Report by the Board of Directors and Financial Statements

2024

GARANTIA

Garantia Insurance Company Ltd

Garantia Insurance Company Ltd

Garantia is a non-life insurance company specialising in credit risk insurance. Garantia was established in 1993 and is supervised by the Financial Supervisory Authority. Garantia offers easy and cost-effective insurance solutions for consumers, businesses and lenders. Our products facilitate transactions and help our customers grow their business. We enable access to finance and make commercial transactions possible.

Our competitive advantages are based on strong customer insight, a scalable and efficient operating model, committed and self-motivated personnel, good risk selection competence and strong solvency. The international credit rating agency Standard & Poor's has confirmed Garantia's rating as A- with a stable outlook.

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. The Private Asset Management segment consists of renewable energy and other private equity funds. The Garantia segment includes Garantia Insurance Company Ltd. Taaleri Plc is listed on Nasdaq Helsinki.

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

CONTENTS

GARANTIA'S YEAR 2024 IN BRIEF

Excellent result despite a challenging operating environment, solvency continued to strengthen.

- Adjusted* premiums written decreased by 14.0% to EUR 16.4 (19.0) million, as the housing market's weak performance reduced the volume of residential mortgage guarantees underwritten.
- Adjusted earned premiums declined by 4.1% to EUR 19.5 (20.3) million. The decrease in earned premiums is explained not only by the decline in premiums written but also by the reduction of the guarantee insurance portfolio.
- The total guarantee insurance exposure contracted by 4.0% from the previous year and was EUR 1,679 (1,749) million. The volume of consumer exposures in the total guarantee insurance exposure increased and the volume of corporate exposures decreased.
- Claims incurred remained low and totalled EUR 1.0 (0.8) million. The claims ratio was 5.4% (4.2).
- Operating expenses decreased by 3.0% to EUR 5.0 (5.1) million. The expense ratio remained at the previous year's level and was 25.6% (25.3).
- The balance on the technical account before changes in the equalisation provision rose to EUR 13.4 (14.3) million, and the combined ratio increased to 31.0% (29.5). The solid profit in insurance operations was attributable to the continued low level of claims incurred and operating expenses.
- Investment income at fair value was excellent at 10.3% (6.9). Investment income was supported by favourable developments in fixed income and equity markets, which resulted from rising expectations of interest rate cuts.
- Adjusted earnings before tax increased to EUR 27.6 (23.5) million.
- Solvency strengthened and the solvency ratio was 263% (246) at the end of the financial year.
- On 12 December 2024, S&P confirmed Garantia's credit rating as A- with a stable outlook.
- The company changed the calculation principles of the provision for unearned premiums and the accounting treatment of premiums written in the financial year 2024. The changes are explained in the accounting principles for the financial statements.

Key Figures

EUR thousands	2024	2024, adjusted*	2023	Change, adjusted
Gross premiums written	**19 834**	**16 369**	**19 023**	**-14.0 %**
Other items [1)]	27 920	3 102	1 271	144.1 %
Earned premiums	**47 753**	**19 471**	**20 294**	**-4.1 %**
Claims incurred	-1 047	-1 047	-845	24.0 %
Operating expenses	-4 987	-4 987	-5 143	-3.0 %
Balance on technical account before changes in equalisation provision	**41 719**	**13 437**	**14 306**	**-6.1 %**
Change in equalisation provision	1 047	1 047	845	24.0 %
Balance on technical account	**42 767**	**14 484**	**15 151**	**-4.4 %**
Investment income and expenses, net	13 059	13 059	8 262	58.1 %
Other income and expenses	45	45	37	22.8 %
Earnings before tax	**55 871**	**27 588**	**23 450**	**17.6 %**
Claims ratio, %	2.2 %	5.4 %	4.2 %	1.2 %-p.
Expense ratio, %	10.4 %	25.6 %	25.3 %	0.3 %-p.
Combined ratio, %	12.6 %	31.0 %	29.5 %	1.5 %-p.
Return on investments at fair value, %	10.3 %	10.3 %	6.9 %	18,1 %-p.
Solvency ratio (S2), % [2)]	262.7 %	262.7 %	245.7 %	17.0 %-p.
Total insurance exposure, EUR million	1 679	1 679	1 749	-4.0 %
Average number of personnel	21	21	23	-2

Credit rating (S&P)	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. The changes are explained in the accounting principles for the financial statements.

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

Europe's economic growth was close to zero in 2024, with northern Europe in particular suffering from lack of growth. The modest performance resulted from the repercussions of Russia's war of aggression, global geopolitical tensions and weak global economic growth. Euro area inflation declined in 2024, nearing the ECB's target of 2%, and the ECB started regular interest rate cuts. Europe's economic growth is expected to remain moderate in 2025.

The sluggish economic performance in Europe and globally naturally had an impact on the Finnish economy. According to the latest forecasts, Finland's GDP continued to decrease in 2024, by 0.3% (1.2). The economy started to grow in the second half of the year, however, and economic growth of 1.6% is already being forecast for 2025. Weak economic growth also increased the level of unemployment, and it reached 8.9% (6.8%) in 2024.

Rising unemployment and the dent in consumers' purchasing power caused by the inflation of previous years meant that consumer confidence was well below the long-term average in 2024. In Finland, consumer purchasing power, which started to grow moderately, and business confidence indicators, which began to grow in the second half of the year, were more or less the only positive factors in the economy.

The weak economic outlook and weak consumer confidence had a strong impact on the housing market, especially in the first half of the year. There was a change for the better in the housing market in the latter part of the year, as there was a slight increase in the number of housing transactions. Overall, the volume of housing transactions remained more or less at the previous year's level. Furthermore, the decline in house prices slowed and prices declined by 2.7% (3.9) in November compared with the corresponding period of the previous year. The low volume of housing transactions was, naturally, reflected in the volume of new mortgage loans, which did not recover in 2024.

In the corporate sector, the number of new orders in manufacturing fell by around 4% year-on-year, but private sector confidence indicators started to rise in 2024. The number of corporate defaults and bankruptcies continued to rise, and the number of bankruptcy filings was well above the level seen following the financial crisis 2008-2009. The amount of new corporate loans remained moderate in 2024.

In 2024, the investment market was particularly affected by central bank interest rates and the timing and schedule of interest rate cuts. In Europe, the ECB started cutting interest rates in June and the Fed followed suit in the US and started cutting rates in September. Over the year, rising expectations of interest rate cuts boosted both equity and fixed income yields and as a whole the investment market performed favourably. However, market volatility increased in the final quarter of the year and expectations of future rate cuts weakened. Credit risk spreads on corporate bonds also narrowed during the year. The S&P500 Index, which describes the performance of the US equity market, a central market for the global economy, returned 25.0% during the year including dividends. The 12-month Euribor rate, which is commonly used as the reference rate for housing loans in Finland, was 2.5% at the end of 2024, which is about one percentage point lower than at the end of 2023.

Insurance operations

Garantia is a non-life insurance company specialising in credit risk insurance. Garantia offers easy and cost-effective guarantee solutions for consumers, businesses and lenders.

