Report by the Board of Directors and Financial Statements

2023

GARANTIA

Garantia Insurance Company Ltd

Garantia Insurance Company Ltd

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

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

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

Garantia is a wholly-owned subsidiary of Taaleri Plc and part of the Taaleri Group. Taaleri is a Nordic investment and asset manager that focuses on businesses with industrial-scale opportunities within bioindustry and renewable energy. Taaleri has two business segments: Private Asset Management and Strategic Investments. Private Asset Management consists of bioindustry, renewable energy and real estate businesses. The Strategic Investments segment includes Garantia Insurance Company Ltd. Taaleri Plc is listed on Nasdaq Helsinki.

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

Contents

GARANTIA'S YEAR 2023 IN BRIEF

The profitability of insurance operations and the net profit for the financial year reach a new record; investment income boosted by levelling off of interest rates

- Premiums written decreased by 22.9% to EUR 19.0 (24.6) million. The fall in premiums written was mainly due to a decline in new residential mortgage guarantee underwriting, which in turn was due to an exceptionally large reduction in the number of housing transactions (-27%).
- However, earned premiums increased by 11.2% to EUR 20.3 million (18.2), thanks to a change in the product group structure of the guaranty insurance portfolio and an improvement in the relative return on the guaranty portfolio.
- The total guaranty insurance exposure contracted by 6.0% from the previous year and was EUR 1,749 (1,862) million. The volume of consumer exposures in the total guaranty insurance exposure increased and the volume of corporate exposures decreased.
- Claims incurred remained low and totalled EUR 0.8 (0.6) million. The claims ratio was 4.2% (3.2).
- Operating expenses increased by 10.0% to EUR 5.1 (4.7) million. The expense ratio was on the 2022 level at 25.3% (25.6).
- The balance on the technical account before changes in the equalisation provision rose to EUR 14.3 (13.0) million, and the combined ratio increased slightly to 29.5% (28.8). The solid profit in insurance operations was attributable to an increase in earned premiums and the continued low level of claims incurred and operating expenses.
- Investment income at fair value was excellent at 6.9% (-11.2). Investment income was supported by favourable developments in fixed income and equity markets as inflation eased and interest rates stopped rising.
- Profit before taxes increased to EUR 23.5 (-1.6) million.
- Solvency strengthened and the solvency ratio was 246% (231) at the end of the financial year.
- On 14 December 2023, S&P confirmed Garantia's credit rating as A- with a stable outlook.

Key Figures

EUR thousands	2023	2022	Change
Gross premiums written	**19 023**	**24 664**	**-22.9 %**
Other items [1]	1 271	-6 420	119.8 %
Earned premiums	**20 294**	**18 244**	**11.2 %**
Claims incurred	-845	-579	46.0 %
Operating expenses	-5 143	-4 676	10.0 %
Balance on technical account before changes in equalisation provision	**14 306**	**12 990**	**10.1 %**
Change in equalisation provision	845	579	46.0 %
Balance on technical account	**15 151**	**13 568**	**11.7 %**
Investment income and expenses, net	8 262	-15 211	154.5 %
Other income and expenses	37	15	140.9 %
Earnings before tax	**23 450**	**-1 627**	**1542.6 %**
Claims ratio, %	4.2 %	3.2 %	-0.6%-p.
Expense ratio, %	25.3 %	25.6 %	-6.0%-p.
Combined ratio, %	29.5 %	28.8 %	-6.7%-p.
Return on investments at fair value, %	6.9 %	-11.2 %	-17.3%-p.
Solvency ratio (S2), % [2]	245.7 %	231.3 %	12.1%-p.
Total insurance exposure, EUR million	1 749	1 862	-6.0 %
Average number of personnel	23	23	0
Credit rating (S&P)	A-	A-	-

The figures used for result comparison are those from 2022. The figures used for the comparison of balance sheet and other cross-sectional items are those from the end of 2022 unless otherwise indicated.

[1] Reinsurers' share of premiums written, change in provision for unearned premiums and reinsurers' share of change in provision for unearned premiums.

[2] Solvency II regulations do not fall within the scope of statutory auditing under the Insurance Companies' Act, and the solvency figures have not been audited.

