,8 %	-4,2 %	4,2 %
Expense ratio, %	5,3 %	20,3 %	24,8 %	-19,6 %	25,3 %
Combined ratio, %	5,9 %	22,6 %	29,6 %	-23,8 %	29,5 %
Return on investments at fair value, %	4,9 %	4,9 %	2,4 %	2,5 %	6,9 %
Solvency ratio, % [2)]	271,2 %	271,2 %	259,8 %	25,5 %	245,7 %
Total insurance exposure, EUR bn.	1 745	1 745	1 856	-0,2 %	1 749
Average number of personnel	21	21	24	-2	23
Credit rating (S&P)	A-	A-	A-	-	A-

* The one-off effect of the change in calculation principles of premium provision and in the accounting treatment of premiums written has been adjusted from the financials. Additional information about the change is found in the section "Material changes to accounting principles".

Profit & loss items are compared against the figures of the corresponding period in 2023. Balance sheet and other cross-section items are compared against the end of 2023 unless otherwise indicated. Figures for the half-year periods have not been audited.

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 audit; hence the solvency figures have not been audited.

Insurance operations

Garantia's insurance operations consist of guaranty insurance. The company's adjusted gross premiums written decreased by 3.1% to EUR 7.8 (8.0) million. The reduction in premiums written was driven by a decrease in residential mortgage guaranty underwriting as the housing market was weaker and the number of housing transactions and the amount of new housing loans were lower than in the period of comparison, which had an effect to residential mortgage guaranty demand. Reported gross premiums written were EUR 11.3 (8.0) million of which one-off items constituted EUR 3.5 (0.0) million.

Adjusted net change in the premium provision was EUR 2.5 (2.4) million. The decrease was driven by a reduction in underwriting.

Adjusted premiums earned decreased by 1.0% to EUR 9.9 (10.0) million. The reduction was mainly caused by a slight decrease in insurance exposure in addition to decreased premiums written.

Insurance exposure contracted by 0.2% during the first six months of the year and amounted to EUR 1 745 (1 749) million. The general composition of the guaranty insurance portfolio remained unchanged. Of the total guaranty insurance exposure EUR 1 383 (1 397) million, or 79% (80) consisted of consumer exposures, and EUR 361 (352) million, or 21% (20) consisted of corporate exposures at the end of June. The consumer exposures include residential mortgage guarantees and rent guarantees underwritten to private households. The corporate exposure is made up of corporate loan guarantees, commercial bonds, and other business-related guarantees, underwritten to companies and other organisations.

Claims incurred amounted to EUR 0.2 (0.5) million. The decrease in claims incurred is mainly explained by the reduction in the incurred but not reported claims (IBNR) provision.

Operating expenses decreased by 19.0% and amounted to EUR 2.0 (2.5) million. Operating expenses were brought down by decreased variable staff compensation expenses compared to the corresponding period last year. Adjusted expense ratio improved to 20.3% (24.8). Combined ratio also improved and stood at 22.6% (29.6).

Adjusted balance on the technical account before changes in the equalisation provision grew from the previous year and amounted to EUR 7.7 (7.0) million. The improvement of technical profitability was a result of decreased operating expenses and claims incurred. The equalisation provision, a part of the balance sheet technical provisions, was reversed by EUR 0.2 (0.5) million, and hence the balance on the technical account came up to EUR 7.9 (7.5) million.

Investment operations

Investment market performance was strong in the first six months of the year. The stock markets saw strong development in the United States and Japan, good performance was also seen in Europe and in the developing markets. In the fixed income markets interest rate cuts by central banks were delayed longer than expected and the ECB started rate cuts in June. Credit spreads somewhat tightened during the first half of the year, especially amidst high yield corporate bonds.

Garantia's net investment income recognised in profit and loss amounted to EUR 5.3 (2.8) million. The net income was mainly composed of interest income, impairments and reversals of impairments caused by changes in the fair values of investments. The net income from investments improved from the period of comparison thanks to favourable market development.

At the end of June, fixed income investments made up 74.9% (86.6), equity & private equity investments 23.5% (12.0) and real estate investments 1.6% (1.4) of the investment portfolio. Return on investments, at fair value, was 4.9% (2.4). Net return on investments at fair value[1] was EUR 7.4 (3.4) million, or 4.8% (2.3).

