

24th March 2021

Solvency and Financial Condition Report 2020

Garantia Insurance Company Ltd

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,

Fax

+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

CONTENTS

SUMMARY	5
Business and performance	5
Risk and solvency management	5
Risk position of insurance and investment operations	5
Solvency	6
Credit rating	7
Impacts of the coronavirus pandemic	7
A. BUSINESS AND PERFORMANCE	8
A.1 Business	8
A.2 Underwriting performance	9
A.3 Investment performance	10
A.4 Performance of other activities	11
A.5 Other information	11
B. SYSTEM OF GOVERNANCE	12
B.1 General information on the system of governance	12
B.2 Fit and proper requirements	19
B.3 Risk management system including the own risk and solvency assessment	19
B.4 Internal control system	21
B.5 Internal Audit function	21
B.6 Actuarial Function	22
B.7 Outsourcing	22
B.8 Assessment of the adequacy of the system of governance	23
B.9 Other information	23
C. RISK PROFILE	24
C.1 Insurance risk	24
C.2 Market risk	27
C.3 Credit risk	29
C.4 Liquidity risk	29
C.5 Operational risk	30
C.6 Other material risks	30
C.7 Other information	31
D. VALUATION FOR SOLVENCY PURPOSES	32
D.1 Assets	32
D.2 Technical provisions	34
D.3 Other liabilities	35
D.4 Alternative methods for valuation	36

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

D.5 Other information	36
E. CAPITAL MANAGEMENT	37
E.1 Own funds	37
E.2 Solvency capital requirement and minimum capital requirement.....	38
E.3 Use of duration-based equity risk sub-module in calculation of solvency capital requirement.....	40
E.4 Differences between the standard formula and the used internal model	40
E.5 Non-fulfilment of the solvency capital requirement and the minimum capital requirement	40
E.6 Other information.....	40
S.02.01.02 Balance sheet.....	41
S.05.01.02 Premiums, claims and expenses by line of business.....	43
S.05.02.01 Premiums, claims and expenses by country	44
S.17.01.02 Non-life technical provisions	45
S.19.01.21 Non-life insurance claims as development triangles.....	46
S.23.01.01 Own funds	47
S.25.01.21 Solvency capital requirement (standard formula)	48
S.28.01.01 Minimum capital requirement	49

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

GARANTIA INSURANCE COMPANY

The mission of Garantia is to promote capital efficiency. Our goal is to modernize inefficient collateral practices for the benefit of our customers and to provide our customers with easy and cost-effective guaranty solutions and new business opportunities through digital channels.

We are a specialised non-life credit and guaranty insurance company supervised by the Finnish Financial Supervisory Authority, and we have extensive experience in the financial sector. We collaborate closely with our customers and partners and build long-lasting customer relationships. We increase the trust between different parties and thus promote the generation of business transactions. Our customers are Finnish companies and consumers.

Our competitive advantages are based on a broad network for cooperation and partnership, solutions tailored for individual customers and a scalable way of working. On 14 October 2020, the international credit rating agency Standard & Poor's confirmed Garantia's rating as A- with a stable rating outlook, which is a testament to the reliability and strong solvency of our operations.

Garantia is a wholly-owned subsidiary of Taaleri Plc and part of the Taaleri Group. Taaleri is a financial services group, and the share of its parent company Taaleri Plc is listed on Nasdaq OMX Helsinki. The Taaleri Group comprises three business areas: Wealth Management, Insurance and Energy. Taaleri offers services to institutional investors, companies and private individuals. Taaleri's operations are supervised by the Finnish Financial Supervisory Authority.

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

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

SUMMARY

Business and performance

Garantia's insurance business consists of guaranty insurance. In 2020 gross premiums written contracted by 3.3% and totalled EUR 19.0 (19.6) million. The total guaranty insurance exposure contracted by 1.1% and was EUR 1,817 (1,837) million at the end of the year.

Of the total guaranty insurance exposure at the end of the year, 54% (45) consisted of consumer exposures and 46% (55) consisted of corporate exposures. Consumer exposures include residential mortgage guaranties and rent guaranties granted to households. Corporate exposures include corporate loan guaranties, commercial bonds and other business-related guaranties. During the financial year, the volume of consumer exposures surpassed the volume of corporate exposures for the first time.

The balance on the technical account before changes in the equalisation provision, which describes the profitability of Garantia's insurance operations, grew during the financial year to EUR 9.3 (5.9) million. The improvement in profitability was a result of growth in earned premiums and a decline in claims incurred and operating expenses. Claims incurred decreased from the previous year and totalled EUR 0.6 (1.6) million. The claims ratio, which describes the relative amount of claims incurred, was 4.0% (12.2). Operating expenses amounted to EUR 5.0 (5.8) million and the expense ratio, which describes the relative amount of operating expenses, was 33.8% (43.4). The combined ratio, which describes the overall profitability of insurance operations, was 37.8% (55.7). The profitability of the company's insurance operations was good during the past financial year, as in previous years.

Garantia's investment portfolio at fair value was EUR 159.5 (150.8) million at the end of the year. The year 2020 was eventful on the investment markets, which affected the company's total investment income. Garantia's net investment income recognised in profit and loss amounted to EUR 3.7 (6.3) million during the financial year and the investment return at fair value was 1.8% (8.1). Taking the selected level of risk into account, the investment return can be considered satisfactory at least.

Garantia's earnings before tax amounted to EUR 13.6 (13.8) million. Earnings were positively influenced by the improved profitability of insurance operations and negatively influenced by lower net investment income than in the previous year.

Risk and solvency 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. Garantia comprehensively evaluates the adequacy and appropriateness of its management and administrative systems at least once every year.

Risk position of insurance and investment operations

Garantia's risk position remained stable in 2020. The total guaranty insurance exposure remained near the level of the end of the previous year. The proportion of consumer exposures in the total guaranty insurance exposure increased and the proportion of corporate exposures decreased. The amount of claims incurred from guaranty insurance operations was low at 0.03% (0.09) of the total guaranty insurance exposure.

The share of investment grade exposures (exposures with a rating between AAA and BBB-) made up 15.6% (12.6) of the corporate insurance portfolio, while exposures with a rating of at least BB- accounted for 73.2% (72.4). The share of guaranties with weak credit ratings of C+ or lower increased slightly due to rating downgrades of existing exposure

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



Fax +358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

and was 3.7% (1.7). The principal sectors in the corporate insurance portfolio were construction at 35.4% (50.9) and manufacturing at 24.7% (21.0). No other individual sector's share exceeded 10%. The share of reinsured construction guaranties was 44.8% (55.3).

The risk level of investment operations was lowered slightly from the previous year. At the end of the year, fixed income investments made up 86.4% (84.4), equity and private equity investments 12.5% (14.4) and real estate investments 1.1% (1.2) of the investment portfolio (incl. cash and bank balances). Fixed income investments mainly consist of investments in the bonds of Finnish and Nordic companies and credit institutions with strong creditworthiness. The proportion of investment grade fixed income investments was 66.5% (54.5). The modified duration of bond investments was 3.5 (3.3).

Solvency

Garantia's solvency remained near the previous year's level in 2020. The company's basic own funds amounted to EUR 114.1 (112.7) million at the end of the financial year and the solvency capital requirement was EUR 49.7 (48.6) million. The solvency ratio, or the ratio of basic own funds to the solvency capital requirement, was 229.4% (231.8). The company's solvency is strong as its own funds are more than double the amount of the solvency requirement under the Insurance Companies Act and the Solvency II capital requirements concerning insurance companies. At the end of the financial year, the company's basic own funds included a loss buffer totalling EUR 64.4 (64.1) million.

In 2020 Garantia's basic own funds grew primarily as a result of the net profit for the financial year. Basic own funds include, as a deduction, the expected dividend distribution, the amount of which increased on the previous year. The increase in the company's solvency capital requirement resulted from increases in the capital requirements for underwriting and market risks. The increase in the capital requirements for underwriting risk was to a large extent a consequence of the changes to the Solvency II standard parameters for solvency calculation, which entered into force on 1 January 2020. If the new standard parameters had been applied on 31 December 2019, Garantia's solvency ratio would have been 219.3% at the end of the 2019 financial year. During the financial year, the growth of the solvency capital requirement was restricted by an increase in diversification benefits and in loss-absorbing capacity and the reduction of the capital add-on set on the company.

Garantia's basic own funds consist fully of unrestricted Tier 1 basic own funds. Garantia does not apply transition arrangements in defining its basic own funds and Garantia's own funds do not include items classified as ancillary own funds. Garantia does not use the matching adjustment or the volatility adjustment in the calculation of technical provisions. Garantia applies the standard formula in the calculation of the solvency capital requirement. Garantia does not use simplified calculation in the standard formula's risk modules or sub-modules, or company-specific parameters instead of the parameters of the standard formula. Garantia does not apply the transition arrangements of technical provisions or market risk calculations.

Garantia's solvency capital requirement has included a capital add-on set by the Financial Supervisory Authority as of 30 June 2018. The Financial Supervisory Authority assesses the amount of the capital add-on at least once a year. The Financial Supervisory Authority previously adjusted its decision regarding the capital add-on on 29 May 2020, when the amount of the add-on was set at EUR 15.3 (19.8¹) million. The updated capital add-on is included in the company's solvency capital requirement as of 30 June 2020. In 2020, when making the add-on decision, the Financial Supervisory Authority acknowledged, for the first time, the capital requirement for insurance risk calculated as per Garantia's own economic capital model.

In its decision regarding the capital add-on, the Financial Supervisory Authority stated that the risk profile of Garantia's non-life underwriting risk differs from the underlying assumptions in the standard formula for the solvency capital requirement calculation by more than 15%, and therefore the preconditions for raising the company's capital requirement continue to exist. According to the Financial Supervisory Authority's estimate, there have been no substantial changes in the company's risk profile since the previous decision made on 17 June 2019. The Financial Supervisory Authority also reiterated that the requirement to use the internal model is not currently appropriate in Garantia's case.

¹ The capital add-on that was in force as of 30 June 2019 in parentheses.

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

Credit rating

Standard & Poor's Global Ratings (S&P) confirmed Garantia Insurance Company's Issuer Credit Rating (ICR), Financial Strength Rating (FSR) and the company's Financial Enhancement Rating (FER) on its capacity and willingness to meet its commitment on an obligation as A- with a stable rating outlook on 14 October 2020.

Impacts of the coronavirus pandemic

The trend of the Finnish national economy was determined by the coronavirus pandemic, which spread globally in 2020. The effects of the pandemic on the Finnish economy started to become visible in the first quarter, and in the second quarter GDP contracted substantially in relation to the corresponding period of 2019. Although the economy showed signs of recovery from the third quarter onwards, the full-year GDP declined by 2.9% from the previous year. The weak performance of the general economy and the restrictive measures implemented during the year to prevent the spread of the coronavirus reduced economic activity, and this was reflected in temporary and permanent layoffs and a substantial increase in unemployment, for example.

The most substantial risks associated with Garantia's business operations are credit risk arising from guaranty operations, and the market risks regarding investment operations. The credit risk associated with guaranty insurance operations is influenced the most by the development of the company's consumer and corporate customers' creditworthiness. The market risk associated with investment operations depends primarily on the general performance of the investment market.

The impact of the coronavirus pandemic on the risk position of the company's guaranty insurance operations remained minor. The performance of the housing market was favourable in 2020 as consumer confidence returned to a good level after the dip in the second quarter. The volume of housing sales remained at a good level despite the pandemic crisis, housing prices rose and more new housing loans were drawn down than in the previous year. The favourable development of the housing market was supported by interest rates having remained low and the ready availability of housing loans. Finnish mortgage holders' ability to service debts continued to be good during the year and the volume of claims incurred by Garantia from residential mortgage guaranty operations remained low. Although the operating environment was challenging for companies during the year, the service sector bore the brunt of the economic difficulties, while manufacturing, construction and trade sector companies' outlooks remained satisfactory. As Garantia's corporate exposures are focused on the construction and manufacturing sectors, during the year there have been no substantial changes in the risk position of the company's corporate exposures, and the volume of claims incurred from corporate exposures also remained low.

The coronavirus crisis affected investment operations mainly through the uncertainty that spread in the spring of 2020 and the ensuing market fluctuations. The investment markets nevertheless returned to a near-normal state at the end of the year, and equity prices even surpassed the level of the beginning of the year. The coronavirus crisis was reflected in Garantia's investment operations mainly in the form of lower than average investment income. The majority of the company's investment assets are invested in the bonds of Finnish and Nordic companies and credit institutions with strong creditworthiness. The investment portfolio's fixed income weighting muted the impacts of the market fluctuations on the company's investment operations.

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

A. BUSINESS AND PERFORMANCE

A.1 Business

Garantia Insurance Company Ltd was established in 1993. It is a private non-life insurance company specialising in guaranty insurance. Its legal form is a limited liability company and it is domiciled in Helsinki. The company has business locations in Helsinki and Turku. The address of the Helsinki office is Kasarmikatu 21 B, 00130 Helsinki and that of the Turku office is Linnankatu 13a A 18, 20100 Turku.

In accordance with the authorisation granted by the Financial Supervisory Authority on 26 August 1993, 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 transact the reinsurance business of these non-life insurances. Based on agreements made with pension insurance companies Garantia is also responsible for calculation of the employees' pension insurance (TyEL) interest rates according to valid calculation principles approved by the Ministry of Social Affairs and Health.