BOARD OF DIRECTORS' REPORT

Operating environment

Over the past year, the war of aggression launched by Russia against Ukraine in 2022 continued to affect Europe's economic performance. The ongoing war had broad geopolitical repercussions during the year, the most significant of which were related to energy policy and the almost complete suspension of trade with Russia. The European economy continued to be weighed down by high inflation and in particular by the continued interest rate hikes made by the ECB to curb inflation. Inflation slowed significantly towards the end of the year, however, and the ECB halted interest rate hikes for the time being. Market interest rates started to decline towards the end of the year and optimism returned to the market.

The sluggish economic outlook and performance in Europe and globally naturally had an impact on the Finnish economy. According to the latest forecasts, Finland's GDP decreased by about 0.5% in 2023, whereas in 2022 it grew by 1.6%. In addition to lower-than-expected economic growth, the growth prospects for 2024 also deteriorated substantially.

Economic uncertainty, rising costs of living due to inflation and the sharp rise in interest rates kept consumer confidence well below the long-term average and towards the end of the year, confidence fell even further. Business confidence in the economy also continued to fall during the year and was well below the long-term average. In Finland, employment, which remained historically strong, was more or less the only ray of light although it, too, turned to a decline during the year. At the end of the year, Finland's employment rate was 73.1%, while at the end of the previous year it had been 74.1%.

The weak economic outlook and persistently high market interest rates had a strong impact on the housing market throughout 2023. The number of housing transactions decreased by around 27% year-on-year and house prices fell by 3.9% in November compared with the corresponding period of the previous year. The lower volume of housing transactions was also reflected in new residential mortgage loans, where the total volume of new mortgage loans was some 30% lower than in the previous year.

In the corporate sector, the weak economic outlook, rising interest rates and a rapid slowdown in housing sales hit the construction sector particularly hard, causing a sharp increase in the number of corporate defaults and bankruptcies. Sales in manufacturing fell by around 4% over the year and the number of new orders decreased by around 9 % compared with the previous year. The number of restructuring and bankruptcy filings rose significantly on the previous year and approached the level seen in 2008 following the financial crisis. The number of bankruptcies filed in 2023 was higher than in any previous year in the 2000s.

In the investment market, the rise in interest rates came to a halt towards the end of 2023, creating optimism in equity markets and turning fixed income yields positive. The S&P 500 Index, which describes the performance of the US equity market, which is central to the global economy, rose by 24.2% during the year. As inflation started to fall, the European Central Bank stopped raising interest rates for the time being in autumn 2023, and as a result, market interest rates also started to fall at the end of 2023. The 12-month Euribor rate, which is commonly used as the reference rate for housing loans in Finland, was 3.5% at the end of 2023, which is about 0.2 percentage points higher than a year earlier. Credit spreads on fixed income investments narrowed slightly during 2023.

Insurance operations

Garantia's gross premiums written decreased by 22.9% to EUR 19.0 (24.7) million from the previous year. The decline in premiums written resulted from the declined level of premiums from residential mortgage guarantees, included in consumer exposures, due to the low volume of housing transactions.

The amount of premiums written recognised prior to the reporting period as the provision for unearned premiums that was recognised in profit and loss as the change in the provision for unearned premiums was greater than the provision for unearned premiums from the premiums written recognised for the period. The net provision for unearned premiums decreased by EUR 1.7 (increased by 5.9) million during the financial year. The recognition of the provision for unearned premiums into profit and loss is mainly related to the fact that the prior provision for unearned premiums recognised from the residential mortgage loan guaranty portfolio were greater than the new provision for unearned premiums from residential mortgage guaranties that commenced during the financial year. Earned premiums grew by 11.2% during the financial year and amounted to EUR 20.3 (18.2) million. The increase in earned premiums was mainly due to the changes of the product structure and effective income of the total guaranty insurance exposure.

The total guaranty insurance exposure declined by 6.0% during the year and was EUR 1,749 (1,862) million at the end of the year. Of the total guaranty insurance exposure, EUR 1,397 (1,343) million, or 80% (72), consisted of consumer exposures and EUR 352 (518) million, or 20% (28), consisted of corporate exposures.

Claims incurred remained at a low level and totalled EUR 0.8 (0.6) million. The claims ratio was 4.2% (3.2) and the ratio of claims incurred against the total guaranty insurance exposure was 0.04% (0.03). No substantial individual guaranty insurance claims occurred during the financial year.