Garantia's investment portfolio, at fair value, was worth EUR 157.0 (164.0) million at the end of June[2]. The value of the investment portfolio was affected by the EUR 15.0 million dividend payment made to the parent company during the reporting period. At the end of June, the positive valuation difference between the fair value and the book value of investment assets was EUR 7.3 (5.1) million.

Risk and risk management

The principal risks associated with Garantia's operations are the credit risks arising from guaranty insurance operations, and the market risks incurred in investment operations.

In guaranty insurance, 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. Total guaranty insurance exposure contracted slightly compared to the end of the previous year, and the shares of consumer and corporate exposures remained unchanged.

Consumer exposures amounted to EUR 1 383 (1 397) million at the end of June and represented 79% (80) of the total guaranty insurance exposure. The consumer exposures are made up of residential mortgage guaranties and rent guarantees underwritten to private households. The residential mortgage guaranty is a supplementary collateral underwritten to cover a housing loan. The rent guaranty protects landlords against tenants defaulting on their lease contract obligations.

Most of the consumer exposure is made up of the residential mortgage guaranty portfolio, which had no material changes to its risk position in the first half of the year. The portfolio is well diversified with respect to counterparties, geographical location of collateral properties and time of underwriting. In addition, the creditworthiness of counterparties in the portfolio is very good on average. The credit risks of the portfolio are also limited with an excess-of-loss portfolio reinsurance arrangement. However, increased interest rates, weakened economy and increased unemployment have in general put a strain on the debt service capacity of mortgage borrowers. Housing prices have also come down during the first half of the year, resulting in lower residential collateral values. Despite the challenging environment, claims have not materially increased, thanks to the good underlying creditworthiness of the borrowers.

Corporate exposure amounted to EUR 361 (352) million at the end of June and represented 21% (20)) of the total guaranty insurance exposure. The corporate exposure is made up of corporate loan guarantees, commercial bonds, and other business-related guarantees. The guaranteed companies in the corporate portfolio mainly include medium and large Finnish companies and other organisations. The credit risks in the portfolio are, in addition to risk selection, managed by applying reinsurance, collaterals and risk-mitigating contractual arrangements.

The share of corporate exposures with investment grade ratings of AAA…BBB- amounted to 31.4% (31.1), and the share of exposures rated BB- or better made up 65.8% (71.4) of all rated corporate exposures. The share of exposures with weak ratings of C+ or lower came down to 2.5% (2.8). The creditworthiness of the corporate counterparties in

[1] The net return on investments includes operating expenses allocated to investment operations as a deduction.
[2] The value of the investment portfolio includes cash & bank balances and accrued interest.

the company's guaranty insurance portfolio has remained good on average, although the weakened economic environment has had an impact on the creditworthiness of individual counterparties.

The principal industry sectors in the corporate portfolio were retail and wholesale trade at 20.0% (20.8), manufacturing at 15.4% (19.1), financial and insurance services at 14.2% (11.7) and construction at 11.2% (12.3). The shares of other industry sectors were all less than 10%.

In investment operations, the overall risk level was moderately increased by increasing the allocation to equity index funds and increasing the duration of the bond portfolio. At the end of the reporting period, fixed-income investments made up 74.9% (86.6), equity & private equity investments 23.5% (12.0) and real estate investments 1.6% (1.4). Most of the fixed income investments were made up of investments in bonds of Nordic companies, credit institutions and insurance companies with strong creditworthiness. The proportion of investment grade-rated fixed-income investments was 66.3% (66.0). The modified duration of the fixed-income investments was 3.0 (2.4).

Solvency

Garantia's solvency strengthened clearly during the first half of the year thanks to growth in own funds and a simultaneous reduction in the solvency capital requirement. The company's basic own funds amounted to EUR 117.5 (109.2) million at the end of June. Solvency capital requirement was EUR 43.3 (44.4) million. The solvency ratio, or the ratio of basic own funds to the solvency capital requirement, was 271.2% (245.7). Own funds grew thanks to profits accumulated in the first half of the year. Solvency capital requirement came down because of diminished capital requirements for insurance risk and decreased capital add-on.