Garantia's adjusted gross premiums written decreased by 14.0% from the previous year to EUR 16.4 (19.0) million. The decline in premiums written resulted from a reduction in sales of residential mortgage guarantees as a result of the weak housing market. The housing market remained as sluggish as the comparison period and the volume of housing transactions remained low. The number of new residential mortgage loans was well below the long-term average, which had an impact on demand for residential mortgage guarantees. Reported gross premiums written amounted to EUR 19.8 (19.0) million, of which EUR 3.5 (0.0) million were one-off items related to the change in the accounting treatment.

The adjusted net change in the provision for unearned premiums was EUR 3.5 (1.7) million during 2024. The decrease in the provision for unearned premiums was driven mainly by a reduction in underwriting volumes. Adjusted earned premiums declined by 4.1% to EUR 19.5 (20.3) million.

The total guarantee insurance exposure declined by 4.0% during the year and was EUR 1,679 (1,749) million at the end of the year. Of the total guarantee insurance exposure, EUR 1,404 (1,397) million, or 84% (80), consisted of consumer exposures and EUR 275 (352) million, or 16% (20), consisted of corporate exposures. The reduction in corporate exposures was mainly influenced by the ending of the guarantee exposures related to Multi-Issuer Bond IV, which matured in the autumn. The loan principal and the related guarantee exposure amounted to EUR 42 million.

Claims incurred remained at a low level and totalled EUR 1.0 (0.8) million. The claims ratio was 5.4% (4.2) and the ratio of claims incurred against the total guarantee insurance exposure was 0.06% (0.05). There was one large individual insurance claim related to a single corporate counterparty during the financial year. However, due to the claims of recourse recognised on the basis of secure counter-collateral, the claim did not have an impact on profit.

Operating expenses declined by 3.0% to EUR 5.0 (5.1) million during the financial year. The decrease in operating expenses was driven mainly by a decrease in variable personnel expenses. The expense ratio remained at the previous financial year's level at 25.6% (25.3).

The adjusted balance on the technical account fell to EUR 13.4 (14.3) million before changes to the equalisation provision, and the combined ratio rose to 31.0% (29.5). The continued excellent profitability of insurance operations was the result of the claims incurred and operating expenses remaining low. The equalisation provision was reversed by EUR 1.0 (0.8) million and thus the adjusted balance on the technical account came to EUR 14.5 (15.1) million.

Investment operations

The market conditions developed favourably for investment operations during the financial year. Equity prices rose, market interest rates declined and credit risk spreads on fixed income investments narrowed. In particular, the decline in interest rate expectations and excellent equity market returns boosted the performance of investment operations.

Garantia's net investment income recognised in profit and loss amounted to EUR 13.1 (8.3) million and it was boosted especially by fixed-income returns and impairment reversals of investments on which impairments had been recognised in previous financial years. The valuation difference between the fair value and the book value of investment assets was EUR 7.3 (5.1) million at the end of December.

Garantia's investment portfolio (incl. cash and bank balances and accrued interest) at fair value was EUR 158.1 (164.0) million at the end of the year.

At the end of the financial year, 77.8% (86.6) of the investment portfolio was allocated to fixed income investments, 20.7% (12.0) to equity and private equity investments, and 1.5% (1.4) to real estate investments. Investment income at fair value was 10.3% (6.9). Net investment income on invested capital at fair value was EUR 15.2 (10.2) million, or 10.1% (6.7).

Sustainability

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

Risks and risk management

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

In guarantee insurance operations, credit risk refers to the risk of the guaranteed counterparty being unable to meet its contractual obligations towards the beneficiary of the guarantee. 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 credit & counterparty risks affecting the value and return of investment assets.

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

The volume of consumer exposures at the end of the financial year was EUR 1,404 (1,397) million and their proportion in the total guarantee insurance exposure was 84% (80). Consumer exposures consist of residential mortgage guarantees and rent guarantees granted to households. A residential mortgage guarantee is a supplementary collateral underwritten to cover a housing loan. A rent guarantee 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 guarantees. The risk position of the residential mortgage guarantee 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 guarantee portfolio are managed through an excess-of-loss portfolio reinsurance arrangement, whereby the reinsurer is liable for mortgage guarantee portfolio claims exceeding Garantia's retention threshold up to EUR 20 million. The decline in consumer purchasing power, the weakening of the economy and increase in unemployment have weakened the ability of mortgage holders to repay their mortgages, and house prices have fallen over the past two years. However, due to mortgage holders' good creditworthiness, this has not had a significant impact on the level of claims.

The volume of corporate exposures was EUR 275 (352) million at the end of the financial year, and their proportion in the total guarantee insurance exposure was 16% (20). Corporate exposures include corporate loan guarantees, commercial bonds and other business-related guarantees. The guaranteed companies are mainly medium-sized and large Finnish companies and other organisations. In addition to risk selection, counter-collateral, reinsurance, and risk-mitigating contractual terms and conditions are also used to hedge against the credit risks of corporate exposures.

The share of investment grade exposures, or exposures rated between AAA and BBB-, made up 37.0% (31.1), while exposures with a rating of at least BB- accounted for 67.3% (71.4) of the rated corporate insurance portfolio. The share of exposures with lower credit ratings of C+ or lower decreased slightly and was 2.1% (2.8). The creditworthiness of the company's corporate counterparties has remained good on average, despite the creditworthiness of some counterparties having been affected by the deteriorating economic outlook.

The principal sectors in the corporate insurance portfolio were manufacturing at 17.3% (19.1), water and waste management at 17.2% (10.3), trade at 14.6% (20.8) construction at 13.9% (12.3), finance and insurance operations at

12.7% (11.7), and services at 10.5% (4.6). The proportions of other sectors accounted for less than 10% in the corporate insurance portfolio.

The risk level of investment activities was moderately increased by increasing the allocation to large equity index funds and by increasing the duration of fixed income investments. At the end of the year, fixed income investments made up 77.8% (86.6), equity and private equity investments 20.7% (12.0) and real estate investments 1.5% (1.4) 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 69.4% (66.0) of fixed income investments had an investment grade credit rating. The modified duration of the fixed income investments was 3.2 (2.4).

The risk position of guarantee insurance operations and investment operations is discussed in greater detail in note 17 to the financial statements: Risks and risk management.

Solvency

Garantia's solvency strengthened on the previous year due to a reduction in the solvency capital requirement and the growth of Garantia's basic own funds. The company's basic own funds amounted to EUR 112.9 (109.2) million at the end of the financial year and the solvency capital requirement was EUR 43.0 (44.4) million. The solvency ratio, or the ratio of basic own funds to the solvency capital requirement, was 262.7% (245.7).

Basic own funds grew mostly as a result of a strong balance on the technical account and the increase in the value of investment assets. Basic own funds include, as a deduction, foreseeable dividends, the amount of which remained at the same level as in the previous year.