Operating expenses grew by 10.0% to EUR 5.1 (4.7) million during the financial year. The increase in operating expenses was driven mainly by an increase in variable personnel expenses. The expense ratio remained at the previous financial year's level at 25.3% (25.6).

The balance on the technical account increased to EUR 14.3 (13.0) million before changes to the equalization provision, and the combined ratio rose to 29.5% (28.8). The excellent profitability of insurance operations was the result of an increase in earned premiums, and the claims incurred and operating expenses that remained low. The equalisation provision was reversed by EUR 0.8 (0.6) million and thus the balance on the technical account came to EUR 15.1 (13.6) million.

Investment operations

The market conditions developed favourably for investment during the financial year. Equity prices increased, the rise in market interest rates stopped, inflation started to decline and credit risk spreads on fixed income investments narrowed. In particular, the halt in the rise of interest rates and the increase in the running yield from fixed-income investments improved investment income because the majority of the company's investment assets are invested in fixed-income investments.

Garantia's net investment income recognised in profit and loss amounted to EUR 8.3 (-15.2) million and it was boosted especially by the revaluations recognised in the financial year of the investments on which impairments had been recognised in the previous financial year. The valuation difference between the fair value and the book value of investment assets was EUR 5.1 (3.2) million at the end of December.

Garantia's investment portfolio (incl. cash and bank balances and accrued interest) at fair value was EUR 164.0 (154.7) million at the end of the year.

At the end of the financial year, 86.6% (88.2) of the investment portfolio was allocated to fixed income investments, 12.0% (10.4) to equity and private equity investments, and 1.4% (1.4) to real estate investments. Investment income at fair value was 6.9% (-11.2). Net investment income on invested capital at fair value was EUR 10.2 (-18.8) million, or 6.7% (-11.3).

Sustainability

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

Risks and risk management

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

In guaranty insurance operations, credit risk refers to the risk of the guaranteed counterparty being unable to meet its contractual obligations towards the beneficiary of the guaranty. The amount of credit risk is mainly dependent on the creditworthiness of the guaranteed counterparties and the amount of any counter-collateral. The market risks regarding investment operations consist of interest, equity, property, currency and counterparty credit risks affecting the value and return of investment assets.

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

The volume of consumer exposures at the end of the financial year was EUR 1,397 (1,343) million and their proportion in the total guaranty insurance exposure was 80% (72). Consumer exposures consist of residential mortgage guaranties and rent guarantees granted to households. A residential mortgage guaranty is a supplementary collateral underwritten to cover a housing loan. A rent guarantee protects the landlord of a dwelling against the tenant defaulting on commitments specified in the lease contract.

The majority of the consumer exposures is made up of residential mortgage guaranties. The risk position of the residential mortgage guaranty portfolio did not change substantially during the year. The portfolio is well diversified by counterparty, geographical location of collateral property and underwriting year, and the creditworthiness of the mortgage borrowers in the portfolio is very good on average. In addition, the credit risks of the residential mortgage guaranty portfolio are managed through an excess of loss portfolio reinsurance arrangement.

The volume of corporate exposures was EUR 352 (519) million at the end of the financial year, and their proportion in the total guaranty insurance exposure was 20% (28). Corporate exposures include corporate loan guaranties, commercial bonds and other business-related guaranties. The guaranteed companies are mainly medium-sized and large Finnish companies and other organisations. In addition to risk selection, reinsurance, counter-collateral and risk-mitigating contractual terms and conditions are also used to hedge against the credit risks of corporate exposures.

The share of investment grade exposures, or exposures rated between AAA and BBB-, made up 31.1% (23.0), while exposures with a rating of at least BB- accounted for 71.4% (67.0) of the rated corporate insurance portfolio. The share of guaranties with lower credit ratings of C+ or lower increased slightly and was 2.8% (2.2). The creditworthiness of the company's corporate counterparties has remained good on average, despite the creditworthiness of some counterparties having been affected by the deteriorating economic outlook.

The principal sectors in the corporate insurance portfolio were trade at 20.8% (15.6), manufacturing 19.1% (23.8) construction at 12.3% (17.2), finance and insurance operations at 11.7% (13.1, and water and waste management at 10.3% (9.4). The proportions of other sectors were less than 10%.