Garantia's guaranty solutions for consumers include residential mortgage guaranties that are offered to consumers via partners and rent guaranties offered under the Takaamo and Securent brand names. Garantia's solutions for companies include corporate loan guaranties, commercial bonds and other business-related guaranties.

Garantia's primary geographical area of operations is Finland. In 2020, Garantia also announced that it would start the provision of insurance services in some EEA states (Norway, Poland and Spain). However, the company does not have operations in these countries for the time being.

Garantia is a wholly-owned subsidiary of Taaleri Plc and part of the Taaleri Group. Taaleri provides wealth management and insurance services to institutional investors, companies and private individuals. The parent company Taaleri Plc's share is listed on Nasdaq OMX Helsinki. Taaleri Plc and its subsidiary and associated companies form a financial and insurance conglomerate primarily engaged in insurance activities as defined in the Act on the Supervision of Financial and Insurance Conglomerates. The conglomerate's parent company is Taaleri Plc.

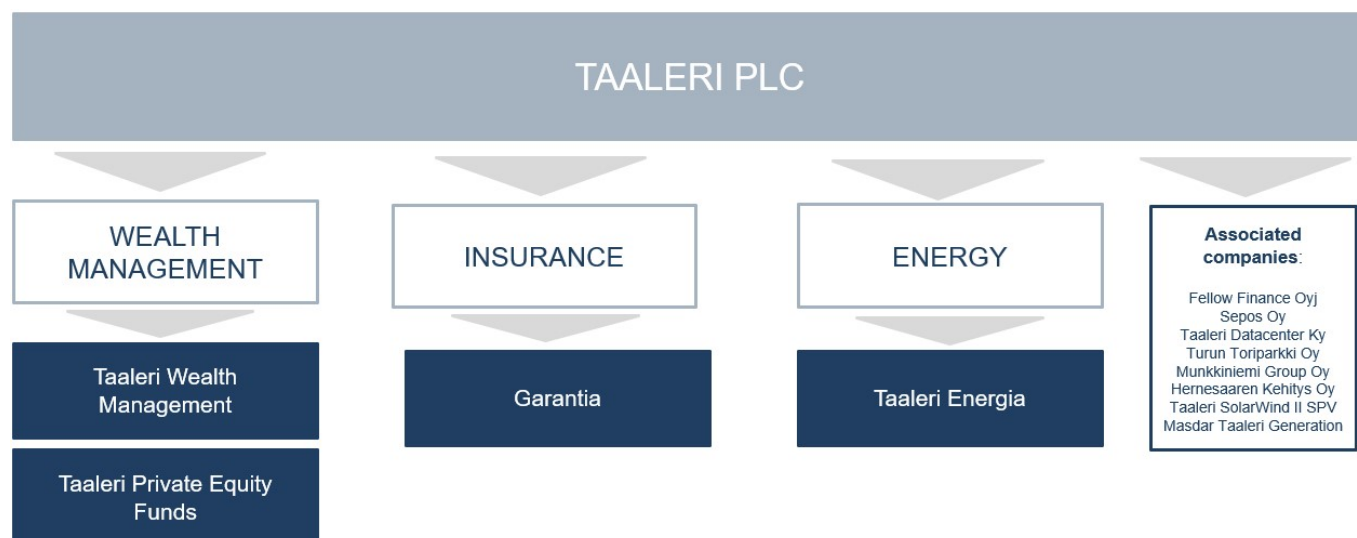


Image 1: Structure of the Taaleri Group on 31 December 2020

Garantia does not have any subsidiaries or associated companies of its own.

Garantia's operations, as an independent insurance company and as part of the Taaleri Group, are supervised by the Financial Supervisory Authority. The address of the Financial Supervisory Authority is Snellmaninkatu 6, 00100 Helsinki, the telephone number is +358 (0)10 183 51 and the e-mail addresses are in the form firstname.lastname@finanssivalvonta.fi.

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



Fax +358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

The annual general meeting held on 21 February 2020 appointed Ernst & Young Oy as the auditor and Authorised Public Accountant Ulla Nykky as the principally responsible auditor. Ernst & Young's address is Alvar Aallonkatu 5 C, 00100 Helsinki, its telephone number is +358 (0)207 280 190 and its e-mail addresses are in the form firstname.lastname@fi.ey.com.

Garantia's financial statements and other financial reports are prepared in accordance with the Finnish Accounting Act, Limited Liability Companies Act and Insurance Companies Act, and in compliance with the decisions, regulations and guidelines issued by the public authorities supervising insurance companies. The information describing the profitability of business operations presented in this report is based on information that is compliant with the above-mentioned regulations. The Taaleri Group prepares consolidated financial statements complying with the International Financial Reporting Standards (IFRS). These statements report on Garantia as part of the Group's Insurance segment².

A.2 Underwriting performance

Garantia's gross premiums written decreased by 3.3% to EUR 19.0 (19.6) million during the financial year. The decline in premiums written was a result of the company's strategic decision to discontinue underwriting new commercial bonds for construction sector customers as of 1 January 2020. However, the development of premiums written in other product groups was favourable. With respect to premiums written on residential mortgage guaranties, the year turned out to be successful as a result of the housing market performing well and a new distribution channel opening at the end of the year. Demand for corporate loan guaranties was supported by demand for business financing picking up in the spring.

The total guaranty insurance exposure contracted by 1.1% and was EUR 1,817 (1,837) million at the end of the year. Of the total guaranty insurance exposure at the end of the year, 54% (45) consisted of consumer exposures and 46% (55) consisted of corporate exposures. During the financial year, the volume of consumer exposures surpassed the volume of corporate exposures for the first time. Consumer exposures include residential mortgage guaranties and rent guaranties granted to households. Corporate exposures include corporate loan guaranties, commercial bonds and other business-related guaranties.

On 22 September 2020, Garantia announced a new partnership concerning the distribution of its residential mortgage guaranties. The underwriting of guaranties to OP Financial Group's mortgage loan customers commenced at the beginning of October.

Earned premiums grew by 12.4% during the financial year and amounted to EUR 14.9 (13.2) million.

Claims incurred decreased and totalled EUR 0.6 (1.6) million during the financial year. The claims ratio decreased to 4.0% (12.2). The ratio of claims incurred against the total guaranty insurance exposure was 0.03% (0.09). No substantial individual guaranty insurance claims occurred during the year and the volume of claims incurred remained low despite the weak performance of the general economy. Garantia did not have any recourse receivables from insurance claims paid on its balance sheet at the end of the financial year.

Operating expenses declined by 12.5% to EUR 5.0 (5.8) million during the financial year. The decline in operating expenses was primarily the result of efficiency improvement measures in line with the strategy and a reduction in personnel expenses. The expense ratio was 33.8% (43.4).

The balance on the technical account before changes in the equalisation provision strengthened to EUR 9.3 (5.9) million, and the combined ratio fell to 37.8% (55.7). The profitability of insurance operations was boosted by the increase in earned premiums, claims incurred having remained low and the contraction of operating expenses from the previous year. The equalisation provision was decreased by EUR 0.6 (1.6) million and thus the balance on the technical account came to EUR 9.9 (7.5) million.

Garantia has received information that a matter concerning a potential insurance event and a EUR 5 million claim with penalty consequences and legal fees became pending in the Helsinki District Court on 29 December 2017. The insurance claim concerns a pension fund which was a loan guaranty customer of Garantia in 2011 and which was placed in liquidation in December 2011 under the Act on Pension Funds (1164/1992, as amended) and subsequently

² The name of the segment from 1 January 2020 is Insurance.

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

declared bankrupt on 5 February 2018, related to which Garantia originally received a claim on 30 December 2011. The processing of the case in the district court has not yet begun, due to other pending investigations related to the pension fund. Garantia considers that the claim is still unfounded, which is why it has not been entered in the profit and loss account as a provision for outstanding claims.

A.3 Investment performance

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.

The year 2020 was eventful on the investment markets as a result of the pandemic crisis. In the first quarter, equity prices declined, and the liquidity of the corporate bond market weakened substantially amid spreading economic uncertainty. In the second and third quarters, the increase in central banks' quantitative easing and the accumulation of information regarding the coronavirus restored market conditions to a near-normal state. The substantial global political tensions in the fourth quarter regarding the US presidential elections and Britain's exit from the EU did not shake the positive performance of the year-end. As a whole, the year turned out to be satisfactory for investment operations in view of the circumstances.

Garantia's net investment income recognised in profit and loss amounted to EUR 3.7 (6.3) million and mostly comprised fixed income returns and sales gains. Net impairments recognised in net investment income were slightly negative. The valuation difference between the fair value and the book value of investment assets was EUR 5.2 (6.4) million at the end of December.

Investment income at fair value excluding operating expenses from investment activities was 1.8% (8.1). Net investment income on capital employed at fair value was EUR 2.6 (10.8) million, or 1.7% (8.0).

Garantia's investment portfolio (incl. cash and bank balances and accrued interest) at fair value was EUR 159.5 (150.8) million at the end of the year.

Investment income and expenses by asset class, euro

Income	2020	2019
Bonds	4,030,703	7,499,392
Collective investment undertakings	1,013,566	3,710,980
Cash and deposits	0	0
Total	5,044,270	11,210,372
Expenses	2020	2019
Bonds	-802,388	-127,787
Collective investment undertakings	-1,483,438	-97,453
Cash and deposits	-8,530	-2,052
Un-allocated	-173,277	-192,929
Total	-2,467,633	-420,221
Net investment income	2,576,636	10,790,151

Investment allocation at fair value, euro

	31.12.2020	31.12.2019
Bonds	137,716,580	127,254,263
Collective investment undertakings	21,734,640	23,524,781
Equity funds	15,617,451	19,028,291
Bond funds	0	0
Real estate investment funds	1,783,734	1,821,296
Private equity funds	4,333,455	2,675,194
Total	159,451,220	150,779,043

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

Investment income at fair value is made up of dividend income, interest and other financing income, sales profits and unrealised positive changes in value, while expenses consist of sales losses, unrealised negative changes in value and other investment expenses. In the table above, the unallocated item is made up of the operating expenses attributable to investment operations. Garantia's shareholders' equity and reserves in the financial statements does not include gains or losses directly entered into shareholders' equity and reserves.

A.4 Performance of other activities

Garantia does not accumulate material income or expenses from any activities other than its insurance and investment activities.

At the end of 2020, Garantia had rental and leasing liabilities resulting from rents and leases payable in upcoming financial periods that amounted to EUR 0.5 (0.8) million. Rental and leasing liabilities comprised the rental and lease expenses for business premises, company cars, IT equipment and office machines. The leasing agreements are operating leases by nature.

A.5 Other information

The company signed an excess loss cover-type portfolio reinsurance agreement regarding residential mortgage guaranties that entered into force on 1 January 2021. The reinsurance covers the company's residential mortgage guaranty portfolio and it compensates claims exceeding Garantia's own retention up to the agreed sum insured. The arrangement does not have a substantial impact on the company's net profit for the financial year or on its financial position.

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

B.1.1 Garantia's administration and decision-making bodies, and key functions

The decision-making bodies responsible for Garantia's governance and operations are the Annual General Meeting, Board of Directors (top management) and the CEO, who is supported by the Executive Committee (executive management). The Board has also appointed a Credit Committee, Collateral Committee and a Rating Committee, which, in accordance with the decision-making authorisations set by the Board, decide on matters within their purview.



Image 2: Reporting relationships of Garantia's administrative and decision-making bodies

The Annual General Meeting is Garantia's supreme decision-making body and it uses its power of decision in accordance with the provisions of the Insurance Companies Act and the Articles of Association in the order described in these documents. The Annual General Meeting appoints the members of the Board of Directors and the Chairman of the Board.

It is the duty of the Board to advance the interests of the company and its shareholders. The Board of Directors has the general authority to render decisions in the company and together with the CEO it ensures that the company is managed in a professional manner and in accordance with sound and prudent business principles and reliable governance principles. It is the Board of Directors' duty to oversee the administration of the company and the appropriate organisation of its operations, and to ensure that supervision of the company's bookkeeping and asset management is arranged appropriately. To carry out its duty, the Board of Directors appoints the company's CEO and deputy CEO, and the members of the Executive Committee, confirms the company's strategy and annual plan (incl. risk appetite), confirms the company's corporate governance system (incl. decision-making system, key principles), confirms separate rules of procedure for the Board of Directors, Executive Committee, Credit Committee, Collateral Committee and Rating Committee, makes guaranty decisions according to the decision-making system, decides on strategically significant individual investments and supervises the development of business and the appropriateness, scope and reliability of solvency and risk management.

The company's Board of Directors was composed of Hannu Tonteri (Chairman), Karri Haaparinne (Vice Chairman), Timo Hukka, Kenneth Kaarnimo (as of 22 February), Jukka Ohls (until 21 February) and Antti Suhonen during the reporting period. The term of the members of the Board of Directors lasts until the end of the following Annual General Meeting. The Annual General Meeting was held on 21 February 2020. The company's Board of Directors convened 15 times during the reporting period. The Board of Directors had no separate committees during the financial period.

The CEO, supported by the company's Executive Committee, is responsible for the day-to-day management of the company and performs this task in accordance with regulations, regulatory requirements and the instructions and orders issued by the Board of Directors. The CEO, supported by the Executive Committee, is responsible for the

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



Fax +358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

management of the company's practices regarding operational activities and preparation of the matters to be presented to the Board of Directors, for implementing the Board's decisions in the company and supervising their fulfilment and for reporting their progress to the Board.