Garantia's own funds consist fully of unrestricted Tier 1 basic own funds. Garantia does not apply the transition arrangements in defining its basic own funds, nor do Garantia's own funds 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 for solvency capital requirement calculation. 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.

As of 30 June 2018, Garantia's solvency capital requirement has included a capital add-on set by the Financial Supervisory Authority (FSA). The FSA reassesses the capital add-on at least annually. Most recently, with a decision made on 5 June 2024, the FSA reset Garantia's capital add-on as EUR 7.0 (11.9[3]) million. The new capital add-on has been applied from 30 June 2024 onwards. The FSA considers the company's own economic capital model for underwriting risk, when assessing the amount of the capital add-on.

On 28 March 2024, Garantia published its Solvency and Financial Condition Report for 2023. The report is available on the company's website at https://www.garantia.fi/en/about-us/financial-information/.

Solvency II capital adequacy regulations do not fall within the sphere of statutory audit, and hence the Solvency II figures have not been audited.

Credit rating

On 14 December 2023, Standard & Poor's Global Ratings (S&P) confirmed Garantia Insurance Company's credit rating as A- with a stable outlook[4]. There have been no changes in the credit rating or the outlook since.

[3] Reported in the parenthesis is the capital add-on that came into effect on 30 June 2023.

[4] The credit rating and outlook concern 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.

Management and governance

The Annual General Meeting held on 23 February 2024 elected Titta Elomaa (Chairperson), Kenneth Kaarnimo (Vice Chairperson), Peter Ramsay, Jorma Timonen and Eija Koskimies as members of the Board. Titta Elomaa, Jorma Timonen and Eija Koskimies were elected as new members. Titta Elomaa has previously acted as the CEO of Garantia.

Henrik Allonen started as CEO of Garantia as of 1 January 2024.

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

Material changes to accounting principles

The company has changed the calculation principles of premium provision and the accounting treatment of premiums written in the fiscal year 2024. The changes have had a material effect on Garantia's profit and loss account and shareholders' equity on balance sheet in 2024.

As a result of the change, Garantia's premium provision includes the amounts of projected future claims and expenses of current insurance contracts from the fiscal year 2024 onwards. During the previous financial periods the premium provision has included 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.

Additionally, the accounting treatment of premiums written has also changed. From the fiscal year 2024 onwards, Garantia's premiums written include all the insurance premiums from the insurance contract periods that have begun during the fiscal period, adjusted with the lapse effect. Premiums written that have not yet been invoiced are recognised in the insurance receivables on the balance sheet. In previous financial periods, insurance premiums for the premium contribution periods that had begun during the financial year as agreed in the insurance contracts were recognised as premiums written and insurance receivables included only the premiums that had been invoiced.

The one-off effect of the change in the premiums written was EUR 3,464,881 and the effect to earned premiums and to earnings before tax was EUR 28,282,356. Similarly, the one-off effect to profit of the financial year was EUR 22,625,881. Although the one-off items have been adjusted from the adjusted profit and loss account, the adjusted profit and loss account is not entirely comparable to previous accounting periods due to the change in the way premiums are recognised earned.

The changes to the calculation principles of premium provision and the accounting treatment of premiums written 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.

Additional information

Chief Executive Officer Henrik Allonen, henrik.allonen@garantia.fi, tel. +358 50 303 7436
Chief Financial & Risk Officer, Jussi Blomgren, jussi.blomgren@garantia.fi, tel. +358 40 058 7059