The risk level of investment activities was kept at a low level. At the end of the year, fixed income investments made up 86.6% (88.2), equity and private equity investments 12.0% (10.4) and real estate investments 1.4% (1.4) of the investment portfolio (incl. cash and bank balances). Fixed income investments mainly consist of investments in the bonds of Nordic companies and credit institutions with strong creditworthiness. A total of 61.2% (68.8) of fixed income investments had an investment grade credit rating. The modified duration of the fixed income investments was 2.4 (2.3).

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

Solvency

Garantia's solvency strengthened on the previous year due to a reduction in the solvency capital requirement and the growth of Garantia's basic own funds. The company's basic own funds amounted to EUR 109.2 (105.3) million at the end of the financial year and the solvency capital requirement was EUR 44.4 (45.5) million. The solvency ratio, or the ratio of basic own funds to the solvency capital requirement, was 245.% (219.2).

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

The reduction in the solvency capital requirement during the financial year resulted from a reduction of the capital requirement for insurance and market risk. The capital requirement for market risk decreased as a result of lower interest rate risk and foreign exchange risk. The reduction in risks was caused by allocation changes in the investment portfolio. The capital add-on associated with insurance risk remained on the previous year's level.

Solvency

EUR thousands	31 Dec 2023	31 Dec 2022
Basic own funds	**109 208**	**105 324**
Solvency capital requirement		
Market risk	20 901	21 403
Non-life underwriting risk	29 146	30 743
Counterparty default risk	314	226
Operational risk	623	564
Diversification effect and adjustment for loss-absorbing capacity	-18 451	-19 098
Total	**32 533**	**33 837**
Capital add-on	11 909	11 707
Total	**44 442**	**45 544**
Amount of own funds in excess of the solvency capital requirement	64 766	59 780
Solvency ratio, %	**245.7 %**	**231.3 %**

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

Garantia's solvency capital requirement has included a capital add-on related to insurance risk set by the Financial Supervisory Authority as of 30 June 2018. The Financial Supervisory Authority assesses the amount of the capital add-on at least once a year. The Financial Supervisory Authority previously adjusted its decision regarding the capital add-on on 9 June 2023, when the amount of the add-on was set at EUR 11.9 (11.7[1]) million. The updated capital add-on is included in the company's solvency capital requirement as of 30 June 2023. When making the add-on decision, the Financial Supervisory Authority acknowledged the capital requirement for insurance risk calculated as per Garantia's own economic capital model.

In its decision regarding the capital add-on, the Financial Supervisory Authority stated that the risk profile of Garantia's non-life underwriting risk differs from the underlying assumptions in the standard formula for the solvency capital requirement calculation by more than 15%, and therefore the preconditions for raising the company's capital requirement continue to exist. According to the Financial Supervisory Authority's estimate, there have been no substantial changes in the company's risk profile since the previous decision made on 17 June 2022.

Garantia's solvency and financial condition report for 2023 in accordance with Chapter 8 a of the Insurance Companies Act is published on the company's website, www.garantia.fi, in accordance with the timetable prescribed by regulation. The report is also available at the following address: Garantia Insurance Company Ltd, Kasarmikatu 21 B, 00130 Helsinki.

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

Credit rating

On 14 December 2023, Standard & Poor's Global Ratings (S&P) confirmed Garantia Insurance Company Ltd's credit rating as A- with a stable outlook. The rating concerns the company's Issuer Credit Rating (ICR), the Financial Strength Rating (FSR), and the Financial Enhancement Rating (FER), which depicts the company's capacity and willingness to meet its commitments on financial guaranties.

Personnel

During the financial year, Garantia employed an average of 23 (23) people. The average age of the personnel at the end of the financial year was 40.3 (39.3), and their average duration of employment at Garantia was 9.1 (8.3) years. Women made up 53.5% (53.5) of the personnel and men 46.5% (46.5).

Shares and shareholders

Taaleri Plc (Business ID 2234823-5, registered domicile Helsinki) owns the entire share capital of Garantia Insurance Company Ltd. On 31 December 2023, the number of Garantia shares was 60,000 and shareholders' equity was EUR 10,200,000. The company has one share class.

Equity-based incentive programmes

Garantia's personnel are part of the Taaleri Group's share savings plan, which offers employees the opportunity to save part of their salary and invest it in Taaleri Plc shares. In return, the employee receives shares in Taaleri Plc at the end of the specified holding period based on the number of shares purchased with savings. Some of Garantia's employees are also members of the Taaleri Group's share-based incentive scheme for key employees. Further information on the equity-based incentive programmes can be found in note 13 to the financial statements: Commitments.