The reduction in the solvency capital requirement during the financial year resulted from a reduction of the capital requirement for insurance risk and a reduction of the capital add-on associated with insurance risk set by the Financial Supervisory Authority. The reduction in the amount of insurance risk was due to a decrease in insurance exposure, especially in corporate exposures. The capital requirement for market risk, on the other hand, increased as a result of allocation changes in the investment portfolio.

Solvency

EUR thousands	31 Dec 2024	31 Dec 2023
Basic own funds	**112 905**	**109 208**
Solvency capital requirement		
Market risk	28 110	20 901
Non-life underwriting risk	27 599	29 146
Counterparty default risk	723	314
Operational risk	546	623
Diversification effect and adjustment for loss-absorbing capacity	-21 030	-18 450
Total	**35 949**	**32 532**
Capital add-on	7 028	11 909
Total	**42 977**	**44 441**
Amount of own funds in excess of the solvency capital requirement	69 928	64 767
Solvency ratio, %	**262.7 %**	**245.7 %**

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 for the 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.

Garantia's solvency capital requirement has included a capital add-on related to insurance risk set by the Financial Supervisory Authority as of 30 June 2018. The Financial Supervisory Authority assesses the amount of the capital add-on at least once a year. The Financial Supervisory Authority previously adjusted its decision regarding the capital add-on on 5 June 2024, when the amount of the add-on was set at EUR 7.0 (11.9[1]) million. The updated capital add-on is included in the company's solvency capital requirement as of 30 June 2024. 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 insurance 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 9 June 2023.

Garantia's solvency and financial condition report for 2024 in accordance with chapter 8 a of the Insurance Companies Act is published on the company's website, www.garantia.fi, in accordance with the timetable prescribed by regulation. The report is also available at the following address: Garantia Insurance Company Ltd, Kasarmikatu 21 B, 00130 Helsinki.

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

Credit rating

On 12 December 2024, Standard & Poor's Global Ratings (S&P) confirmed Garantia Insurance Company Ltd's credit rating as A- with a stable outlook. The rating concerns the company's Issuer Credit Rating (ICR), the Financial Strength Rating (FSR), and the Financial Enhancement Rating (FER), which depicts the company's capacity and willingness to meet its commitments on financial guarantees.

Personnel

During the financial year, Garantia employed an average of 21 (23) people. The average age of the personnel at the end of the financial year was 39.5 (40.3) years, and their average duration of employment at Garantia was 8.5 (9.1) years. Women made up 53.5% (53.5) of the personnel and men 46.5% (46.5).

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 2024, the number of Garantia shares was 60,000 and shareholders' equity was EUR 10,200,000. The company has one share class.

Equity-based incentive programmes

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

[1] The capital add-on that was in force as of 30 June 2023 in parentheses.

information on the equity-based incentive programmes can be found in note 13 to the financial statements: Commitments.

Management and governance

The Annual General Meeting appointed Titta Eloma (chair), Kenneth Kaarnimo (vice-chair), Peter Ramsay, Jorma Timonen and Eija Koskimies as members of the Board of Directors at its meeting on 23 February 2024. Titta Elomaa has previously served as CEO of Garantia. Over the period 1 January to 23 February 2024, the Board of Directors of the company consisted of Karri Haaparinne (chair), Antti Suhonen (vice-chair), Kenneth Kaarnimo, Laura Paasio and Peter Ramsay.

The company's Board of Directors convened 9 times during the financial year. The Board of Directors had no separate committees during the financial year.

Henrik Allonen was the company's CEO during the financial year. The company's Executive Management Team was composed of Henrik Allonen, Jussi Blomgren, Assi Ikonen, Timo Lehikoinen and Riku Saastamoinen during the financial year.

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

Garantia's Actuarial Function, duties of the Appointed Actuary, internal audit and compliance function are outsourced to external service providers. During the financial year, the services 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 Advisense Oy. The compliance service has been outsourced to KPMG Oy Ab.

Significant events after the end of the financial year

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

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

The profit for the financial year was EUR 44,664,657.69, and the company's distributable funds amounted to EUR 64,847,070.26. 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 2025

Garantia's strategy focuses on growing and expanding its business in credit risk insurance. Our competitive advantages on the market are based on our strong customer insight, a scalable and efficient operating model, and committed and self-motivated personnel. We are an independent, highly solvent and reliable partner within the financial sector. The company's strategy includes financial targets related to premiums written, profitability, solvency and credit rating.

Finland's near-term economic outlook is showing signs of improvement. Based on the latest economic forecasts, the Finnish economy will start to grow in 2025, and GDP growth will be from 0.8% to 2.0%. The unemployment rate is also expected to start to decline.

Garantia's strong solvency enables the company to grow and expand its business. The company's balance on the technical account is expected to remain good. The development of claims incurred, and net investment income will have a significant impact on Garantia's profitability.

FINANCIAL STATEMENTS

Profit and loss account

EUR	Note	2024	2023	Change, %
Technical Account				
Earned premiums				
Premiums written	1, 2, 3	19 833 681	19 023 396	4.3 %
Reinsurers' share		-410 601	-448 580	-8.5 %
Change in provision for unearned premiums		28 331 195	1 742 328	>100 %
Reinsurers' share		-883	-22 768	-96.1 %
		47 753 392	**20 294 376**	**>100 %**
Claims incurred				
Claims paid		-1 458 667	-1 120 577	30.2 %
Reinsurers' share				
Change in provision for claims outstanding		365 607	277 377	31.8 %
Reinsurers' share		45 910	-1 500	-
		-1 047 150	**-844 699**	**24.0 %**
Operating expenses	5, 6, 7, 8	-4 986 878	-5 143 481	-3.0 %
Balance on technical account before change in equalisation provision		**41 719 363**	**14 306 196**	**>100 %**
Change in equalisation provision		1 047 150	844 699	24.0 %
Balance on Technical Account		**42 766 513**	**15 150 895**	**>100 %**
Non-technical account				
Investment income	4	17 318 753	17 320 339	0.0 %
Investment expenses	4	-4 259 832	-9 058 125	-53.0 %
Other income and expenses		45 338	36 932	22.8 %
Direct taxes on ordinary operations		-11 206 114	-4 424 854	>100 %
Profit/loss for the financial year		**44 664 658**	**19 025 188**	**>100 %**

Balance sheet

Assets EUR	Note	31 Dec 2024	31 Dec 2023	Change, %
Intangible assets				
Goodwill	8	52 575	89 816	-41.5 %
		52 575	**89 816**	**-41.5 %**
Investments	9			
Real estate investments				
Real estate investment funds		2 043 617	1 899 009	7.6 %
		2 043 617	**1 899 009**	**7.6 %**
Other investments				
Shares and participations		27 827 415	27 940 198	-0.4 %
Debt securities		117 450 304	125 599 870	-6.5 %
		145 277 718	**153 540 069**	**-5.4 %**
Total		**147 321 335**	**155 439 078**	**-5.2 %**
Receivables				
Arising out of direct insurance operations				
From policy holders		4 536 469	1 642 849	>100 %
Arising out of reinsurance operations		47 429	222 329	-78.7 %
Other		4 156 443		
		8 740 340	**1 865 177**	>100 %
Other assets				
Tangible assets	8			
Machinery and equipment		0	4 678	-
Other tangible assets		48 365	48 365	0.0 %
		48 365	**53 044**	**-8.8 %**
Cash and bank balances		1 442 781	1 532 951	-5.9 %
Total		**1 491 146**	**1 585 995**	**-6.0 %**
Prepayments and accrued income				
Accrued interest and rental income		2 002 397	1 886 783	6.1 %
Other accrued income		3 598	69	>100 %
		2 005 995	**1 886 852**	**6.3 %**
TOTAL ASSETS		**159 611 391**	**160 866 918**	**-0.8 %**