Titta Elomaa was the company's Managing Director during the financial year. The company's Executive Committee consisted of Titta Elomaa, Tuukka Fabritius, Henrik Allonen, Timo Lehikoinen and Minja Jokinen (until 30 September).

In addition to the Board of Directors and the CEO, the Credit Committee, Collateral Committee and Rating Committee, appointed by the Board of Directors, use their decision-making power at Garantia according to their rules of procedure. The decision-making authorisations and guidelines of these decision-making bodies are described in the decision-making system confirmed by the Board of Directors, which also defines the powers confirmed for separately named persons.

The *Credit Committee* is responsible for decisions relating to guaranties, claims and investment within the decision-making authorisations framework confirmed by the Board. The *Collateral Committee* is responsible for assessment of counter-collateral offered to Garantia and for ensuring the quality and effectiveness of the collateral assessment process. The *Rating Committee* is responsible for approving counterparties' credit ratings and for ensuring the quality and effectiveness of the ratings process.

The Board of Directors approves the CEO's proposal on the structure of the company's organisation and the company's key functions and the persons responsible for these. The company's organisation consists of two business units, the finance and risk management unit and four key functions. In addition, certain functions are organised on the Taaleri Group level.

Garantia's organisation structure is based on a model of three lines of defence in risk management and internal control. In accordance with this principle, tasks are divided into (1) units that take business risks in their operations by processing insurance policies, by making decisions binding on the company and by operating at the client interface; (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; and (3) independent internal audit. External control is the responsibility of the auditors and supervisory authorities.

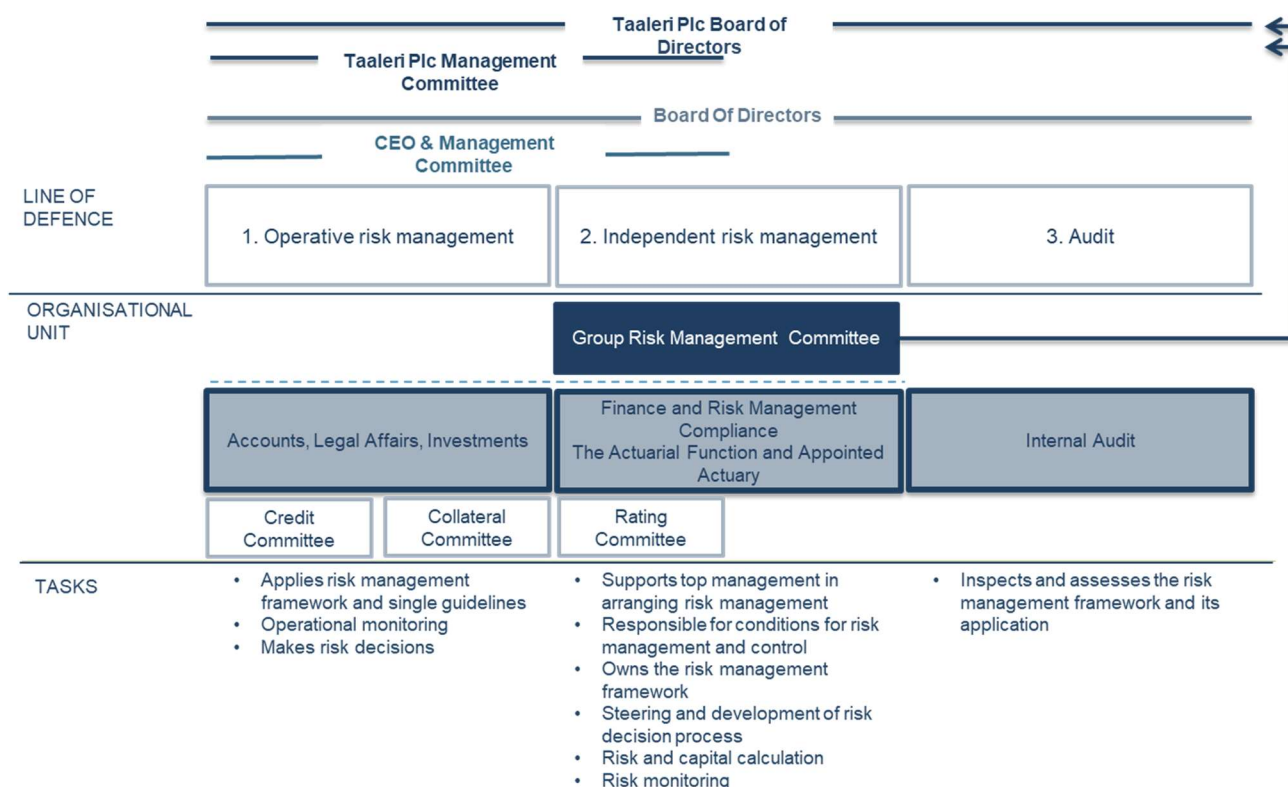


Image 3: Lines of defence of Garantia's internal control and risk management

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki

+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,

Fax +358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

The company's key functions are the function that supervises compliance with regulations (Compliance), the Finance and Risk Management unit's risk management function, Internal Audit and Actuarial Function and the Appointed Actuary. Each key function reports to the company's Board of Directors and the Taaleri Group's Group Risk Management Committee as outlined in the principles for internal control and risk management.

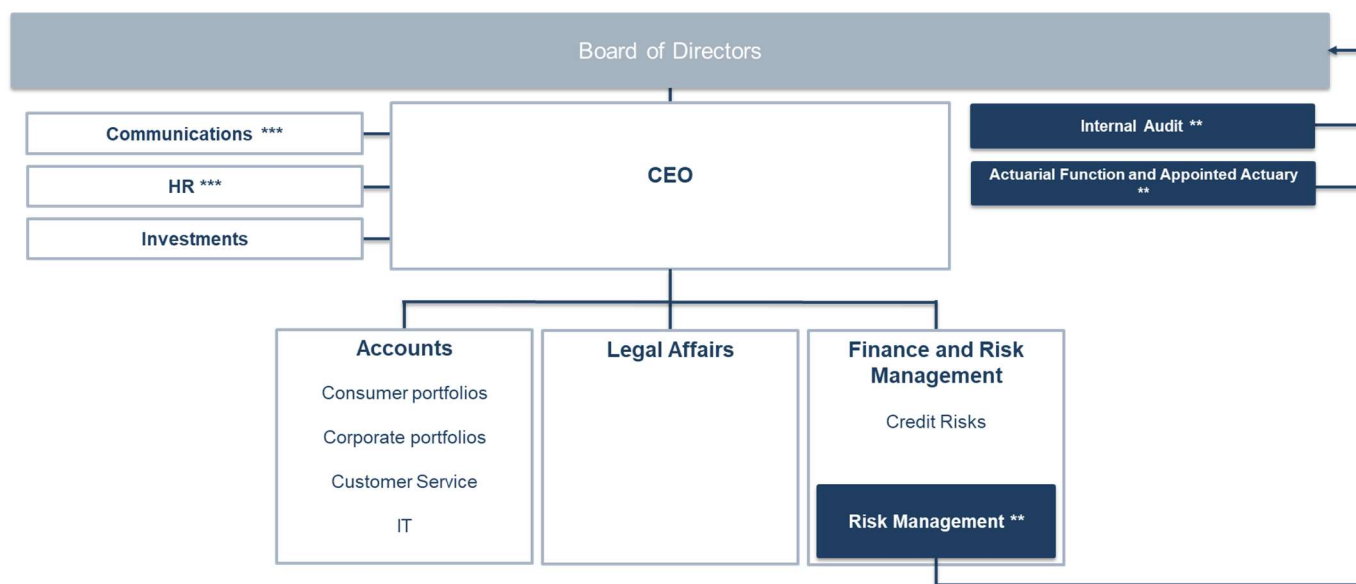


Image 4: Garantia's organisation structure and key functions

The target of the function that supervises compliance with regulations (Compliance) is to strengthen clients' and the markets' confidence in Garantia. The Compliance function monitors legislation pertaining to the company, regulatory guidelines and other regulations and supervises compliance with these in all of the company's activities. The function is also responsible for compliance with the company's internal guidelines and rules. In addition to supervising compliance with regulations, the function also evaluates the adequacy of procedures carried out in the company to prevent and correct deficiencies that may have occurred in the compliance with regulations.

The target of the risk management function is to support the company's management in organising and developing risk management and the function's planning and decision-making (including guaranty decision-making), to implement and develop risk and capital requirement calculation and report on the risk and solvency position.

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).

The task of the Actuarial Function and Responsible Actuary is, in accordance with the Insurance Companies Act, to coordinate calculation of technical provisions and ensure the appropriateness and accordance with legal requirements of the assumptions used in the calculation methods, models and calculation regarding technical provisions, to assess the adequacy and quality of data used in the calculation of technical provisions, to report to the Board of Directors on the reliability and appropriateness of calculation of technical provisions, to provide the company's Board of Directors with statements on the insurance policy and reinsurance arrangements, to compile a report for the company's Board of Directors on the nature and required return of technical provisions, and on the requirements of maintenance of solvency and liquidity, and on the appropriateness of the company's technical risk management and to participate in the efficient implementation of the risk management system and the compilation of the risk and solvency assessment.

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



Fax +358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021**B.1.2 Changes to the system of governance**

Garantia assesses the adequacy and appropriateness of its management and administrative systems in conjunction with annual planning at least once every year. The substantial changes to the management and administration system carried out in 2020 were primarily related to supplementing the data security guidelines and to the updating needs caused by regulations affecting insurance companies.

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



Fax +358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

B.1.3 Remuneration policy

The objective of Garantia's remuneration scheme is to ensure that personnel are committed to the long-term development of the company, to create an image of an attractive employer and motivate personnel to work together to achieve the company's targets. The Board of Directors assesses and confirms Garantia's remuneration scheme and the amount of the annual performance-related remuneration and supervises compliance with the remuneration scheme. The Taaleri Group's compliance function annually assesses the remuneration scheme's compliance with regulations and that the remuneration scheme itself is being complied with. In addition, the Remuneration Committee of the Board of Taaleri Plc discusses, and the Board approves Garantia's remuneration scheme as part of the Taaleri Group remuneration scheme. The Board of Taaleri Plc also monitors that provisions concerning remuneration systems and the general principles of the Taaleri Group's remuneration system are also observed in Garantia.

The monthly fees of the members of the Board are approved by the Annual General Meeting as proposed by the largest shareholder. Members of the Board are not paid separate meeting attendance fees or other financial benefits. The members of the Board are not in an employment or service relationship with the company and do not come under the scope of the remuneration scheme. In 2020, the fees paid to Board members totalled EUR 0.14 (0.15) million.

The Board of Taaleri Plc decides on the CEO's remuneration and on other terms and conditions of the CEO's service or employment relationship and Garantia's Board of Directors makes these decisions regarding the rest of the executive management. In other appointment, recruitment and salary decisions, a principle is observed according to which the maker and target of the decision may not be in a direct supervisor-subordinate relationship. Instead, the decision is made by a person on the decision-making level that is one above the target's supervisor.

In 2020, Garantia's personnel remuneration scheme consisted of

1. a fixed basic salary and conventional fringe benefits, based on how demanding a position is and on personal competence and performance;
2. variable short-term remuneration, based on achievement of the targets of the company's annual plan; and
3. variable long-term remuneration, based on realisation of the company's strategic targets.

The structure of the company's variable remuneration scheme is the same for the executive management and the personnel. The personnel have the opportunity to receive a maximum amount equal to seven (7) months' salary and the executive management nine (9) months' salary as variable remuneration. The maximum remuneration amounts include both short-term and long-term remuneration. The financial instrument in both remuneration schemes is cash.

In the 2020 short-term remuneration scheme, in accordance with the company's annual plan, the accumulation of remuneration was based on the volume of premiums written accrued by the company, the profitability of insurance operations and personal targets. In deviation from the above, the short-term remuneration objectives of personnel employed in the company's independent control functions³ are determined in a such way that their fulfilment is not dependent on the company's business objectives being met or on the company's financial results.

The amount of the bonus accumulated from the long-term remuneration scheme was based on the growth of the solvency capital in accordance with Solvency II regulations. Long-term bonuses are paid in arrears three (3) years after the end of the earnings period. The bonus in the long-term remuneration scheme will only be paid if the company's solvency capital amount at the end of the year preceding the year when payment is made is at least at the same level as it is at the end of the earnings year.

In addition to the actual remuneration objectives, a condition for accumulating and paying remuneration under both short- and long-term remuneration schemes is the fulfilment of qualitative criteria. In this context, qualitative criteria mean, for example, that the person to be rewarded has complied in their operations with legislative provisions, the company's internal instructions and procedures, acted in compliance with the company's values, and complied in their operations with the good governance principles confirmed by the company. Remuneration already paid can

³ Independent control functions in the company are the Risk Management, Compliance and Actuarial functions and the Internal Audit.

24th March 2021

also be re-collected if information comes to light based on which the remuneration should have been left unpaid in the first place.

The company's Board of Directors may also unilaterally resolve to amend the remuneration scheme, to reduce the amount of the bonus or not to pay the bonuses if material changes take place in the company or its operating environment.

In addition to the remuneration presented above, the Board of Directors of Taaleri Plc may decide on encouraging the commitment of the key persons of its subsidiaries using a share-based incentive programme based on which the participating persons can receive a bonus paid partly as Taaleri shares and/or partly as cash for the work performance during the earning and commitment period. Garantia has not entered a provision in accordance with the Finnish accounting system for the bonuses estimated on the basis of the Taaleri Group's long-term remuneration scheme (synthetic options) in its financial statements as Taaleri Plc enters these remuneration programmes in the consolidated IFRS financial statements under shareholder's equity.