Financial information

Profit and loss account

euro	1.1.-30.6.2024	1.1.-30.6.2023	Change, %	1.1.-31.12.2023
Technical Account				
Earned premiums				
Premiums written	11 259 188	8 043 479	40,0 %	19 023 396
Reinsurers' share	-407 553	-434 122	-6,1 %	-448 580
Change in provision for unearned premiums	27 139 895	2 196 840	-	1 742 328
Reinsurers' share	192 835	191 642	0,6 %	-22 768
	38 184 365	**9 997 839**	**281,9 %**	**20 294 376**
Claims incurred				
Claims paid	-644 581	-622 715	3,5 %	-1 120 577
Reinsurers' share	0	0	-	
Change in provision for outstanding claims	373 995	144 237	159,3 %	277 377
Reinsurers' share	46 051	-923	-	-1 500
	-224 535	**-479 401**	**-53,2 %**	**-844 699**
Operating expenses	-2 010 785	-2 481 211	-19,0 %	-5 143 481
Balance on technical account before change in equalisation provision	**35 949 045**	**7 037 227**	**410,8 %**	**14 306 196**
Change in equalisation provision	224 535	479 401	-53,2 %	844 699
Balance on Technical Account	**36 173 580**	**7 516 628**	**381,2 %**	**15 150 895**
Non-technical account				
Investment income	7 807 247	8 400 330	-7,1 %	17 320 339
Investment expenses	-2 541 065	-5 629 776	-54,9 %	-9 058 125
Other income and expenses	27 473	22 231	23,6 %	36 932
Direct taxes on ordinary operations	-8 308 247	-1 786 447	365 %	-4 424 854
Net profit/loss for the financial year	**33 158 988**	**8 522 966**	**289,1 %**	**19 025 188**

Balance sheet

Assets EUR	30 Jun 2024	31 Dec 2023	Change, %
Intangible assets			
Intangible rights	0	0	
Goodwill	71 196	89 816	-20,7 %
Other long-term expenditure	0	0	
	71 196	**89 816**	**-20,7 %**
Investments			
Real estate investments			
Real estate investment funds	2 139 751	1 899 009	12,7 %
	2 139 751	**1 899 009**	**12,7 %**
Other investments			
Shares and participations	30 921 221	27 940 198	10,7 %
Debt securities	114 672 744	125 599 870	-8,7 %
	145 593 966	**153 540 069**	**-5,2 %**
Total	**147 733 717**	**155 439 078**	**-5,0 %**
Receivables			
Arising out of direct insurance operations			
From policy holders	4 206 933	1 642 849	156,1 %
Arising out of reinsurance operations	66 398	222 329	-70,1 %
Other receivables	7 738	0	n/a
	4 281 069	**1 865 177**	**130 %**
Other assets			
Tangible assets			
Machinery and equipment	4 093	4 678	-12,5 %
Other tangible assets	48 365	48 365	0,0 %
	52 459	**53 044**	**-1,1 %**
Cash and bank balances	745 847	1 532 951	-51,3 %
Total	**798 306**	**1 585 995**	**-49,7 %**
Prepayments and accrued income			
Accrued interest and rental income	1 232 755	1 886 783	-34,7 %
Other accrued income	3 326	69	4711,7 %
	1 236 081	**1 886 852**	**-34,5 %**
TOTAL ASSETS	**154 120 368**	**160 866 918**	**-4,2 %**

Equity and liabilities EUR	30 Jun 2024	31 Dec 2023	Change, %
Shareholders' equity and reserves			
Share capital	10 200 000	10 200 000	0,0 %
Retained earnings	20 182 413	16 157 225	24,9 %
Profit / loss of the financial year	33 158 988	19 025 188	74,3 %
Total	**63 541 400**	**45 382 413**	**40,0 %**
Technical provisions			
Provision for unearned premiums	13 659 171	40 799 066	-66,5 %
Reinsurers' share	-210 978	-18 143	1062,8 %
	13 448 193	**40 780 923**	**-67,0 %**
Claims outstanding	596 383	970 378	-38,5 %
Reinsurers' share	-51 409	-5 358	859,4 %
	544 974	**965 020**	**-43,5 %**
Equalisation provision	68 783 840	69 008 375	-0,3 %
Total	**82 777 007**	**110 754 317**	**-25,3 %**
Provisions			
Other provisions	5 159	16 737	-69,2 %
	5 159	**16 737**	**-69,2 %**
Payables			
Arising out of direct insurance operations	19	0	-
Arising out of reinsurance operations	59 186	96 386	-38,6 %
Other	257 229	230 590	11,6 %
	316 434	**326 976**	**-3,2 %**
Accruals and deferred income			
Other accrued expenses	7 480 367	4 386 475	70,5 %
	7 480 367	**4 386 475**	**70,5 %**
TOTAL EQUITY AND LIABILITIES	**154 120 368**	**160 866 918**	**-4,2 %**