Equity and liabilities EUR	Note	31 Dec 2024	31 Dec 2023	Change, %
Shareholders' equity and reserves	10, 11			
Share capital		10 200 000	10 200 000	0.0 %
Retained earnings		20 182 413	16 157 225	24.9 %
Profit / loss for the financial year		44 664 658	19 025 188	>100 %
Total		**75 047 070**	**45 382 413**	**65.4 %**
Technical provisions				
Provisions for unearned premiums		12 467 872	40 799 066	-69.4 %
Reinsurers' share		-17 260	-18 143	-4.9 %
		12 450 612	**40 780 923**	**-69.5 %**
Claims outstanding	12	604 770	970 378	-37.7 %
Reinsurers' share		-51 268	-5 358	>100 %
		553 503	**965 020**	**-42.6 %**
Equalisation provision		67 961 225	69 008 375	-1.5 %
Total		**80 965 339**	**110 754 317**	**-26.9 %**
Provisions				
Other provisions		4 732	16 737	**-71.7 %**
		4 732	**16 737**	**-71.7 %**
Payables				
Arising out of direct insurance operations		49	0	>100 %
Arising out of reinsurance operations		56 767	96 386	-41.1 %
Other		369 723	230 590	60.3 %
		426 540	**326 976**	**30.4 %**
Accruals and deferred income				
Other		3 167 711	4 386 475	-27.8 %
		3 167 711	**4 386 475**	**-27.8 %**
TOTAL EQUITY AND LIABILITIES		**159 611 391**	**160 866 918**	**-0.8 %**

Cash flow statement

EUR	2024	2023
Cash flow from operations		
Profit / loss from ordinary operations	44 664 658	19 025 188
Adjustments		
Change in technical provisions	-29 788 979	-2 840 137
Impairments and revaluations of investments	-4 349 100	-3 472 333
Planned depreciation	41 919	122 344
Other non-cash income and expenses	-12 006	-1 044
Other adjustments	6 953 802	2 260 580
Cash flow from operations before changes in working capital	**17 510 294**	**15 094 597**
Changes in working capital		
Short-term non-interest-bearing trade receivables increase (-) / decrease (+)	-6 994 305	-1 043 327
Short-term non-interest-bearing payables increase (+) / decrease (-)	-1 119 200	1 609 746
Cash flow from operations before financing items and taxes	**9 396 789**	**15 661 016**
Direct taxes paid	-10 785 052	-2 719 057
Cash flow from operations	**-1 388 263**	**12 941 959**
Cash flow from investments		
Net investments in financial assets (excl. cash and bank balances)	16 298 092	-2 190 018
Net investments in intangible and tangible assets and other assets	0	0
Cash flow from investment operations	**16 298 092**	**-2 190 018**
Cash flow from financing		
Dividends paid and other distribution of profits	-15 000 000	-10 000 000
Cash flow from financing	**-15 000 000**	**-10 000 000**
Change in cash and bank balances	**-90 170**	**751 941**
Cash and bank balances at the beginning of the financial year	1 532 951	781 010
Cash and bank balances at the end of the financial year	1 442 781	1 532 951
	-90 170	**751 941**

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 credit risk 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 and part of 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. The Private Asset Management segment consists of renewable energy and other private equity funds. The Garantia segment includes Garantia Insurance Company Ltd. 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. 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. Taaleri Plc is listed on Nasdaq Helsinki.

Accounting policies

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

Financial year

The financial year of the company is the calendar year.

Material changes to accounting principles

In the financial year 2024, the company changed the calculation principles of the provision for unearned premiums and the accounting treatment of premiums written. The change made to the calculation principles of the provision for unearned premiums had a material impact on the result for the financial year 2024 and on equity on the balance sheet.

The one-off impact of the change in the accounting treatment of premiums written on premiums written was EUR 3,464,881, but it had no impact on net profit for the financial year or equity.

The impact of the change made to the calculation principles for the provision for unearned premiums on earned premiums and profit before tax was EUR 28,282,356. The one-off impact of the change on the provision for unearned premiums on profit and equity for the financial year was EUR 22,625,881. The profit adjusted for one-off item of the change in the calculation princible is not fully comparable with previous financial years due to the change in the recognition practice.

The changes are explained in more detail in the accounting principles for the financial statements under 'Premiums and insurance premiums earned' and 'Technical provisions'.

The changes in the calculation principles and accounting treatment are 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 and premiums written

The company changed its accounting treatment of premiums written in the 2024 financial year. The accounting treatment of premiums written has been changed so that from the financial year 2024 onwards insurance premiums for the contractually specified insurance periods, which have started during the financial year, are recognised as premiums written, whether invoiced or not. The recognition also takes into consideration the possibility of cancellation of contracts. Invoiced and yet to be invoiced premiums recognised in premiums written are presented on the balance sheet as part of receivables arising out of direct insurance operations. In previous financial periods, insurance premiums for the contractually agreed premium invoicing periods that had started during the financial year were recognised as premiums written, and the receivables arising out of direct insurance operations only included premiums that had been invoiced but not yet paid.

Those premium receivables for which it is likely that payment will not be received have been deducted from premiums written as credit losses.

Operating expenses

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

Intangible assets

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

Investments

Shares, participations and real estate investments are valued at the lower of acquisition cost 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 are 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 are valued at the acquisition cost, which is steadily adjusted towards the nominal value on a bond-specific basis over its maturity. If the fair value of a bond is lower than its acquisition cost less prior impairments, a further impairment is recognised to adjust the acquisition cost through profit or loss.

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

Receivables

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

Premium receivables and other receivables are valued at the lower of nominal value or probable value. Premium receivables include premiums recognised as premiums written, whether invoiced or yet to be invoiced.

Tangible assets

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

Items denominated in foreign currencies

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

Employment benefits

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

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

Direct taxes

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

Other liabilities

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

Technical provisions

The company materially changed the calculation principles for the provision for unearned premiums in the financial year 2024. As a result of the change in the calculation principles of the provision for unearned premiums, Garantia's provision for unearned premiums includes the amounts of projected future claims and expenses of current insurance contracts from the financial year 2024 onwards. In previous financial periods the provision for unearned premiums has included that proportion of the accumulated premiums written where the respective risk is attributable to future financial periods.

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 reserved for years with substantial amounts of claims.

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

Regulated provisions

Liabilities for future losses for which timing or exact amount is not known on the balance sheet date are recognised as regulated provisions.