Key persons selected for the long-term equity-based incentive programme must possess some skill or ability that is critical to the Group's business operations, excellent cooperative skills, a strong vision of the future, a solid value base and a capacity to challenge current practices. In addition, key persons' actions have a direct or indirect impact on the performance of the Group. The Executive Committee of the Taaleri Group prepares a proposal to the Remuneration Committee on persons to be included in the incentive programme and the amount of their remuneration. The decision on the persons to be included in the system and the amount of their remuneration is made by the Board of Taaleri Plc.

On 28 October 2015, the Board of Directors of Taaleri Plc decided on an equity-based incentive programme for key persons in the Group. Under the incentive programme, key persons were granted synthetic options connected to the Taaleri Plc share. The reward generated in the incentive programme based on synthetic options is paid in cash. A total of 110,000 synthetic options were granted to Garantia's personnel. The incentive programme became due for payment and the options lapsed on 31 December 2020. The costs accumulated in the Taaleri Group financial statements (IFRS) from the options granted to Garantia's personnel were EUR 0.00 for the 2020 financial year and cumulatively they are EUR 226,887.19.

On 30 October 2017, the Board of Directors of Taaleri Plc decided on an incentive programme for key persons in the Group. The programme consists of three three-year earnings periods: 1 November 2017 – 31 October 2020, 1 November 2018 – 31 October 2021 and 1 November 2019 – 31 October 2022. The Board decides on the earnings criteria applied in the programme and the goals set for each criterion at the beginning of an earnings period. In the 2017–2020 earnings period, the target group of the programme included approximately 10 key persons. In the 2018–2021 earnings period, the target group of the programme includes 11 key persons, and in the 2019–2022 earnings period the target group includes 19 persons. The possible bonus paid under the programme for the earnings period is based on the compound earnings of Taaleri Plc's share. The total bonuses paid for the 2017–2020 earnings period correspond to the value of no more than 180,000 Taaleri Plc shares, for the 2018–2021 earnings period no more than 240,000 shares, and for the 2019–2022 earnings period no more than 225,000 shares, including the portion paid in cash. A total of 117,300 shares have been allocated to Garantia personnel, of which 62,400 shares were in circulation at the end of the 2020 financial year. The bonuses generated on the basis of the programme are paid partly in company shares and partly in cash. The purpose of the cash portion is partly to cover the taxes and tax-like charges payable by key persons on the bonus. The costs accumulated in the Taaleri Group financial statements (IFRS) from the shares granted to Garantia's personnel were EUR 13,893.15 during the 2020 financial year and cumulatively they are EUR 17,012.00.

The total amount of variable remuneration for a single financial year, including both short and long-term remuneration by Garantia and Taaleri Plc's long-term equity-based incentive programme may not exceed the total amount of the total fixed salaries for one year (two years) as decided by the Board (Annual General Meeting).

The retirement age of the executive management and personnel is not agreed separately in the terms and conditions of the employment contracts. The executive management and personnel are covered by the Employees Pensions Act (TyEL), which provides pension insurance based on years of service and earnings as prescribed in the Act. The company's CEO, other executive management or personnel do not have additional pension benefits with the exception of one (1) person who belongs in the executive management and who has a voluntary pension insurance policy. A voluntary pension insurance policy was taken on 1 January 2017 to replace a pension arrangement that was based on the TEL supplementary pension system discontinued by the Finnish Government on 31 December 2016. New voluntary supplementary pension arrangements will not be granted.

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021**B.1.4 Information on material transactions with defined groups**

Garantia has not carried out material transactions with Taaleri Plc, with persons who exercise a significant influence in the company or with members of the administrative, management or supervisory body.

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

B.2 Fit and proper requirements

The members of the company's Board, the CEO, Deputy CEO and persons responsible for key functions are required, in accordance with the Insurance Companies Act, to fulfil particular qualification requirements. In addition, other members of the company's personnel are subject to general qualification requirements. In relation to this, the company's Board of Directors has approved separate written principles to ensure that the company's management and persons responsible for key functions fulfil the qualification requirements. The contents of the principles comply with the requirements of the Act on Insurance Distribution, which was enacted on the basis of the Directive on insurance distribution (EU 2016/97).

Members of the Board must represent the type of general knowledge in insurance and financing operations that is necessary considering the quality and scope of Garantia's activities. When assessed as a whole, the members of the Board must have professional competence, experience and knowledge of the following matters: insurance and financing markets, the business strategy and business model, administration system, finance analyses and actuarial analyses, and the regulatory framework and its requirements.

Garantia's management and persons responsible for key functions are required to be reputable and reliable. In the assessment of this, the person's honesty and financial position are considered. The assessment is based on evidence that covers perspectives related to crimes, finances and supervision. In order to determine these, personnel checks are made to ensure that the persons are able to control themselves and their property. Garantia's management and persons responsible for key functions are required to have general suitability for the position to which they are appointed. In order to determine this, a separate check and evaluation of the fulfilment of the requirements is carried out on the persons. This covers the person's education, management experience, professional competence, skills and experience that are required in the position, etc. In the evaluation, possible conflicts of interest related to the person, duty and function and dangerous work combinations are investigated and, if necessary, the measures required to address any conflicts of interest are undertaken. The evaluation also includes an informed assessment of the sufficiency of the person's available time.

The Board annually assesses the adequacy and appropriateness of the suitability and reliability requirements and the continued good reputation of the persons. The requirements are always reassessed if there are any material changes in the company's business operations, organisation or division of responsibility. A person's supervisor always assesses whether a person is sufficiently suitable and reliable for the task in question in connection with recruitment or internal transfer to another position and during performance appraisals. The results of the assessment of the good reputation of the personnel are submitted to the Financial Supervisory Authority annually, as the latter requires.

B.3 Risk management system including the own risk and solvency assessment

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. 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.

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

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

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 its preparation.

Garantia's goal is to be a reliable partner and the company maintains strong solvency to ensure the continuity and stability of its operations. The Board has set Garantia's target level for capitalisation above the statutory solvency capital requirement, the minimum capital requirement required by credit rating agency Standard & Poor's for an AAA credit rating, and an internally estimated capital requirement (an estimate that is based on the company's internal economic capital model, defined at a confidence level of 99.5%). Garantia distributes dividends or returns capital to the owner only to the extent that this does not put the A- credit rating or the company's internally set solvency target at risk. The purpose of *capital management* is to ensure in an anticipatory way that the company has adequate capital reserves for exceptional situations. The principal means to maintain balance between risks and actual capitalisation is to ensure profitable business operations and active risk management. If an imbalance is detected, balance is restored with management of profit and risk position, restricting dividend distribution or by acquiring new capital.

Risk appetite means the amount and type of risks that the company is prepared to take in order to achieve the targets set for its business. Garantia has moderate risk appetite and this is defined with risk-taking limits and risk indicators. The Board of Directors approves the risk-taking limits and risk indicators annually as part of the capital plan (solvency limits), credit risk policy (concentration risks and risk-taking limits concerning insurance operations), reinsurance policy (concentration risks concerning reinsurance) and the investment plan (risk-taking limits concerning insurance activities).

Constant identification and assessment of risks in the business and operating environment are part of Garantia's risk and solvency management process. The principal risks associated with Garantia's business operations are credit risks arising from guaranty operations, investment risks regarding assets covering technical provisions and equity, strategic risks and operational and compliance risks.

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% 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.

Garantia's *monitoring and reporting of risk and solvency position* is divided into external and internal 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 Taaleri Group Risk Management Committee and further 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.

The identification, measurement, monitoring, management and reporting of risks is described in more detail separately for each risk in chapter C. Risk Profile.

Garantia prepares an own risk and solvency assessment of its business operations and business strategy at least once a year as part of its normal operational annual planning. The risk and solvency assessment includes a risk survey to which the entire personnel and the company's Board of Directors contribute. The risk and solvency assessment is also updated without delay if the company's risk profile and/or risk management process has changed significantly.

In the risk and solvency assessment, the company assesses its overall solvency position by examining the amount of qualitative and calculated risks in the company's risk profile in relation to its current risk appetite and the manner in which they may develop in the medium term in normal and stressed scenarios. The qualitative assessment of principal risks in the risk and solvency assessment is based on the above-mentioned risk survey. The scenarios that describe future trends are based on the scenarios used in the company's long-term and annual planning and which have

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

been developed and discussed by the company's Board of Directors, Executive Committee, risk management and financial administration and the Taaleri Group's corresponding bodies. The company's Risk Management function is responsible for coordinating and conducting the qualitative risk survey and preparing the report itself. The company's Actuarial Function also participates in preparing the report. The report regarding the risk and solvency assessment is dealt with by the company's Executive Committee, which steers and is closely involved in the preparation of the assessment. The Board evaluates and approves the risk and solvency assessment report, after which the report is delivered to the Financial Supervisory Authority. The report is also dealt with by the Taaleri Group's Group Risk Management Committee and further by the Taaleri Group's Audit Committee and Board.

B.4 Internal control system

Internal control covers the activities of all of the company's units and this includes the arrangement of appropriate reporting on all of the company's organisational levels. Internal control aims to ensure:

- the achievement of set objectives and targets;
- compliance with decisions by administrative bodies, internal plans, policies and procedures;
- economical and efficient use of resources;
- sufficient management of operational risks;
- reliability and validity of the information used for financial management and management of other operations;
- supervision of compliance with regulations (Compliance);
- sufficient safeguarding of operations, information and property; and
- sufficient and appropriate provision of IT and other systems to support operations.

Garantia's Board of Directors is the supreme decision-making body in matters concerning 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.

The CEO, supported by the Executive Committee, is responsible for the arrangement of internal control and risk management practices in accordance with the internal control and risk management principles that have been approved by the Board.

The spokespersons of the decision-making bodies in both the first and second lines of defence and the heads of each function are responsible for planning of operations in their area of responsibility and for compliance with the related instruction frameworks for internal control and risk management and with individual guidelines. Persons with responsibility shall organise the operations in their area of responsibility and provide instructions in such a way that allows them to supervise daily operations in a reliable way and with a sufficient degree of accuracy. Functions that are significant for operations must be organised so that the person responsible for the operations has the opportunity to supervise and check that each employee is complying with the guidelines related to their operations.

The tasks and reporting relationships of the function supervising compliance with regulations are described above in section B.1.

B.5 Internal Audit function

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). The task of Internal Audit includes the following:

- to assess the adequacy and efficiency of supervision methods;
- to assess the efficiency of the Risk Management and the Compliance function;
- to assess the adequacy of supervisor supervision;
- to assess the economical and efficient use of resources;
- to assess the methods that safeguard property; and
- to assess the scope of the solvency management process.

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

Garantia's Internal Audit services are procured from an external service provider as an outsourced service. This ensures the independence and objectivity of the audit function, and also that the persons responsible for the Internal Audit function are not responsible for any other functions. Garantia's Board of Directors annually approves the audit plan (guidelines) of the internal audit, which describes the duties and the audited areas of the internal audit in greater detail. Garantia's Internal Audit has been outsourced to PricewaterhouseCoopers Oy since 2019.

The Internal Audit must submit audit plans with long-term (3 years) and short-term (1 year) scope for approval by Garantia's Board of Directors. These audit plans must be based on the key operational risks identified by Garantia and its management, on the audit needs derived from the operations of key functions, on the processes that are central for Garantia's operations, and on the principles of internal control and risk management. It should also be ensured that the Internal Audit's action plan is founded on systematic risk assessment, and that the plan takes into account all of Garantia's functions, the entire management and administration system, and the expected direction of Garantia's business. The audit plan must cover all the significant functions that are to be audited within a reasonable time.

The internal audit reports on key observations, conclusions and recommendations regarding the functioning of internal control and risk management, and the management and administrative system regularly, and at least annually, to Garantia's Board of Directors. The person responsible for Garantia's internal audit is responsible for these matters being reported further to Taaleri Plc's Board of Directors to the extent required by Taaleri Plc's Board of Directors.

B.6 Actuarial Function

An insurance company must have an Actuarial Function and an Appointed Actuary. The Insurance Companies Act provides a description of the duties and responsibilities of the Actuarial Function and the Appointed Actuary. The most important of these are:

- reliability and appropriateness of the technical provisions calculation, and the manner in which the insurance premiums and technical provisions are determined and the amount's accordance with regulatory requirements;
- ensure the appropriateness of the actuarial methods applied in the company;
- participate in the effective implementation and development of the risk management system, and preparation of the risk and solvency assessment;
- nature and required return of technical provisions, and the demands set by solvency on the company's risk management and investment activities;
- appropriate management of actuarial risks, incl. suitability of the reinsurance system.

Garantia procures its Actuarial Function and Appointed Actuary from an external service provider as an outsourced service. The service has been provided by Kaippio & Kaippio Oy since 2015, with actuary SHV Janne Kaippio as the appointed actuary.

B.7 Outsourcing

The outsourcing and service procurement principles approved by the Board ensure that in outsourcing, there is a comprehensive assessment of the suitability and the significance to Garantia of the outsourcing or service procurement. The principles also reduce the risks caused by outsourcing. When outsourcing functions or services and procuring services, there is a comprehensive assessment of the suitability of the outsourcing and purchasing, and of the significance to Garantia of the function or service that is being outsourced.