[1] The capital add-on that was in force as of 30 June 2022 in parentheses.

Management and governance

During the financial period, the Board of Directors consisted of Karri Haaparinne (chairman) Kenneth Kaarnimo, Laura Paasio, Antti Suhonen (vice-chair) and Peter Ramsay (from 17 February 2023). 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 17 February 2023.

The company's Board of Directors convened 12 times during the financial year. The Board of Directors had no separate committees during the financial year.

Titta Elomaa was the company's CEO during the financial year. The company's Executive Committee was composed of Titta Elomaa, Henrik Allonen, Assi Ikonen, Timo Lehikoinen and Riku Saastamoinen during the financial year.

In August 2023 the Board of Directors appointed Henrik Allonen as the CEO of Garantia, effective 1 January 2024.

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

Garantia's Actuarial Function, duties of the Appointed Actuary, internal audit and compliance function are outsourced to external service providers. During the financial year, the service regarding the Actuarial Function and the Appointed Actuary were provided by Kaippio & Kaippio Oy, with actuary SHV Janne Kaippio as the Appointed Actuary. The internal audit service was provided by PricewaterhouseCoopers Oy. The compliance service has been outsourced to KPMG Oy Ab.

Significant events after the end of the financial year

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

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

The profit for the financial year was EUR 19,025,187.51, and the company's distributable funds amounted to EUR 35,182,412.62. The Board of Directors proposes that the profit be transferred to the profit and loss from previous years account, and that a total of EUR 15,000,000 from retained earnings be distributed as dividends.

Outlook for 2024

At the core of Garantia's strategy is growing its guaranty insurance operations and expanding its business. Our competitive advantage on the market is derived from a broad collaboration and partnership network, our customer-oriented approach, strong solvency, and competent risk selection. The company's strategy includes financial targets related to premiums written, profitability, solvency and credit rating.

Finland's near-term economic outlook is modest. Based on the latest economic forecasts, GDP growth in the 2024 will be from -1,0% to 0.7%.

Garantia's strong solvency enables the growing of business in uncertain times. The company's balance on the technical account is expected to remain good. The development of claims incurred, and net investment income will have a key impact on Garantia's profitability.

FINANCIAL STATEMENTS

Profit and loss account

EUR	Note	2023	2022	Change, %
Technical Account				
Earned premiums				
Premiums written	1, 2, 3	19 023 396	24 663 706	-22.9 %
Reinsurers' share		-448 580	-478 578	-6.3 %
Change in provision for unearned premiums		1 742 328	-5 874 315	129.7 %
Reinsurers' share		-22 768	-66 839	-65.9 %
		20 294 376	**18 243 974**	**11.2 %**
Claims incurred				
Claims paid		-1 120 577	-1 559 902	-28.2 %
Reinsurers' share			504 766	-100.0 %
Change in provision for claims outstanding		277 377	1 160 116	-76.1 %
Reinsurers' share		-1 500	-683 498	-99.8 %
		-844 699	**-578 518**	**46.0 %**
Operating expenses	5, 6, 7, 8	-5 143 481	-4 675 633	10.0 %
Balance on technical account before change in equalisation provision		**14 306 196**	**12 989 822**	**10.1 %**
Change in equalisation provision		844 699	578 518	46.0 %
Balance on Technical Account		**15 150 895**	**13 568 340**	**11.7 %**
Non-technical account				
Investment income	4	17 320 339	14 533 307	19.2 %
Investment expenses	4	-9 058 125	-29 743 970	-69.5 %
Other income and expenses		36 932	15 331	140.9 %
Direct taxes on ordinary operations		-4 424 854		
Profit/loss for the financial year		**19 025 188**	**-1 626 992**	**1269.3 %**