Notes to the profit and loss account

Note 1. Insurance premiums written

EUR	2024	2023
Non-life insurance		
Direct insurance		
Domestic	19 833 681	19 023 396
Reinsurance		
Insurance premiums written before the share of insurers	**19 833 681**	**19 023 396**

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 equalization provision

Direct insurance

EUR	1	2	3	4	5	6
Credit & suretyship						
2024	19 833 681	48 143 048	-1 093 060	-4 898 448	-454 005	41 697 535
2023	19 023 396	20 734 359	-843 199	-5 143 481	-472 848	14 274 831
2022	24 663 706	18 815 204	-399 786	-4 675 633	-724 150	13 015 635
2021	25 142 016	18 596 375	-147 325	-5 656 767	-1 287 333	11 504 950
2020	18 988 434	15 559 978	-809 954	-5 029 933	-489 804	9 230 286
Reinsurance						
2024	0	21 828	0	0	0	21 828
2023	0	31 365	0	0	0	31 365
2022	0	-25 813	0	0	0	-25 813
2021	0	25 876	0	0	0	25 876
2020	0	32 997	0	0	0	32 997
Total						
2024	19 833 681	48 164 876	-1 093 060	-4 898 448	-454 005	41 719 363
2023	19 023 396	20 765 724	-843 199	-5 143 481	-472 848	14 306 196
2022	24 663 706	18 789 391	-399 786	-4 675 633	-724 150	12 989 822
2021	25 142 016	18 622 251	-147 325	-5 656 767	-1 287 333	11 530 826
2020	18 988 434	15 592 975	-809 954	-5 029 933	-489 804	9 263 283
Change in equalisation provision						
2024						1 047 150

2023	844 699
2022	578 518
2021	677 472
2020	591 579
Balance on technical account	
2024	42 766 513
2023	15 150 895
2022	13 568 340
2021	12 208 298
2020	9 854 863

Note 3. Items deducted from insurance premiums written

EUR	2024	2023
Credit losses from insurance premium receivables	25 695	23 248

Note 4. Breakdown of net investment income

EUR	2024	2023
Investment income		
Income from other investments		
Dividend income	62 692	478 272
Interest income	4 910 251	4 088 997
Other income	109 736	6 221
	5 082 679	**4 573 490**
Reversal of impairments	8 275 071	12 199 377
Gain on sale of investments	3 961 003	547 471
	12 236 074	**12 746 849**
Investment income, total	**17 318 753**	**17 320 339**
Investment expenses		
Expenses from real estate investments		
Expenses from other investments	-276 940	-328 731
Interest expenses and other financial expenses	-1 000	-1 000
	-277 940	**-329 731**
Impairments	-3 925 971	-8 727 044
Loss on sale of investments	-55 922	-1 350
	-3 981 892	**-8 728 394**

Investment expenses, total	**-4 259 832**	**-9 058 125**
Net investment income	**13 058 921**	**8 262 214**

Note 5. Breakdown of operating expenses

EUR	2024	2023
Insurance sales expenses	1 357 948	1 523 451
Insurance management expenses	1 163 720	1 022 800
Administrative expenses	2 465 211	2 597 230
Operating expenses	**4 986 878**	**5 143 481**

Note 6. Total operating expenses by activity

EUR	2024	2023
Claims processing expenses	347 262	301 359
Operating expenses	4 986 878	5 143 481
Investment management expenses	254 265	217 548
Total operating expenses	**5 588 405**	**5 662 388**

Note 7. Auditor's fees

EUR	2024	2023
Ernst & Young Oy		
Auditing fees	50 670	44 121

Notes to the balance sheet

Note 8. Changes in intangible and tangible assets

EUR	Intangible assets	Tangible assets	Total
Acquisition cost 1 January	603 920	101 770	705 690
Depreciated fully during the previous year	-417 714		-417 714
Increases			0
Deductions			0
Acquisition cost 31 December	**186 206**	**101 770**	**287 976**
Accumulated depreciation 1 January	-514 104	-48 727	-562 831
Depreciated fully during the previous year	417 714		417 714
Accrued depreciation on deductions			0
Depreciation for the financial year	-37 241	-4 678	-41 919
Accumulated depreciation 31 December	**-133 631**	**-53 405**	**-187 036**
Book value 31 December	**52 575**	**48 365**	**100 940**

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	2 162 900	2 043 617	2 404 490
Other investments			
Shares and other equity instruments	28 167 178	27 827 415	32 710 014
Other financial instruments	121 092 187	117 450 304	119 523 865
Total	**151 422 265**	**147 321 335**	**154 638 369**
The remaining acquisition cost of financial instruments includes the difference between the nominal value and the acquisition cost accrued as interest income or expense	448 094		
Valuation difference			**7 317 034**

Note 10. Changes in shareholders' equity

EUR		2024		2023
Restricted				
Share capital 1 January = 31 December		10 200 000		10 200 000
Unrestricted				
Profit / loss from previous accounting periods 1 January	35 182 413		26 157 225	
Distribution of dividends	-15 000 000	20 182 413	-10 000 000	16 157 225
Profit/loss for the financial year		44 664 658		19 025 188
		64 847 070		**35 182 413**
Shareholders' equity total		**75 047 070**		**45 382 413**

Share capital of Garantia Insurance Company Ltd. is fully owned by Taaleri Oyj (business ID 2234823-5, registered domicile Helsinki). As of 31 December 2024, Garantia's share capital consisted of 60,000 shares. The company has a single series of shares.

Note 11. Distributable reserves

EUR	2024	2023
Profit / loss for the financial year	44 664 657.64	19 025 187.51
Profit / loss from previous accounting periods	20 182 412.62	16 157 225.11
Distributable profits total	**64 847 070.26**	**35 182 412.62**
Distributable reserves total	**64 847 070.26**	**35 182 412.62**

Note 12. Claims outstanding

Adequacy of claims provision by insurance class

	2024	2023
Credit and suretyship		
euro	1 233 185	1 226 969
% of claims outstanding 1 January	98.8 %	98.9 %

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

Other notes

Note 13. Commitments

EUR	2024	2023
Total gross exposure from guarantee insurance	1 679 147 915	1 749 103 714
Total gross exposure from guarantee insurance after deducting the computational value of collaterals	1 646 690 575	1 698 185 070
Lease liabilities from rental of premises		
Leases payable during the following financial year	192 464	178 906
Leases payable after the following financial year	564 778	378 630
Other lease liabilities		
Leases payable during the following financial year	60 230	27 086
Leases payable after the following financial year	72 405	12 593
Capital commitments related to investment operations	3 246 378	3 385 641

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

Employee share savings plan

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

The parent company, Taaleri Plc, will charge the company for the costs of acquiring the additional shares, which will be transferred to Garantia's personnel when the required shares are acquired. In accordance with applicable accounting regulations, Garantia does not recognise a provision for the costs in its financial statements. The company estimates that the share savings accumulated by the personnel during the savings period will entitle them to a maximum of 8,288 additional shares. Calculated at the closing price of Taaleri Plc's share on the balance sheet date, the value of the additional shares would be EUR 66,553 in total. The receipt of additional shares is conditional on the fulfilment of the conditions of the remuneration scheme.