Moreover, the principles ensure that the selection of service providers that will carry out critical duties from the perspective of Garantia's operations takes account of, for example, continuity considerations, how well the operations of the service provider comply with regulations, and requirements for data security and processing of personal information.

Outsourcing must not endanger the requirements set out in Garantia's authorisation. Garantia's outsourced operations must also be organised so that they comply with the requirements set by regulations and regulatory requirements and guidelines on procedures, internal control and risk management. The outsourcing of a function or service must not impede the Financial Supervisory Authority's supervision of Garantia's operations, lower the quality of Garantia's administration system, result in an excessive increase in operational risk, or reduce the quality of the service offered to policy holders, insured parties and beneficiaries.

Before executing an outsourcing arrangement, the person responsible for arranging the outsourcing must prepare a comprehensive risk assessment on the outsourcing. The assessment will be processed by the Executive Committee,

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



Fax +358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

and Garantia's Board of Directors will decide on the outsourcing. The Financial Supervisory Authority is notified in advance of outsourcing projects. When functions are outsourced, a written contract is always drawn up with the party that will be responsible for the outsourced task. The contract provides a detailed description of the rights and obligations of the parties.

The person responsible for the outsourcing of a function annually assesses the performance of the party carrying out the outsourced function and its ability and capacity to carry out the duties assigned to it in the future. The assessment is submitted to the Executive Committee, which will assess the risks related to outsourcing on the basis of the assessment and the sufficiency of measures that have been started or proposed. The Executive Committee reports on any significant observations it has made and on the measures that have been taken as a result to the company's Board,

Garantia procures its Internal Audit, Actuarial Function and Appointed Actuary services, which are among the key functions as defined in the Insurance Companies Act, from an external service provider. Garantia has also outsourced payroll computation, invoicing and debt collection in its rent guaranty business and a significant proportion of the maintenance and development of the IT systems that it uses to external service providers. In addition, Garantia has outsourced certain tasks related to HR and communications to its parent company Taaleri Plc and to its sister company Taaleri Wealth Management Ltd. The outsourcing partners are domiciled in Finland and Finnish law is applied to the concluded contracts.

B.8 Assessment of the adequacy of the system of governance

The company's Executive Committee assess the contents of the system of administration and principles regularly in connection with the annual planning so that the company can be sure that the system of administration and the related principles are up to date, adequate and appropriate in relation to the company-level and Group-level strategy and the scope of the company's business and risks. Internal Audit also participates in the assessment, if necessary. The assessment's scope, observations and conclusions are normally reported to the company's Board which then decides on the required changes and their related feedback procedure.

The company's view is that its management and administration system, i.e. its system of governance, has been compiled appropriately for carrying out and achieving the company's business and targets and that it meets the requirements that are set for it considering the nature, scale and complexity of the risks inherent in its business.

B.9 Other information

-

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

C. RISK PROFILE

Garantia's risk and solvency management process includes constant identification and assessment of risks in the business and operating environment. The principal risks associated with Garantia's business operations are credit risks and reserve risk (insurance risk) arising from guaranty operations, investment risks regarding assets covering technical provisions, strategic risks and operational and compliance risks.

The capital requirements for risk types in accordance with Solvency II regulations are described in more detail in section E.2 Solvency capital requirement and minimum capital requirement.

C.1 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 loan guaranties, the insurance risk mostly consists of credit risk (the inability of the guaranteed counterparty to manage its financial and/or operational obligations under the contract in relation to the beneficiary of the guaranty). This may be a result of the insolvency of the guaranteed counterparty (risk of insolvency) or the guaranteed counterparty may fail to fulfil a contractual obligation on time (delivery risk). The credit risk is also considered to include the counterparty risk of the reinsurers or the party providing other counter guaranties, which results from the default of the reinsurer or the party providing other counter guaranties, and the 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 guaranty insurance, is to ensure that the negative profit impacts arising from client and counterparty risks remain at acceptable levels and that the returns obtained through guaranty operations are adequate in relation to the risks taken. In guaranty insurance, credit risks are reduced by means of client selection, pricing, diversification and also typically with reinsurance and with collateral and covenant arrangements.

Central to the management of credit risks is the process of underwriting insurance policies, which is controlled by the credit risk policy, reinsurance policy and decision-making system confirmed by the Board of Directors and the complementary guidelines on credit risk assessment, distribution channel auditing, collateral and covenants approved by the Executive Committee. The risk management function monitors the functioning and quality of the insurance process. In addition to the daily insurance 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 is measured by the amount of the economic capital model, the Solvency II solvency capital requirement (SCR) and the credit rating agency S&P's insurance capital model. In the economic capital model, the insurance risk's economic capital is defined separately for each contract with an internal ratings-based approach according to the Basel II framework, which considers the exposure at default, the instrument's credit rating (probability of default, PD), duration, and the loss given default (LGD), which depends on counter-collateral, reinsurance and recovery. Garantia regularly assesses its economic capital model and the functionality and appropriateness of the parameters used in the calculation of the amount of economic capital, including the effectiveness of risk mitigating techniques as part of assessment of the accuracy of the LGD parameter.

The credit risk specific to clients and groups of connected clients is assessed on the basis of credit rating, gross insurance exposure, the amount reinsured and amount of collateral, the amount of uncovered exposure, covenants, economic capital, expected loss and possible risk client status classification of the client or guaranty agreement. The credit risk of the insurance exposure is assessed by examining the above-mentioned indicators by product group and business area, and when it comes to residential mortgage guaranty exposure, the distribution of the guaranty insurance exposure is also examined on the basis of the credit granting rate and geographic location. The credit risk of the insurance exposure is also assessed with the help of development of claims incurred, observed payment delays and sensitivity analyses regarding claims incurred.

Garantia's risk position remained stable in 2020. The total guaranty insurance exposure remained near the level of the end of the previous year. The proportion of consumer exposures in the total guaranty insurance exposure increased and the proportion of corporate exposures decreased. The share of investment grade exposures (exposures with a rating between AAA and BBB-) made up 15.6% (12.6) of the corporate insurance portfolio, while exposures with a rating of at least BB- accounted for 73.2% (72.4). The share of guaranties with weak credit ratings of C+ or lower increased slightly due to rating downgrades of existing exposure and was 3.7% (1.7).

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



Fax +358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

The principal sectors in the corporate insurance portfolio were construction at 35.4% (50.9) and manufacturing at 24.7% (21.0). No other individual sector's share exceeded 10%. The share of reinsured construction guaranties was 44.8% (55.3). Garantia also uses reinsurance for covering its insurance risk. The company hedges individual corporate loan guaranty projects with facultative reinsurance. The company has also had access to a quota share-type reinsurance arrangement in order to cover the insurance risk arising from commercial bonds. From the beginning of 2021, an excess loss cover-type portfolio reinsurance agreement regarding most of the residential mortgage guaranty portfolio has also been in effect in the company.

Concentration risk is described in more detail in section C.6 Other material risks.

During 2020, Garantia assessed the accuracy of individual parameters in the economic capital model that is used in the steering of operations. The main evaluations were the validations of the residential mortgage guaranties' PD and LGD models and the validation of the PD model used in the credit rating of corporate customers. Garantia also carried out a calibration of the parameters of the concentration risk model based on the gross exposure of Garantia's insurance portfolio.

Sensitivity analysis of insurance operations, 31 Dec 2020

Risk parameter	Total, EUR thousand	Change in risk parameter	Effect on equity, EUR thousand	Effect on combined ratio, %
Premiums earned	14,885	increases 10 %	1,191	improves 3.4 pp
Claims incurred	592	increases 10 %	0	weakens 0.4 pp
Large claim, EUR 10 million	0	EUR 10 mn.	0	weakens 67.2 pp
Operating expenses	5,030	increases 10 %	-402	weakens 3.4 pp

Sensitivity analysis of insurance operations, 31 Dec 2019

Risk parameter	Total, EUR thousand	Change in risk parameter	Effect on equity, EUR thousand	Effect on combined ratio, %
Premiums earned	13,242	increases 10 %	1,059	improves 5.1 pp
Claims incurred	1,618	increases 10 %	0	weakens 1.2 pp
Large claim, EUR 10 million	0	EUR 10 mn.	0	weakens 75.5 pp
Operating expenses	5,752	increases 10 %	-460	weakens 4.3 pp

Trend in claims incurred

EUR thousand	Claims paid	Change in provision for outstanding claims	Claims incurred	% of insurance exposure	Claims ratio, %
2020	-855	263	-592	0.03 %	4.0 %
2019	-336	-1,282	-1,618	0.09 %	12.2 %
2018	427	355	783	-0.05 %	-6.4 %
2017	-343	-736	-1,079	0.07 %	10.1 %
2016	-934	-240	-1,174	0.09 %	12.4 %
2015	-1,421	-71	-1,492	0.13 %	15.1 %
2014	-569	157	-412	0.03 %	3.7 %
2013	-2,526	121	-2,405	0.18 %	22.2 %

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

2012	-1,772	504	-1,268	0.09 %	11.7 %
2011	-4,827	-753	-5,580	0.44 %	50.8 %
2010	-2,098	26	-2,072	0.15 %	18.7 %

Claims paid include the share of reinsurers, recovery of claims and operating expenses allocated to claims operations. Change in provision for outstanding claims includes the share of reinsurers.

Total insurance exposure by product group

EUR million	2020	2019
Consumer exposure	972	828
Corporate exposure	844	1,009
Total	1,817	1,837

Consumer exposure includes residential mortgage guaranties and rental guaranties in which the insurance risk consists of the credit risk of households. Corporate exposure includes corporate loan guaranties, commercial bonds and other guaranties. In corporate exposures, the insurance risk consists of the credit risks of companies and other organisations.

Corporate insurance exposure by credit rating

	2020	2019
AAA...BBB-	126	121
BB+...BB-	462	572
B+...B-	186	248
C+ or weaker	30	16
Rated exposure total	803	958
Other exposure	41	51
Corporate exposure total	844	1,009

Corporate insurance exposure by industry

	2020	2019
Construction	285	488
Manufacturing	198	201
Machinery and equipment (incl. repair)	81	93
Chemicals	21	22
Metals	43	37
Food	25	30
Other	29	18
Wholesale and retail trade	65	58
Finance and insurance	60	58
Transport and logistics	57	28
Water supply and waste management	33	26
Services	22	35
Other industries	83	64
Rated exposure total	803	958

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki

☎ +358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,

Fax +358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

Other exposure	41	51
Corporate exposure total	844	1,009

Other exposure includes guaranty insurance policies in which the insurance risk is not directly dependent on the counterparty's creditworthiness or sector, and therefore these are not rated. The industry classification is based on Statistics Finland's Standard Industrial Classification.

C.2 Market risk

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. The principle of prudence is observed in investment activities, according to which assets are only invested in the type of property where the company is able to identify, measure, monitor, manage, control and report the related risks. Market, counterparty (credit 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 and property risk. The credit risk of investments is made up of counterparty risk and credit spread risk. Counterparty risk means the risk of default pertaining to the contractual counterparty. 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 margin.

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 from location 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 implementation of investment activity, which is controlled by the investment plan and decision-making powers approved by the Board. In addition to the daily investment operations and monthly reporting, investment risks are assessed at least once a year with a risk survey compiled in conjunction with annual planning.

Capital requirements for investment risks are measured by means of the economic capital model, the solvency capital requirement (SCR) and S&P's insurance capital model. In the economic capital model, investment risks are measured on an instrument-specific basis with Value-at-Risk calculation models for equity risk, currency risk, interest rate risk and credit risk. The credit risk with fixed income and private equity investments is defined with an internal ratings-based approach according to Basel II, which considers the amount of investment, the instrument's credit rating, the loss given default and duration. In addition to economic capital, investment risks are measured based on asset class, by country, credit rating, counterparty, modified 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 every month.

The risk level of investment operations was lowered slightly from the previous year. At the end of the year, fixed income investments made up 86.4% (84.4), equity and private equity investments 12.5% (14.4) and real estate investments 1.1% (1.2) of the investment portfolio (incl. cash and bank balances). Fixed income investments mainly consist of investments in the bonds of Finnish and Nordic companies and credit institutions with strong creditworthiness. The proportion of investment grade fixed income investments was 66.5% (54.5). The modified duration of bond investments was 3.5 (3.3).

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



Fax +358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

Investments by asset class at fair value

EUR million	2020	%	2019	%
Fixed income investments	137.7	86.4 %	127.3	84.4 %
Equity investments	20.0	12.5 %	21.7	14.4 %
Real estate investments	1.8	1.1 %	1.8	1.2 %
Other investments	0.0	0.0 %	0.0	0.0 %
Total	159.5	100.0 %	150.8	100.0 %

Fixed income investments include cash and bank balances. Fixed income investments include mainly bonds issued by Finnish companies and Nordic credit institutions.