Balance sheet

Assets EUR	Note	31 Dec 2023	31 Dec 2022	Change, %
Intangible assets				
Intangible rights	8	0	6 031	-100.0 %
Goodwill	8	89 816	203 064	-55.8 %
Other long-term expenditure	8	0	1 505	-100.0 %
		89 816	**210 600**	**-57.4 %**
Investments	9			
Real estate investments				
Real estate investment funds		1 899 009	1 773 917	7.1 %
		1 899 009	**1 773 917**	**7.1 %**
Other investments				
Shares and participations		27 940 198	30 336 985	-7.9 %
Debt securities		125 599 870	117 207 347	7.2 %
		153 540 069	**147 544 332**	**4.1 %**
Total		**155 439 078**	**149 318 249**	**4.1 %**
Receivables				
Arising out of direct insurance operations				
From policy holders		1 642 849	955 834	71.9 %
Arising out of reinsurance operations		222 329	377 552	-41.1 %
		1 865 177	**1 333 386**	**39.9 %**
Other assets				
Tangible assets	8			
Machinery and equipment		4 678	6 238	-25.0 %
Other tangible assets		48 365	48 365	0.0 %
		53 044	**54 603**	**-2.9 %**
Cash and bank balances		1 532 951	781 010	99.0 %
Total		**1 585 995**	**835 613**	**92.4 %**
Prepayments and accrued income				
Accrued interest and rental income		1 886 783	1 374 391	37.3 %
Other accrued income		69	926	-92.5 %
		1 886 852	**1 375 317**	**37.2 %**
TOTAL ASSETS		**160 866 918**	**153 073 165**	**5.1 %**

Equity and liabilities EUR	Note	31 Dec 2023	31 Dec 2022	Change, %
Shareholders' equity and reserves	10, 11			
Share capital		10 200 000	10 200 000	0.0 %
Retained earnings		16 157 225	27 784 217	-41.8 %
Profit / loss for the financial year		19 025 188	-1 626 992	1269.3 %
Total		**45 382 413**	**36 357 225**	**24.8 %**
Technical provisions				
Provisions for unearned premiums		40 799 066	42 541 395	-4.1 %
Reinsurers' share		-18 143	-40 911	-55.7 %
		40 780 923	**42 500 483**	**-4.0 %**
Claims outstanding	12	970 378	1 247 755	-22.2 %
Reinsurers' share		-5 358	-6 858	-21.9 %
		965 020	**1 240 897**	**-22.2 %**
Equalisation provision		69 008 375	69 853 074	-1.2 %
Total		**110 754 317**	**113 594 454**	**-2.5 %**
Provisions				
Other provisions		16 737	17 781	-5.9 %
		16 737	**17 781**	-5.9 %
Payables				
Arising out of direct insurance operations		0	40 935	-100.0 %
Arising out of reinsurance operations		96 386	101 781	-5.3 %
Other		230 590	405 731	-43.2 %
		326 976	**548 447**	**-40.4 %**
Accruals and deferred income				
Other		4 386 475	2 555 258	71.7 %
		4 386 475	**2 555 258**	**71.7 %**
TOTAL EQUITY AND LIABILITIES		**160 866 918**	**153 073 165**	**5.1 %**

Cash flow statement

EUR	2023	2022
Cash flow from operations		
Profit / loss from ordinary operations	19 025 188	-1 626 992
Adjustments		
Change in technical provisions	-2 840 137	4 886 018
Impairments and revaluations of investments	-3 472 333	19 784 910
Planned depreciation	122 344	122 863
Other non-cash income and expenses	-1 044	-21 923
Other adjustments	2 260 580	-1 508 152
Cash flow from operations before changes in working capital	**15 094 597**	**21 636 725**
Changes in working capital		
Short-term non-interest-bearing trade receivables increase (-) / decrease (+)	-1 043 327	820 650
Short-term non-interest-bearing payables increase (+) / decrease (-)	1 609 746	-1 611 597
Cash flow from operations before financing items and taxes	**15 661 016**	**20 845 777**
Direct taxes paid	-2 719 057	0
Cash flow from operations	**12 941 959**	**20 845 777**
Cash flow from investments		
Net investments in financial assets (excl. cash and bank balances)	-2 190 018	-8 511 552
Net investments in intangible and tangible assets and other assets	0	0
Cash flow from investment operations	**-2 190 018**	**-8 511 552**
Cash flow from financing		
Dividends paid and other distribution of profits	-10 000 000	-15 000 000
Cash flow from financing	**-10 000 000**	**-15 000 000**
Change in cash and bank balances	**751 941**	**-2 665 775**
Cash and bank balances at the beginning of the financial year	781 010	3 446 785
Cash and bank balances at the end of the financial year	1 532 951	781 010
	751 941	**-2 665 775**