Personnel's equity-based incentive programmes

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

The parent company Taaleri Plc charges the costs of the shares under the share-based incentive schemes allocated to Garantia's employees to the company when the share bonuses are paid. In accordance with applicable accounting regulations, Garantia does not recognise a provision for the costs arising from the share-based incentive scheme in its financial statements. Instead, the costs are recognised as an expense at the time of paying the bonuses. The number of outstanding shares allocated to Garantia's personnel under the share-based incentive schemes on the balance sheet date was 81,000. The payment of the bonuses is subject to the fulfilment of the conditions of the incentive scheme.

Disputes

Garantia has no significant civil cases in progress at the balance sheet date.

Note 14. Notes on personnel and members of corporate bodies

EUR	2024	2023
Personnel expenses		
Salaries and other remuneration	2 838 786	2 879 247
Pension expenses	454 047	467 397
Other indirect employee expenses	62 865	73 032
	3 355 698	**3 419 676**
Salaries and remunerations paid to		
Chief Executive Officer	295 787	402 953
Members of the Board of Directors	331 592	120 000
Average number of personnel during financial year	**21**	**23**

Note 15. Notes on ownership in other companies

EUR	Book value	Fair value
Shares and funds		
Db Stoxx Europe 600	5 506 742	6 070 692
Invesco S&P 500 Equal Weight UCITS	5 363 388	5 363 388
SPDR MSCI USA Small Cap Value Weighted UCITS ETF	4 029 486	4 648 047
Vanguard FTSE Developed Asia	2 411 655	2 411 655
iShares MSCI EM EX-China	4 239 634	4 352 509
iShares S&P 500 EUR Hedged	4 309 467	4 872 414
	25 860 371	**27 718 705**
Private equity funds		
CapMan Buyout X Fund B Ky	112 120	112 120
HL Large Buyout Club Fund	1 854 923	4 879 190
	1 967 043	**4 991 310**
Real estate property funds		
Taaleri Asuntorahasto VIII	1 180 717	1 180 717
Taaleritehtaan Tonttirahasto Ky	862 900	1 223 773
	2 043 617	**2 404 490**
TOTAL	**29 871 031**	**35 114 504**

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

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

Note 17: Risks and risk management

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

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

Organisation, responsibilities and control of risk management

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

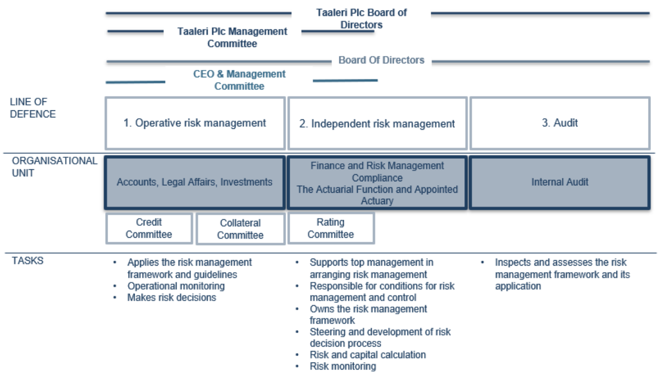

Figure 1: The organisation of Garantia's risk management

Figure 2: Decision-making bodies and reporting relations

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

The Board has appointed a Credit Committee, 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 Board of Directors of Garantia and, if necessary, the Board of Directors of Taaleri Plc.

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 a 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), insurance policy (concentration risks and risk-taking limits concerning insurance underwriting), 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 guarantee insurance operations, investment risks regarding assets covering technical provisions and equity, strategic risks and operational and compliance risks. The identification and assessment of risks are described separately for each risk later in this note.

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

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

Insurance risk

Insurance risk, or underwriting risk, means a risk of loss arising from inadequate assumptions concerning pricing and technical provisions or an unfavourable change in the value of insurance liabilities. In guarantee insurance, the insurance risk mostly consists of credit risk (the inability of the guaranteed counterparty to manage its financial or operational obligations under the contract in relation to the beneficiary of the guarantee). 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 guarantees, which results from the default of the reinsurer or the party providing other counter guarantees, and the value change risk, which is caused by changes in the fair value of the collateral.

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

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

Quantitative information on insurance risks

Sensitivity analysis of insurance operations, 31 Dec 2024

Risk parameter	Total, EUR thousand	Change in risk parameter	Effect on equity, EUR thousand	Effect on combined ratio, %
Premiums earned	47 753	increases 10 %	3 820	improves 1.2%-p.
Claims incurred	1 047	increases 10 %	0	worsens 0.2%-p.
Large claim, EUR 10 million	0	EUR 10 mn.	0	worsens 20.9%-p.
Operating expenses	4 987	increases 10 %	-399	worsens 1.0%-p.

Sensitivity analysis of insurance operations, 31 Dec 2023

Risk parameter	Total, EUR thousand	Change in risk parameter	Effect on equity, EUR thousand	Effect on combined ratio, %
Premiums earned	20 294	increases 10 %	1 624	improves 2.7%-p.
Claims incurred	845	increases 10 %	0	worsens 0.4%-p.
Large claim, EUR 10 million	0	EUR 10 mn.	0	worsens 49.3%-p.
Operating expenses	5 143	increases 10 %	-411	worsens 2.5%-p.

Trend in claims incurred

EUR thousand	Claims paid	Change in provision for outstanding claims	Claims incurred	% of insurance exposure	Claims ratio, %
2024	-1 459	412	-1 047	0.06 %	2.2 %
2023	-1 121	276	-845	0.05 %	4.2 %
2022	-1 055	477	-579	0.03 %	3.2 %
2021	-1 270	592	-677	0.04 %	3.8 %
2020	-855	263	-592	0.03 %	4.0 %
2019	-336	-1 282	-1 618	0.09 %	12.2 %
2018	427	355	783	-0.05 %	-6.4 %
2017	-343	-736	-1 079	0.07 %	10.1 %
2016	-934	-240	-1 174	0.09 %	12.4 %
2015	-1 421	-71	-1 492	0.13 %	15.1 %

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	2024	2023
Consumer exposure	1 404	1 397
Corporate exposure	275	352
Total	**1 679**	**1 749**
Committed undrawn exposure	*12*	*23*

The consumer exposure includes residential mortgage guarantees and rent guarantees, where insurance risk is attributable to the credit risk of private households. Residential mortgage guarantees included in consumer exposure have secondary collateral rights relating to the residential property collateral of the guaranteed mortgage loan. The risks of the residential mortgage guarantee portfolio are also limited through an excess-of-loss reinsurance arrangement, which covers the majority of the portfolio, covering claims exceeding a certain retention threshold up to a specified insured amount of EUR 20 million. The rent guarantees are unsecured.

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

The committed undrawn portion shown in the table is the amount of the guarantee liability committed to by Garantia, where the principal debt covered by the guarantee has not yet been drawn. Committed undrawn liability is not presented as part of the guarantee insurance portfolio exposure.