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

EUR million	0-1 yrs.	1-3 yrs.	3-5 yrs.	Over 5 yrs.	Total	%
AAA...AA-	0.5	-	4.6	-	5.1	3.7 %
A+...A-	0.8	8.1	6.5	2.8	18.3	13.3 %
BBB+...BBB-	-	12.1	21.0	28.2	61.3	44.5 %
BB+ or weaker	5.7	23.4	18.9	5.1	53.1	38.6 %
Total	7.0	43.6	51.0	36.1	137.7	100.0 %

Fixed-income portfolio by maturity and credit rating, 31 Dec 2019

EUR million	0-1 yrs.	1-3 yrs.	3-5 yrs.	Over 5 yrs.	Total	%
AAA...AA-	0.2	3.8	-	4.6	8.5	6.7 %
A+...A-	0.4	-	14.8	1.1	16.3	12.8 %
BBB+...BBB-	-	2.1	27.8	14.6	44.5	35.0 %
BB+ or weaker	10.3	22.4	25.1	-	57.9	45.5 %
Total	10.9	28.3	67.7	20.3	127.3	100.0 %

Maturity is expressed until the end of maturity. If the instrument includes a call option, the maturity is expressed until the first possible call date. Credit rating is primarily based on an issuer rating provided by an external credit rating agency or the credit rating of a senior debt security. If an external rating is not available, Garantia's internal credit rating is used.

Sensitivity analysis of investment activities, 31 Dec 2020

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

Sensitivity analysis of investment activities, 31 Dec 2019

Investment category	Investments at fair value, EUR million	Risk parameter	Change (+/-)	Effect on equity, EUR million (+/-)
Bonds	127.3	Change in interest rates	1.0 %	3.3
Equities	19.0	Market value	10.0 %	1.5
Private equity	4.5	Market value	10.0 %	0.4

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

The effect of changes on calculations is the assumed market valuation before and after the change.

C.3 Credit risk

Garantia's exposure to credit risk as part of guaranty and investment operations is described above in sections C.1. Underwriting Risk and C.2. Market Risk.

C.4 Liquidity risk

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

The technical provisions that are based on Garantia's solvency calculations include EUR 8.7 (9.8) million in expected profits included in future premiums (EPIFP). The expected profits are allocated in full to the insurance type's credit and guarantee insurance. The expected profits included in future premiums refer to the present value of the difference between the forecast premiums written from the insurance exposure as at 31 December 2020 and the expected claims and operating expenses (excl. insurance acquisition costs) relating to these premiums, until the end of the insurance term. The estimate of the expected claims and operating expenses is based on the historical claims ratio excluding acquisition expenses.

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

C.5 Operational risk

Operational risks mean 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 unit, continuous registration of operational risks, identification of corrective measures and the monitoring and reporting of these, continuity planning, principles for outsourcing, the planning and implementation of new products, knowing your customer (KYC) and prevention of money laundering and terrorist financing, and process descriptions and other working instructions and operating guidelines.

The extent of the operational risks is measured by the amount of the solvency capital requirement (SCR) and of economic capital, which is determined on the basis of the annual survey of risks. 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.

The main activities carried out to improve the management of operational risks in 2020 were the updates of the data security guidelines and data security policy under the data security audit that was implemented.

C.6 Other material risks

Strategic risks are the risks that result from changes in the operating and competitive environment, slow reaction to 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 means the risk that unfounded or founded unfavourable publicity related to the company's business operations or relations weakens confidence in the company. Reputational risk is usually a consequence of a materialised operative or compliance risk which results in the deterioration of the company's reputation among its customers and other stakeholders. Regulatory risk means 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 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 way by conforming with Garantia's values, observing regulation and the Code of Conduct confirmed by the Board of Directors and by openly communicating with different stakeholders in an impartial way. Strategic risks are monitored and assessed at least once a year with a risk survey compiled in conjunction with the annual planning.

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

Concentration risk means all types of risks that if they were to materialise, the associated losses could be so large that they would endanger the solvency of insurance or reinsurance companies or financial position. The principal concentration risk in Garantia's business operations arises from the concentration risk of direct and indirect credit and counterparty risk in guaranty and/or investment operations. Garantia's total exposures contain large, individual groups of connected clients and industry-specific credit risk concentrations. In addition, Garantia's guaranties and investments are concentrated in Finland. The selection of clients and investment targets and the continuous monitoring of changes in the situation of clients is emphasised above all in the management of the credit risk concentration risk. Concentration risk is measured and assessed in the economic capital model with a separate concentration risk

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

model, according to large exposures, as laid down in the Capital Requirements Regulation of the EU and with risk limits specific to groups of connected clients.

As part of the Taaleri Group, Garantia is subject to the regulations on large exposures as defined in the EU Capital Requirements Regulation. At the end of the year, Garantia's largest individual exposure accounted for 19.8% (21.2) of the Taaleri Group's own funds.

C.7 Other information

-

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

On the company's Solvency II balance sheet, investments are valued at fair value on the final date of each reporting period.

The fair value of listed shares is taken to be the final available bid price during continuous trading in the reporting period or, if this is not available, the last trading price. The fair value of private equity funds and mutual funds is taken to be the net asset value (NAV) per unit calculated by the fund management company. The fair value of bonds and other IOUs is taken to be the last trading price of the reporting period or the most probable assignment price. The fair value of other investments is taken to be the most probable assignment price.

The valuation of assets on the Solvency II balance sheet differs from the valuation of assets on the FAS balance sheet in that on the Solvency II balance sheet investments are valued at fair value and intangible assets are valued at zero. On the Solvency II balance sheet, the reinsurers' share of technical provisions is booked in assets as the item "Reinsurance recoverables from Non-life and health similar to non-life", whereas on the FAS balance sheet they are deducted from technical provisions. In addition, the FAS balance sheet items "Debtors arising out of direct insurance operations" and "Other debtors" are included (as a negative figure) in technical provisions of the Solvency II balance sheet.

The tables below show, for each Solvency II balance sheet item, the value of the assets, comparison with the FAS balance sheet and valuation principles. The asset growth during the reporting period was mainly a result of the solid balance on the technical account and the satisfactory return of the investment portfolio during 2020.

Solvency II Balance sheet: Assets and changes in assets, euro

	31.12.2020	31.12.2019
Property, plant & equipment held for own use	59,454	64,000
Investments (other than assets held for index-linked and unit-linked contracts)	158,171,911	150,171,518
Bonds	136,437,270	126,646,737
Collective Investments Undertakings	21,734,640	23,524,781
Deposits other than cash equivalents	0	0
Reinsurance recoverables from non-life and health similar to non-life	1,608,263	-293,296
Insurance and intermediaries receivables	0	0
Reinsurance receivables	64,994	139,056
Receivables (trade, not insurance)	23,333	31,757
Cash and cash equivalents	1,278,861	607,525
Any other assets, not elsewhere shown	0	0
Total assets	161,206,816	150,720,560

The difference between assets on Solvency II and FAS balance sheets 31.12.2020, euro

	Solvency II	FAS	Difference
Intangible assets	0	332,856	-332,856
Property, plant & equipment held for own use	59,454	59,454	0
Investments	158,171,911	152,960,949	5,210,961
Bonds	136,437,270	133,907,048	2,530,222
Collective Investments Undertakings	21,734,640	19,053,901	2,680,739
Deposits other than cash equivalents	0	0	0
Reinsurance recoverables	1,608,263	0	1,608,263
Debtors, arising out of direct insurance operations (FAS)	0	1,244,365	-1,244,365
Reinsurance receivables	64,994	64,994	0

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

Receivables (trade, not insurance)	23,333	23,333	0
Cash and cash equivalents	1,278,861	1,278,861	0
Debtors, other (FAS)	0	0	0
Total assets	161,206,816	155,964,813	5,242,003

Balance sheet item	Value of item in Solvency II balance sheet
Intangible assets	Zero
Property, plant & equipment held for own use	"Tangible assets" item on FAS balance sheet.
Bonds	Total amount of the market values of bonds and certificates of deposit including accrued interest. Does not include bond investments made through funds.
Collective Investment Undertakings	Total amount of market value of fund investments.
Deposits other than cash equivalents	Amount of rent security deposits on FAS balance sheet.
Reinsurance recoverables	Reinsurers' share of technical provisions defined in calculation of technical provisions according to Solvency II. This includes the reinsurers' shares of the provision for unearned premiums and the provisions for claims outstanding according to Solvency II.
Insurance and intermediaries receivables	Zero. The FAS balance sheet item "Debtors arising out of direct insurance operations" has been included in the Solvency II balance sheet under the provision for unearned premiums.
Reinsurance receivables	"Debtors arising out of reinsurance operations" item on FAS balance sheet.
Receivables (trade, not insurance)	"Other accrued income" item on FAS balance sheet.
Cash and cash equivalents	"Cash and bank balances" not including rental security deposit item on FAS balance sheet.
Any other assets, not elsewhere shown	Zero. The FAS balance sheet item "Other receivables" only includes claims of recourse, which have been included under the outstanding claims provision on the Solvency II balance sheet.

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

D.2 Technical provisions

On the FAS balance sheet, technical provisions includes the actual technical provision, which is formed from the provision for unearned premiums and provision for claims outstanding and the equalisation provision, whereas the Solvency II balance sheet is made up of the provision for unearned premiums and provision for claims outstanding. The equalisation provision, which is presented as part of the technical provisions on the FAS balance sheet, is included in basic own funds on the Solvency II balance sheet. Own funds are considered in more detail in chapter E. Capital Management.

The calculation of the provision for unearned premiums is based on the "Simplification for premium provision", which is described in EIOPA's guidelines "Technical Specification for the Preparatory Phase (Part I)" in section TP.6.80. In the calculation of the provision for unearned premiums, the basis for calculating PVFP (present value of future premiums gross of commission) is the estimate of gross premiums regarding the contracts in the portfolio during the reporting period. In the residential mortgage guarantees product group and construction defect insurance product group, the assumed PVFP is zero, as those product groups are based on a one-off payment.

The calculation principles for the provision for unearned premiums according to Solvency II differ from those used to calculate the provision for unearned premiums in FAS. In the valuation of the provision for unearned premiums on the FAS balance sheet, the provisions are defined by guaranty. For each valid guaranty the share of the insurances' premium income that falls in coming financial years and the sum of these shares forms the provision for unearned premiums. On the Solvency II balance sheet, the same division into four groups (residential mortgage guarantees, construction defect insurance, rent guaranty and other guaranties) that is used in the FAS balance sheet is used to value the provision for unearned premiums, and the calculation is carried out separately for each of these groups. Unlike the provision for unearned premiums in the FAS balance sheet, the valuation of the provision for unearned premiums according to Solvency II takes into consideration the claims ratio, expense ratio, acquisition expense ratio, present value of future premiums (PVFP) and the volume measure (VM). In addition, the FAS balance sheet items "Debtors arising out of direct insurance operations" (as negative) and "Creditors arising out of direct insurance operations" have been included under provision for unearned premiums in the Solvency II balance sheet.

The calculation of the risk margin in technical provisions is based on the simplification "Estimation of all future SCR's 'at once' (level 4 of the hierarchy)", which is described in EIOPA's guidelines "Technical Specification for the Preparatory Phase (Part I)" in section TP.5.60. The modified duration of the net liabilities in the insurance portfolio used in the calculation is approximated using the guaranty portfolio's average maturity.

The provision for claims outstanding according to Solvency II corresponds to the provision for claims outstanding according to the FAS balance sheet discounted with the one-year risk free rate (excl. rent guaranty) according to the interest rate term structure published by EIOPA. In addition, the FAS balance sheet item "Other receivables" has been included (as negative) under outstanding claims provision on the Solvency II balance sheet.

The reinsurers' share of the technical provisions is included in assets in the Solvency II balance sheet, whereas it is discounted from the actual technical provisions on the FAS balance sheet. On the Solvency II balance sheet, the reinsurers' share of the provision for unearned premiums is calculated by applying the so-called *Gross-to-Net "factor"* presented in section TP.6.105. of EIOPA's guidelines Technical Specification for the Preparatory Phase (Part I). The reinsurers' share of the provision for claims outstanding corresponds to the reinsurers' share of the provision for claims outstanding on the FAS balance sheet discounted with the one-year risk free rate according to the interest rate term structure published by EIOPA.

The level of uncertainty related to the value of the technical provisions is considered to be moderate. The uncertainty is a consequence of the realisation of future claims payments and operating expenses in relation to the applied forecasts. Future insurance payment forecasts do not contain considerable uncertainty. On account of the short maturity of the cash flow distribution of technical provisions and the low interest environment, technical provisions still do not contain significant interest rate risk.

No material changes have taken place in the assumptions used to calculate technical provisions compared with the previous reporting period.

Garantia does not apply the matching adjustment referred to in Article 77 b of Directive 2009/138/EU, the volatility adjustment referred to in Article 77 d of Directive 2009/138/EU, the risk-free interest rate term structure referred to in Article 308 c of Directive 2009/138/EU, or the transitional deduction referred to in Article 308 d of Directive 2009/138/EU.

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



Fax +358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021**D.3 Other liabilities**

According to the Solvency II balance sheet, the valuation of other liabilities differs from that in the FAS balance sheet in the respect that the Solvency II balance sheet includes deferred tax liabilities that are not included in the FAS balance sheet. In addition, the FAS balance sheet item "Insurance & intermediaries payables" is included in the provision for unearned premiums on the Solvency II balance sheet. The rest of the other liabilities items are valued as they are on the FAS balance sheet.

The tables below show, for each liability item on the Solvency II balance sheet, the value of the liabilities, comparison with the FAS balance sheet and valuation principles for other liabilities. The increase in liabilities during the reporting period was caused by the increase in guaranty insurance operations and by the increase in the best-estimate provision for claims outstanding, which resulted from the growth in known claims.

Solvency II Balance sheet: Liabilities and changes in liabilities, euro

	31.12.2020	31.12.2019	Change
Technical provisions – non-life	12,292,824	9,251,253	3,041,572
Best Estimate	6,698,264	5,198,545	1,499,719
Risk margin	5,594,560	4,052,708	1,541,853
Deferred tax liabilities	19,247,753	19,084,533	163,220
Insurance & intermediaries payables	0	0	0
Reinsurance payables	99,905	526,358	-426,453
Payables (trade, not insurance)	5,296,172	2,980,763	2,315,409
Any other liabilities, not elsewhere shown	194,057	196,464	-2,407
Total liabilities	37,130,711	32,039,370	5,091,341
Excess of assets over liabilities	124,076,105	118,681,190	5,394,915

The difference between liabilities on Solvency II and FAS balance sheets 31.12.2020, euro

	Solvency II	FAS	Difference
Technical provisions – non-life	12,292,824	34,520,191	-22,227,366
Best estimate	6,698,264	0	6,698,264
Risk margin	5,594,560	0	5,594,560
Reinsurer's share of technical provisions (FAS)	0	-2,395,492	2,395,492
Equalisation provision (FAS)	0	71,109,064	-71,109,064
Deferred tax liabilities	19,247,753	0	19,247,753
Creditors, arising out of direct insurance operations (FAS)	0	55,822	-55,822
Reinsurance payables	99,905	99,905	0
Payables (trade, not insurance)	5,296,172	5,296,172	0
Any other liabilities, not elsewhere shown	194,057	194,057	0
Total liabilities	37,130,711	108,879,718	-71,749,008
Excess of assets over liabilities	124,076,105	47,085,095	76,991,011

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

Balance sheet item	Numerical value used
Deferred tax liabilities	The total amount of deferred tax liabilities, including the deferred tax liabilities of valuation differences of the equalisation provision, actual technical provisions (net), investments, intangible assets, other receivables and debtors and creditors arising out of direct insurance operations. The tax liabilities contained in these items are calculated by multiplying the items in question with the corporation tax percentage.
Insurance & intermediaries payables	None. The FAS balance sheet item "Creditors arising out of direct insurance operations" has been included in the Solvency II balance sheet under provision for un-earned premiums.
Reinsurance payables	"Creditors arising out of reinsurance operations" item on FAS balance sheet.
Payables (trade, not insurance)	"Accruals and deferred income" item on FAS balance sheet.
Any other liabilities, not elsewhere shown	"Other" item on FAS balance sheet.

D.4 Alternative methods for valuation

Garantia does not apply alternative methods for valuation.

D.5 Other information

-

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



Fax +358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

E. CAPITAL MANAGEMENT

At least once a year, in conjunction with its annual planning, Garantia updates its capital plan. The plan includes the company's capital management principles, the limitations related to solvency, solvency targets and dividend distribution policy. The capital plan also ensures in an anticipatory manner that the company has adequate capital reserves for exceptional situations and it is based on an annual risk and solvency assessment. In addition to the annual update, the capital plan is also updated if there is a material change in the company's risk situation, risk-bearing capacity or profitability outlook from that anticipated in the plan.

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 company's Board of Directors has set Garantia's target level for capitalisation above the statutory Solvency II solvency capital requirement and the minimum capital requirement required by the credit rating agency Standard & Poor's for an AAA credit rating, and above the 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 qualitative target for Garantia's own funds is that the own funds should be formed in full of unrestricted Tier 1 basic own funds.

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 or by acquiring new capital.

E.1 Own funds

Garantia's own funds are formed in full 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. The amount and quality of own funds is sufficient to cover the solvency capital requirement and the minimum capital requirement.

The amount of Garantia's own funds grew to EUR 114.1 (112.7) million during the 2020 financial year. The growth in own funds was a result of the net profit for the financial year.

Own funds

Own funds (Tier 1), euro

	31.12.2020	31.12.2019
Ordinary share capital (gross of own shares)	10,200,000	10,200,000
Reconciliation reserve	103,876,105	102,481,190
of which foreseeable dividends, distributions and charges	10,000,000	6,000,000
Total	114,076,105	112,681,190

Own funds to cover solvency capital requirement, capital requirements and ratios, euro

	31.12.2020	31.12.2019
Own funds (Tier 1)	114,076,105	112,681,190
Solvency Capital requirement (SCR)	49,721,693	48,604,142
Solvency Capital requirement excl. capital add-on	34,456,416	28,755,869
Minimum Capital requirement (MCR)	12,430,423	12,151,036
Own funds / SCR, %	229 %	232 %
Own funds / MCR, %	918 %	927 %

Garantia's shareholders' equity and reserves presented in the financial statements were EUR 47.1 (42.3) million and the own funds in accordance with the Insurance Companies Act the above-mentioned EUR 114.1 (112.7) million.

The largest item contributing to the shareholders' equity and reserves presented in the financial statements and the own funds in accordance with Solvency II is the equalisation provision of EUR 71.1 (71.7) million included in the technical provisions in the financial statements. The item in question includes deferred tax liabilities of EUR 14.2 (14.3)

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

million presented on the Solvency II balance sheet. Garantia does not have deferred tax assets on its Solvency II balance sheet.

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. According to Garantia's actuarial principles for the equalisation provision an amount corresponding to the claims incurred for the period in question of the provision is recognized annually into profit and loss until the equalisation provision reaches the targeted 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. The actuarial principles for the equalisation provision used in Garantia's financial statements were confirmed by the Financial Supervisory Authority on 21 October 2016.

The difference between own funds on Solvency II and equity on FAS balance sheet, euro

	31.12.2020	31.12.2019
Shareholder's equity and reserves (+)	47,085,095	42,343,060
Forseeable dividends, distributions and charges (-)	-10,000,000	-6,000,000
Valuation difference of Technical provisions - non-life (+)	21,440,137	18,982,959
Provision for unearned premiums and claims outstanding (net) in financial statements	32,124,699	28,527,508
Technical provisions - non-life in Solvency II	-12,292,824	-9,251,253
Reinsurance recoverables from Non-life in Solvency II	1,608,263	-293,296
Items in financial statements included in Solvency II technical provisions	-1,188,543	-1,274,473
Debtors, arising out of direct insurance operations	-1,244,365	-1,334,979
Debtors, other	0	0
Creditors, arising out of direct insurance operations	55,822	60,506
Equalisation provision (+)	71,109,064	71,700,643
Valuation difference of Investments	5,210,961	6,370,464
Book-value of investments in financial statements	-152,960,949	-143,801,054
Fair value of investments in Solvency II	158,171,911	150,171,518
Intangible assets (-)	-332,856	-356,930
Deferred tax liabilities (-)	-19,247,753	-19,084,533
Own funds	114,076,105	112,681,190

E.2 Solvency capital requirement and minimum capital requirement

On 31 December 2020 Garantia's solvency capital requirement was EUR 49.7 (48.6) million. The rise in the solvency capital requirement during the financial period resulted from increases in the capital requirements for underwriting and market risks. The increase in the capital requirements for underwriting risk was to a large extent a consequence of the changes to the Solvency II standard parameters for solvency calculation, which entered into force on 1 January 2020. The solvency capital requirement describes the amount of unexpected loss once every 200 years.

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's solvency capital requirement has included a capital add-on set by the Financial Supervisory Authority as of 30 June 2018. The Financial Supervisory Authority assesses the amount of the capital add-on at least once a year. The Financial Supervisory Authority previously adjusted its decision regarding the capital add-on on 29 May 2020, when the amount of the add-on was set at EUR 15.3 (19.8⁴) million. The updated capital add-on is included in the

⁴ The capital add-on that was in force as of 30 June 2019 in parentheses.

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



Fax +358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

company's solvency capital requirement as of 30 June 2020. In 2020, when making the add-on decision, the Financial Supervisory Authority acknowledged, for the first time, the capital requirement for insurance risk calculated as per Garantia's own economic capital model.

The reason behind the capital add-on is primarily that the Solvency II standard formula treats credit and guaranty insurance as a single entity in which the capital requirement is mainly determined on the basis of one year's insurance premiums. The capital requirement for recession risk (catastrophe risk) in connection with guaranty insurance is also based on insurance premiums in the standard formula and no consideration is given to the amount or quality of the guaranty exposures. Thus, in the view of the Financial Supervisory Authority, the standard formula does not give a correct picture of Garantia's risk position.

In its decision regarding the capital add-on, the Financial Supervisory Authority stated that the risk profile of Garantia's non-life underwriting risk differs from the underlying assumptions in the standard formula for the solvency capital requirement calculation by more than 15%, and therefore the preconditions for raising the company's capital requirement continue to exist. According to the Financial Supervisory Authority's estimate, there have been no substantial changes in the company's risk profile since the previous decision made on 17 June 2019. The Financial Supervisory Authority also reiterated that the requirement to use the internal model is not currently appropriate in Garantia's case.

The standard parameters of the Solvency II standard formula's insurance risk module were revised, effective from 1 January 2020. If the new parameters had been applied on 31 December 2019, Garantia's solvency capital requirement would have been EUR 51.1 million at the end of the 2019 financial year.

Solvency capital requirement by component, euro

	31.12.2020	31.12.2019	Change
Basic solvency capital requirement	42,602,730	35,524,907	7,077,823
Market risk	25,004,644	23,703,654	1,300,990
Interest rate risk	4,445,844	3,853,989	591,855
Equity risk	7,802,112	8,447,320	-645,208
Property risk	445,934	455,324	-9,390
Spread risk	14,349,862	12,774,631	1,575,231
Currency risk	3,102,668	2,524,622	578,046
Concentration risk	10,360,463	10,009,949	350,514
Diversification benefit	-15,502,239	-14,362,181	-1,140,058
Counterparty default risk	267,441	278,239	-10,798
Non-life underwriting risk	28,645,276	21,019,380	7,625,896
Premium and reserve risk	16,634,100	10,273,757	6,360,343
Lapse risk	2,714,123	2,160,330	553,793
Catastrophe risk	19,374,121	15,821,615	3,552,506
Diversification effect	-10,077,068	-7,236,322	-2,840,746
Intangible asset risk	0	0	0
Diversification effect	-11,314,631	-9,476,366	-1,838,265
Operational risk	467,789	419,929	47,860
Adjustment for loss-absorbing capacity	-8,614,104	-7,188,967	-1,425,137
Total excl. capital add-on	34,456,415	28,755,869	5,700,546
Capital add-on	15,265,277	19,848,273	-4,582,996
Total	49,721,692	48,604,142	1,117,550

On 31 December 2020, Garantia's minimum capital requirement was EUR 12.4 (12.2) million. In the minimum capital requirement calculation (insurance type, credit and guaranties), the net (with reinsurance contracts/special purpose vehicles share deducted) best estimate used and technical provisions totalled EUR 5.0 (5.5) million and net (with reinsurance contract share deducted) premiums written calculated over the previous 12 months were EUR 18.7 (18.6)

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

million. In 2020 the minimum capital requirement was at its lower limit, which is 25% of the solvency capital requirement. As a result, the increase in minimum capital requirement was entirely the result of the increase in the solvency capital requirement.

The loss-absorbing capacity of deferred taxes, which amounted to EUR 8.6 (7.2) million on 31 December 2020, is taken into account in Garantia's solvency capital requirement. The loss-absorbing capacity is based entirely on the entry of deferred tax liabilities as income on the Solvency II balance sheet, while deferred tax liabilities are based on the valuation differences between the Solvency II balance sheet and bookkeeping. The largest individual deferred tax liability item is the deferred tax liability of the equalisation provision. The formation of deferred tax liabilities is described in the figures in sections D.3 and E.1.

Garantia does not have a loss-absorbing capacity based on probably taxable financial profit or deferred tax assets as a part of the solvency capital requirement.

E.3 Use of duration-based equity risk sub-module in calculation of solvency capital requirement

Garantia does not use the duration-based equity risk sub-module.

E.4 Differences between the standard formula and the used internal model

Garantia applies the standard formula for the solvency capital requirement calculation, and does not apply any internal model.

E.5 Non-fulfilment of the solvency capital requirement and the minimum capital requirement

Garantia's own funds cover the solvency capital requirement and the minimum capital requirement in terms of both amount and quality.

E.6 Other information

The standard parameters of the Solvency II standard formula's insurance risk module were revised, effective from 1 January 2020. If the new parameters had been applied on 31 December 2019, Garantia's solvency ratio would have been 219.3% at the end of the 2019 financial year.