Corporate insurance exposure by credit rating

	2024	2023
AAA...BBB-	96	103

BB+...BB-	79	133
B+...B-	80	86
C+ or weaker	5	9
Rated exposure total	**260**	**332**
Other exposure	14	20
Corporate exposure total	**275**	**352**

Corporate insurance exposure by collateral class

milj. euroa	2024	2023
Reinsured	4	12
Classes 1 & 2	28	39
Classes 3 & 4	66	91
Unsecured	162	190
Rate exposure total	**260**	**332**
Other exposure	14	20
Corporate exposure	**275**	**352**

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

Corporate insurance exposure by industry

	2024	2023
Manufacturing	45	63
Machinery and equipment (incl. repair)	22	33
Metals	4	3
Chemicals	13	16
Food	6	9
Other	1	2
Water supply and waste management	45	34
Wholesale and retail trade	38	69
Construction	36	41
Finance and insurance	33	39
Services	27	15
Energy	15	21
Transport and logistics	2	22
Information and communication	0	1
Other industries	19	26
Rated exposure total	**260**	**332**
Other exposure	14	20
Corporate exposure total	**275**	**352**

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

Actuarial assumptions

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

The capital value of projected future claims incurred and expenses of current insurance contracts is included in the provision for unearned premiums. 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 gross insurance exposure accrued by the company is allocated to outstanding claims unknown to the company on the closing date as part of unknown outstanding claims provision, 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	2024	2023
Provision for unearned premiums	12 451	40 781
Provision for claims outstanding	554	965
Provision for known claims outstanding	44	16
Provision for unknown claims outstanding	510	949
Equalisation provision	67 961	69 008
Total	**80 965**	**110 754**

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 2024

EUR thousand	0-1 years	1-2 years	2-3 years	Over 3 years	Total
Provision for unearned premiums	3 850	2 843	2 079	3 678	**12 451**
Provision for claims outstanding	554				**554**
Total	**4 403**	**2 843**	**2 079**	**3 678**	**13 004**

Provision for unearned premiums and claims outstanding by maturity, 31 Dec 2023

EUR thousand	0-1 years	1-2 years	2-3 years	Over 3 years	Total
Provision for unearned premiums	13 189	9 030	6 603	11 959	**40 781**
Provision for claims outstanding	965				**965**
Total	**14 154**	**9 030**	**6 603**	**11 959**	**41 746**

The duration of the cash flow distribution of the technical provisions (excl. equalisation provision) is 2.7 (2.7) years.

Investment risks

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

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

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

Investment activities should aim to ensure the security, convertibility into cash, rate of return and availability of investments, and to consider the nature of insurance agreements and the interests of the insured party.

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

Capital requirements for investment risks are measured by means of the economic capital model, the solvency capital requirement (SCR) and S&P's insurance capital model. In the economic capital model, investment risks are measured on an instrument-specific basis with Value-at-Risk calculation models for equity risk, currency risk, interest rate risk and credit spread risk. 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	2024	%	2023	%
Fixed income investments	123.0	77.8 %	142.1	86.6 %
Equity & private equity investments	32.7	20.7 %	19.6	12.0 %
Real estate investments	2.4	1.5 %	2.3	1.4 %
Total	**158.1**	**100.0 %**	**164.0**	**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, and government bonds.

Fixed-income investments by maturity and credit rating, 31 Dec 2024

EUR million	0-1 yrs.	1-3 yrs.	3-5 yrs.	Over 5 yrs.	Total	%
AAA...AA-	6.5	0.0	0.0	0.0	6.5	**5.3 %**
A+...A-	0.1	5.0	0.0	11.7	16.7	**13.6 %**
BBB+...BBB-	3.8	14.2	15.8	28.3	62.1	**50.5 %**
BB+ or weaker	3.8	16.7	17.1	0.0	37.6	**30.6 %**
Total	**14.1**	**35.9**	**32.9**	**40.0**	**123.0**	**100.0 %**

Fixed-income investments by maturity and credit rating, 31 Dec 2023

EUR million	0-1 yrs.	1-3 yrs.	3-5 yrs.	Over 5 yrs.	Total	%
AAA...AA-	1.3	17.0	0.0	0.0	18.3	**12.9 %**
A+...A-	0.3	0.0	0.0	8.5	8.7	**6.1 %**
BBB+...BBB-	7.8	21.4	30.0	11.3	70.5	**49.6 %**
BB+ or weaker	10.0	21.2	13.3	0.0	44.5	**31.3 %**
Total	**19.3**	**59.7**	**43.4**	**19.7**	**142.1**	**100.0 %**

Maturity date is the end of the term to maturity. If the instrument includes a call option, maturity is the first possible call date.

The rating of an instrument is an issuer rating or senior debt rating published by an external rating agency. If an external rating is not available, Garantia's internal credit rating is used.

Sensitivity analysis of investment activities, 31 Dec 2024

Investment category	Investments at fair value, EUR million	Risk parameter	Change (+/-)	Effect on equity, EUR million (+/-)
Fixed income	123.0	Chg in int. rates	1.0 %	3.1
Equities	27.7	Market value	10.0 %	2.2
Private equity	7.4	Market value	10.0 %	0.6

Sensitivity analysis of investment activities, 31 Dec 2023

Investment category	Investments at fair value, EUR million	Risk parameter	Change (+/-)	Effect on equity, EUR million (+/-)
Fixed income	142.1	Chg in int. rates	1.0 %	2.8
Equities	14.4	Market value	10.0 %	1.2
Private equity	7.5	Market value	10.0 %	0.6

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

Operational risks

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

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

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

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

Other risks

Strategic risk

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

Compliance risk

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

Sustainability risk

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

Concentration risk

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

Liquidity risk

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

Note 18. Summary of financial indicators

		2024	2023	2022	2021	2020
Gross premiums written (before share of reinsurers)	€	19 833 681	19 023 396	24 663 706	25 142 016	18 988 434
Claims ratio	%	2.2 %	4.2 %	3.2 %	3.8 %	4.0 %
Claims incurred without computational interest expenses (+/-)	€	1 047 150	844 699	578 518	677 472	591 579
Claims ratio without computational interest expenses	%	2.2 %	4.2 %	3.2 %	3.8 %	4.0 %
Operating profit (+) or loss (-)	%	10.4 %	25.3 %	25.6 %	31.7 %	33.8 %
Combined ratio	%	12.6 %	29.5 %	28.8 %	35.5 %	37.8 %
Combined ratio without computational interest expenses	%	12.6 %	29.5 %	28.8 %	35.5 %	37.8 %
Operating profit (+) or loss (-)	€	54 823 621	22 605 342	-2 205 509	19 226 339	13 012 175
Adjustments in off-balance sheet valuation differences, current value reserve and revaluation reserve (+/-)	€	2 205 206	1 913 453	-3 572 319	1 559 832	-1 159 605
Total result (+/-)	€	57 028 827	24 518 795	-5 777 828	20 786 172	11 852 570
Interest expenses and other financial expenses (+)	€	-1 000	-1 000	-1 000	1 000	1 000
Computational interest expense (+)	€					
Return on total assets (at fair value)	%	34.3 %	15.2 %	-3.5 %	12.4 %	7.6 %
Net return on investments at fair value on capital employed (+/)	%	10.1 %	6.9 %	-11.3 %	5.9 %	1.7 %
Equalization provision	€	67 961 225	69 008 375	69 853 074	70 431 592	71 109 064
Average number of personnel during the financial year	pers	21	23	23	23	22

Note 19. Earnings analysis

EUR	2024	2023	2022	2021	2020
Earned premiums (+/-)	47 753 392	20 294 376	18 243 974	17 865 065	14 884 796
Claims incurred (-/+)	-1 047 150	-844 699	-578 518	-677 472	-591 579
Operating expenses (-)	-4 986 878	-5 143 481	-4 675 633	-5 656 767	-5 029 933
Other technical income and expenses (+/-)					
Balance on technical account before change in equalisation provision (+/-)	**41 719 363**	**14 306 196**	**12 989 822**	**11 530 826**	**9 263 283**
Investment income and expenses, revaluations and their adjustments and other changes in value (+/-)	13 058 921	8 262 214	-15 210 663	7 651 982	3 716 094
Other income and expenses (+/-)	45 338	36 932	15 331	43 531	32 798
Share of associated companies' profit (+) or loss (-)					
Operating profit (+) or loss (-)	**54 823 621**	**22 605 342**	**-2 205 509**	**19 226 339**	**13 012 175**
Change in equalization provision (-/+)	1 047 150	844 699	578 518	677 472	591 579
Profit (+) or loss (-) before extraordinary items	**55 870 772**	**23 450 041**	**-1 626 992**	**19 903 811**	**13 603 755**
Income taxes and other direct taxes (-/+)	-11 206 114	-4 424 854		-4 004 689	-2 861 720
Minority shares (-)					
Profit (+) or loss (-) for the financial year	**44 664 658**	**19 025 187**	**-1 626 992**	**15 899 122**	**10 742 035**

Note 20. Investment allocation at fair value

	Basic allocation				Risk allocation [8]			
	31 Dec 2024		31 Dec 2023		31 Dec 2024		31 Dec 2023	
	in euros	%	in euros	%	in euros	%	in euros	% [10]
Fixed income investments	**122 969 042**	**77.8**	**142 071 334**	**86.6**	**122 969 042**	**77.8**	**142 071 334**	**86.6**
Loan receivables [1]								
Bonds [1]	121 526 261	76.9	140 538 383	85.7	121 526 261	76.9	140 538 383	85.7
Other financial instruments and deposits [1] [2]	1 442 781	0.9	1 532 951	0.9	1 442 781	0.9	1 532 951	0.9
Equity investments	**32 710 014**	**20.7**	**19 630 348**	**12.0**	**32 710 014**	**20.7**	**19 630 348**	**12.0**
Listed equities [3]	27 718 705	17.5	14 419 057	8.8	27 718 705	17.5	14 419 057	8.8
Private equity investments [4]	4 991 310	3.2	5 211 292	3.2	4 991 310	3.2	5 211 292	3.2
Unlisted equities [5]								
Real estate investments	**2 404 490**	**1.5**	**2 268 957**	**1.4**	**2 404 490**	**1.5**	**2 268 957**	**1.4**
Direct real estate investments								
Real estate investment funds and collective investments	2 404 490	1.5	2 268 957	1.4	2 404 490	1.5	2 268 957	1.4
Other investments								
Hedge funds [6]								
Commodities								
Other investments [7]								
Total	**158 083 547**	**100.0**	**163 970 640**	**100.0**	**158 083 547**	**100.0**	**163 970 640**	**100.0**
Effect of derivatives [9]								
Total investments at fair value	**158 083 547**	**100.0**	**163 970 640**	**100.0**	**158 083 547**	**100.0**	**163 970 640**	**100.0**
Modified duration of the bond portfolio	3.2		2.4					

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] 2024	Net return on investments, %	2024	2023	2022	2021	2020
				Net return on investments, %				
	in euros	in euros	%	%	%	%	%	%
Fixed income investments	**12 096 986**	**117 062 933**	**10.3**	**10.3**	**6.9**	**-12.2**	**2.5**	**2.5**
Loan receivables [1]								
Bonds	12 075 429	115 123 975	10.5	10.5	7.0	-12.4	2.5	2.6
Other financial instruments and deposits [1] [2]	21 557	1 938 958	1.1	1.1	0.4	-0.2	-0.4	-0.2
Equity investments	**3 485 581**	**30 686 854**	**11.4**	**11.4**	**7.6**	**-6.0**	**29.0**	**-2.8**
Listed equities [3]	3 346 834	25 606 463	13.2	13.2	9.6	-12.1	27.9	-3.2
Private equity investments [4]	138 747	5 080 390	2.7	2.7	3.4	12.1	33.1	-1.0
Unlisted equities [5]								
Real estate investments	**-62 067**	**2 486 668**	**-2.5**	**-2.5**	**1.7**	**5.7**	**4.9**	**4.3**
Direct real estate investments								
Real estate investment funds and collective investments	-62 067	2 486 668	-2.5	-2.5	1.7	5.7	4.9	4.3
Other investments								
Hedge funds [6]								
Commodities								
Other investments [7]								
Total	**15 520 500**	**150 236 455**	**10.3**	**10.3**	**6.9**	**-11.2**	**6.1**	**1.8**
Unallocated income, expenses and operating expenses	-274 231							
Net return on investments at fair value	**15 246 270**	**150 236 455**	**10.1**	**10.1**	**6.7**	**-11.3**	**5.9**	**1.7**

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, %	=	$\frac{\text{Claims incurred}}{\text{Earned premiums}}$ Claims ratio is calculated after deducting the share of reinsurers from earned premiums.
Expense ratio, %	=	$\frac{\text{Operating expenses}}{\text{Earned premiums}}$ Expense ratio is calculated after deducting the share of reinsurers from earned premiums.
Combined ratio, %	=	Claims ratio, % + Expense ratio, %
Operating profit or loss	=	Profit or loss before change in equalisation provision and taxes.
Return on total assets, % (at fair value)	=	$\frac{\begin{array}{l}\text{+/- Operating profit or loss} \\ \text{+ Interest expense and other financial expenses} \\ \text{+/- Change in revaluation reserve/fair value reserve} \\ \text{+/- Change in valuation difference of investments}\end{array}}{\begin{array}{l}\text{+ Balance sheet total} \\ \text{+/- Valuation difference of investments}\end{array}}$ 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 - Forseeable 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 recoverables.
Solvency ratio, %	=	$\frac{\text{Basic own funds}}{\text{Solvency capital requirement}}$

SIGNATURES

Helsinki, 6 February 2025

Titta Elomaa

Kenneth Kaarnimo

Eija Koskimies

Jorma Timonen

Peter Ramsay

Henrik Allonen, CEO

A report on the conducted audit has been issued today.

Helsinki, 6 February 2025

Ernst & Young Oy

Johanna Winqvist-Ilkka

Authorised Public Accountant