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

ANNEX I: Tables to be published in accordance with the Commission Implementing Regulation (EU) 2015/2452

S.02.01.02 Balance sheet

	Solvency II value
	C0010
Assets	
Intangible assets	R0030
Deferred tax assets	R0040
Pension benefit surplus	R0050
Property, plant & equipment held for own use	R0060 59,454
Investments (other than assets held for index-linked and unit-linked contracts)	R0070 158,171,911
Property (other than for own use)	R0080
Holdings in related undertakings, including participations	R0090
Equities	R0100 0
Equities – listed	R0110
Equities – unlisted	R0120
Bonds	R0130 136,437,270
Government Bonds	R0140
Corporate Bonds	R0150 136,437,270
Structured notes	R0160
Collateralised securities	R0170
Collective Investments Undertakings	R0180 21,734,640
Derivatives	R0190
Deposits other than cash equivalents	R0200
Other investments	R0210
Assets held for index-linked and unit-linked contracts	R0220
Loans and mortgages	R0230 0
Loans on policies	R0240
Loans and mortgages to individuals	R0250
Other loans and mortgages	R0260
Reinsurance recoverables from:	R0270 1,608,263
Non-life and health similar to non-life	R0280 1,608,263
Non-life excluding health	R0290 1,608,263
Health similar to non-life	R0300
Life and health similar to life, excluding health and index-linked and unit-linked	R0310 0
Health similar to life	R0320
Life excluding health and index-linked and unit-linked	R0330
Life index-linked and unit-linked	R0340
Deposits to cedants	R0350
Insurance and intermediaries receivables	R0360
Reinsurance receivables	R0370 64,994
Receivables (trade, not insurance)	R0380 23,333
Own shares (held directly)	R0390
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400
Cash and cash equivalents	R0410 1,278,861
Any other assets, not elsewhere shown	R0420
Total assets	R0500 161,206,816

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



Fax +358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021**Liabilities**

Technical provisions – non-life
Technical provisions – non-life (excluding health)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions – health (similar to non-life)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions – life (excluding index-linked and unit-linked)
Technical provisions – health (similar to life)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions – life (excluding health and index-linked and unit-linked)
TP calculated as a whole
Best Estimate
Risk margin
Technical provisions – index-linked and unit-linked
TP calculated as a whole
Best Estimate
Risk margin
Contingent liabilities
Provisions other than technical provisions
Pension benefit obligations
Deposits from reinsurers
Deferred tax liabilities
Derivatives
Debts owed to credit institutions
Financial liabilities other than debts owed to credit institutions
Insurance & intermediaries payables
Reinsurance payables
Payables (trade, not insurance)
Subordinated liabilities
Subordinated liabilities not in BOF
Subordinated liabilities in BOF
Any other liabilities, not elsewhere shown
Total liabilities
Excess of assets over liabilities

	C0010
R0510	12,292,824
R0520	12,292,824
R0530	
R0540	6,698,264
R0550	5,594,560
R0560	
R0570	
R0580	
R0590	
R0600	
R0610	
R0620	
R0630	
R0640	
R0650	
R0660	
R0670	
R0680	
R0690	
R0700	
R0710	
R0720	
R0740	
R0750	
R0760	
R0770	
R0780	19,247,753
R0790	
R0800	
R0810	
R0820	
R0830	99,905
R0840	5,296,172
R0850	
R0860	
R0870	
R0880	194,057
R0900	37,130,711
R1000	124,076,105

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)	Total
		Credit and suretyship insurance	
		C0090	C0200
Premiums written			
Gross – Direct Business	R0110	18,988,434	18,988,434
Gross – Proportional reinsurance accepted	R0120		
Gross – Non-proportional reinsurance accepted	R0130		
Reinsurers' share	R0140	243,357	243,357
Net	R0200	18,745,077	18,745,077
Premiums earned			
Gross – Direct Business	R0210	15,592,975	15,592,975
Gross – Proportional reinsurance accepted	R0220		
Gross – Non-proportional reinsurance accepted	R0230		
Reinsurers' share	R0240	708,179	708,179
Net	R0300	14,884,796	14,884,796
Claims incurred			
Gross – Direct Business	R0310	488,816	488,816
Gross – Proportional reinsurance accepted	R0320		
Gross – Non-proportional reinsurance accepted	R0330		
Reinsurers' share	R0340	218,374	218,374
Net	R0400	270,442	270,442
Changes in other technical provisions			
Gross – Direct Business	R0410	591,579	591,579
Gross – Proportional reinsurance accepted	R0420		
Gross – Non-proportional reinsurance accepted	R0430		
Reinsurers' share	R0440		
Net	R0500	591,579	591,579
Expenses incurred	R0550	5,524,348	5,524,348
Other expenses	R1200		
Total expenses	R1300		5,524,348

The lines of business that are not applicable in the case of Garantia Insurance Company Ltd are not shown in the template

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

S.05.02.01 Premiums, claims and expenses by country

		Home country	Top 5 countries (by amount of gross premiums written) — non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross – Direct Business	R0110	18,988,434						18,988,434
Gross – Proportional reinsurance accepted	R0120							
Gross – Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	243,357						243,357
Net	R0200	18,745,077						18,745,077
Premiums earned								
Gross – Direct Business	R0210	15,592,975						15,592,975
Gross – Proportional reinsurance accepted	R0220							
Gross – Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	708,179						708,179
Net	R0300	14,884,796						14,884,796
Claims incurred								
Gross – Direct Business	R0310	488,816						488,816
Gross – Proportional reinsurance accepted	R0320							
Gross – Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	218,374						218,374
Net	R0400	270,442						270,442
Changes in other technical provisions								
Gross – Direct Business	R0410	591,579						591,579
Gross – Proportional reinsurance accepted	R0420							
Gross – Non-proportional reinsurance accepted	R0430							
Reinsurers' share	R0440							
Net	R0500	591,579						591,579
Expenses incurred	R0550	5,524,348						5,524,348
Other expenses	R1200							
Total expenses	R1300							5,524,348

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

S.17.01.02 Non-life technical provisions

	Direct business and accepted proportional reinsurance	Total Non-Life obligation
	Credit and suretyship insurance	
	C0100	C0180
Technical provisions calculated as a whole	R0010	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	
Technical provisions calculated as a sum of BE and RM		
Best estimate		
Premium provisions		
Gross	R0060	2,297,974
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-467,394
Net Best Estimate of Premium Provisions	R0150	2,765,368
Claims provisions		
Gross	R0160	4,400,290
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	2,075,657
Net Best Estimate of Claims Provisions	R0250	2,324,633
Total Best estimate – gross	R0260	6,698,264
Total Best estimate – net	R0270	5,090,001
Risk margin	R0280	5,594,560
Amount of the transitional on Technical Provisions		
Technical Provisions calculated as a whole	R0290	
Best estimate	R0300	
Risk margin	R0310	
Technical provisions – total		
Technical provisions – total	R0320	12,292,824
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	R0330	1,608,263
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	R0340	10,684,561

The lines of business that are not applicable in the case of Garantia Insurance Company Ltd are not shown in the template

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

S.19.01.21 Non-life insurance claims as development triangles

Total Non-Life Business

Accident year /
Underwriting year

Z0010	1- Accident year
--------------	------------------------

Gross Claims Paid (non-cumulative)
(absolute amount)

		Development year													
Year		0	1	2	3	4	5	6	7	8	9	10 & +	In Current Year	Sum of years (cumulative)	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
Prior	R0100											-453,810	R0100	-65,418	-453,810
N-9	R0160						-38,246	-40,031	-29,115	-35,355	-24,951		R0160	-24,951	-167,698
N-8	R0170					-11,983	-13,270	-10,544	-15,625	-17,284			R0170	-17,284	-68,706
N-7	R0180				-152,163	-186,415	172,455	-157,846	-143,525				R0180	-143,525	-467,494
N-6	R0190			-49,694	-48,645	-716,274	-33,978	-82,533					R0190	-82,533	-931,125
N-5	R0200		69,577	-63,958	-84,654	-6,757	-108,264						R0200	-108,264	-194,056
N-4	R0210	908,638	-52,768	-63,701	-42,313	40,136							R0210	40,136	789,991
N-3	R0220	571,064	-20,955	31,112	-44,185								R0220	-44,185	537,037
N-2	R0230	363,238	-20,021	-13,411									R0230	-13,411	329,806
N-1	R0240	816,259	957,338										R0240	957,338	1,773,597
N	R0250	544,678											R0250	544,678	544,678
Total													R0260	1,042,580	1,692,220

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year												
Year		0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)	
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
Prior	R0100											0	R0100	0
N-9	R0160						0	0	0	0	0	0	R0160	0
N-8	R0170					0	0	0	0	0	0	0	R0170	0
N-7	R0180				246,278	-44,704	0	0	0	0			R0180	0
N-6	R0190			0	-273,477	0	0	0	0				R0190	0
N-5	R0200		193,302	163,163	163,163	0	0						R0200	0
N-4	R0210	857,194	113,849	142,300	81,343	0							R0210	0
N-3	R0220	2,191,101	705,880	517,740	517,740								R0220	520,986
N-2	R0230	880,372	0	0									R0230	0
N-1	R0240	4,365,385	2,345,857										R0240	2,360,564
N	R0250	1,509,279											R0250	1,518,740
Total													R0260	4,400,290

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

S.23.01.01 Own funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35

Ordinary share capital (gross of own shares)
 Share premium account related to ordinary share capital
 Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings
 Subordinated mutual member accounts
 Surplus funds
 Preference shares
 Share premium account related to preference shares
 Reconciliation reserve
 Subordinated liabilities
 An amount equal to the value of net deferred tax assets
 Other own fund items approved by the supervisory authority as basic own funds not specified above

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions**Ancillary own funds**

Unpaid and uncalled ordinary share capital callable on demand
 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand
 Unpaid and uncalled preference shares callable on demand
 A legally binding commitment to subscribe and pay for subordinated liabilities on demand
 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
 Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
 Other ancillary own funds

Total ancillary own funds**Available and eligible own funds**

Total available own funds to meet the SCR
 Total available own funds to meet the MCR
 Total eligible own funds to meet the SCR
 Total eligible own funds to meet the MCR

SCR**MCR****Ratio of Eligible own funds to SCR****Ratio of Eligible own funds to MCR****Reconciliation reserve**

Excess of assets over liabilities
 Own shares (held directly and indirectly)
 Foreseeable dividends, distributions and charges
 Other basic own fund items
 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve**Expected profits**

Expected profits included in future premiums (EPIFP) – Life business
 Expected profits included in future premiums (EPIFP) – Non-life business

Total Expected profits included in future premiums (EPIFP)

	Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	10,200,000	10,200,000			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	103,876,105	103,876,105			
R0140					
R0160					
R0180					
R0220					
R0230					
R0290	114,076,105	114,076,105			
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	114,076,105	114,076,105			
R0510	114,076,105	114,076,105			
R0540	114,076,105	114,076,105			
R0550	114,076,105	114,076,105			
R0580	49,721,693				
R0600	12,430,423				
R0620	229,4292 %				
R0640	917,7170 %				
C0060					
R0700	124,076,105				
R0710					
R0720	10,000,000				
R0730	10,200,000				
R0740					
R0760	103,876,105				
R0770					
R0780	8,733,339				
R0790	8,733,339				

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



Fax +358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

S.25.01.21 Solvency capital requirement (standard formula)

Market risk
 Counterparty default risk
 Life underwriting risk
 Health underwriting risk
 Non-life underwriting risk
 Diversification
 Intangible asset risk
Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

Operational risk
 Loss-absorbing capacity of technical provisions
 Loss-absorbing capacity of deferred taxes
 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
Solvency Capital Requirement excluding capital add-on
 Capital add-on already set

Solvency capital requirement**Other information on SCR****Capital requirement for duration-based equity risk sub-module**

Total amount of Notional Solvency Capital Requirements for remaining part
 Total amount of Notional Solvency Capital Requirements for ring fenced funds
 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
R0010	25,004,644		
R0020	267,441		
R0030			
R0040			
R0050	28,645,276		
R0060	-11,314,631		
R0070	0		
R0100	42,602,730		

	C0100
R0130	467,789
R0140	0
R0150	-8,614,104
R0160	
R0200	34,456,416
R0210	15,265,277
R0220	49,721,693
R0400	
R0410	
R0420	
R0430	
R0440	

Approach to tax rate

Approach based on average tax rate

	Yes/No
	C109
R0590	No

Calculation of loss absorbing capacity of deferred taxes

LAC DT

LAC DT justified by revision of deferred tax liabilities

LAC DT justified by reference to probable future taxable economic profit

LAC DT justified by carry back, current year

LAC DT justified by carry back, future years

Maximum LAC DT

	LAC DT
	C0130
R0640	-8,614,104
R0650	-8,614,104
R0660	
R0670	
R0680	
R0690	-8,614,104

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



Fax +358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.

24th March 2021

S.28.01.01 Minimum capital requirement

MCR_{NL} Result

	C0010
R0010	3,019,124

Medical expense insurance and proportional reinsurance
Income protection insurance and proportional reinsurance
Workers' compensation insurance and proportional reinsurance
Motor vehicle liability insurance and proportional reinsurance
Other motor insurance and proportional reinsurance
Marine, aviation and transport insurance and proportional reinsurance
Fire and other damage to property insurance and proportional reinsurance
General liability insurance and proportional reinsurance
Credit and suretyship insurance and proportional reinsurance
Legal expenses insurance and proportional reinsurance
Assistance and proportional reinsurance
Miscellaneous financial loss insurance and proportional reinsurance
Non-proportional health reinsurance
Non-proportional casualty reinsurance
Non-proportional marine, aviation and transport reinsurance
Non-proportional property reinsurance

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
R0020		
R0030		
R0040		
R0050		
R0060		
R0070		
R0080		
R0090		
R0100	5,090,001	18,745,077
R0110		
R0120		
R0130		
R0140		
R0150		
R0160		
R0170		

Overall MCR calculation

Linear MCR
SCR
MCR cap
MCR floor
Combined MCR
Absolute floor of the MCR

	C0070
R0300	3,019,124
R0310	49,721,693
R0320	22,374,762
R0330	12,430,423
R0340	12,430,423
R0350	3,700,000
	C0070
R0400	12,430,423

Minimum Capital Requirement

Garantia Insurance Company Ltd

Kasarmikatu 21 B, 00130 Helsinki



+358 20 7479 800

firstname.lastname@garantia.fi

Business ID: 0944524-1

PO Box 600, 00101 Helsinki,



+358 20 7479 801

www.garantia.fi

Garantia is part of the Taaleri Group.