NOTES TO THE FINANCIAL STATEMENTS

Accounting principles

Basic information

Established in 1993, Garantia Insurance Company Ltd is a private non-life insurance company specialising in guaranty insurance and supervised by the Finnish Financial Supervisory Authority. In accordance with the authorisation granted by the Financial Supervisory Authority, Garantia may offer insurance in the non-life insurance classes 14 Credit and 15 Suretyship. On the basis of its authorisation, the company may also engage in the reinsurance of such non-life insurance. Garantia does not have any subsidiaries. Garantia is domiciled in Helsinki and its registered visiting address is Kasarmikatu 21 B, 00130 Helsinki, and its registered postal address is PO Box 600, 00101 Helsinki. A copy of Garantia's financial statements is available online at www.garantia.fi or at the company's visiting address.

Garantia is a wholly-owned subsidiary of Taaleri Plc and part of the Taaleri Group. Taaleri is a Nordic investment and asset manager that focuses on businesses with industrial-scale opportunities within bioindustry and renewable energy. Taaleri has two business segments: Private Asset Management and Strategic Investments. Private Asset Management consists of bioindustry, renewable energy and real estate businesses. The Strategic Investments segment includes Garantia Insurance Company Ltd. Taaleri Plc is listed on Nasdaq Helsinki.

Accounting policies

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

Financial year

The financial year of the company is the calendar year.

Insurance premiums

Insurance premiums for the premium contribution periods that began during the financial year as agreed in the insurance contracts are recognised as premiums written. Those premium receivables for which it is likely that payment will not be received have been deducted from premiums written as credit losses.

Operating expenses

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

Intangible assets

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

Investments

Shares, participations and real estate investments are valued at the lower of acquisition cost or fair value. Any reversals of impairments made have been reversed through profit or loss in so far as the fair value of the investment at the closing date exceeded the impaired acquisition cost. Reversals of impairments are recognised only up to the original acquisition cost.

The fair value of publicly listed shares and participations is taken to be the final available bid price during continuous trading at the closing date or, if this is not available, the last trading price. The fair value of private equity funds and other mutual funds is taken to be the expected assignment price, which is based on the net asset value (NAV) per unit calculated by the fund management company.

Financial market instruments are valued at the lower of acquisition cost or fair value in the case of short-term debt instruments. In the case of bonds, financial market instruments are valued at the acquisition cost, which is steadily adjusted towards the nominal value on a bond-specific basis over its maturity. If the fair value of a bond is lower than its acquisition cost less prior impairments, a further impairment is recognised to adjust the acquisition cost through profit or loss.

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

Receivables

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

Premium receivables and other receivables are valued at the lower of nominal value or probable value.

Tangible assets

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

Items denominated in foreign currencies

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

Employment benefits

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

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

Direct taxes

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

Other liabilities

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

Technical provisions

Technical provisions include that part of the premiums written accrued during the financial period and during previous financial periods for which the respective risk concerns the period following the financial period. The provision for outstanding claims includes the amounts of claims to be paid by the company after the financial period that are caused by loss events that have taken place during the financial period or earlier.

The technical provisions also include an equalisation provision, which is a buffer calculated for years with substantial amounts of claims.

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

Regulated provisions

Future expenditure and losses whose timing or exact amount is not known on the balance sheet date are recognised as regulated provisions.

Notes to the profit and loss account

Note 1. Insurance premiums written

EUR	2023	2022
Non-life insurance		
Direct insurance		
Domestic	19 023 396	24 663 706
Reinsurance		
Insurance premiums written before the share of insurers	**19 023 396**	**24 663 706**

Note 2. Information by insurance class

Columns
1 = Insurance premiums written before the share of the reinsurers
2 = Insurance premiums earned before the share of the reinsurers
3 = Claims incurred before the share of the reinsurers
4 = Operating expenses before the fees of the reinsurers and shares of profit
5 = Share of the reinsurers
6 = Balance on technical account before the changes to equalization provision

Direct insurance

EUR	1	2	3	4	5	6
Credit & suretyship						
2023	19 023 396	20 734 359	-843 199	-5 143 481	-472 848	14 274 831
2022	24 663 706	26 374 669	1 397 954	-5 143 481	-195 471	22 433 671
2021	25 142 016	18 763 515	-399 786	-4 675 633	-724 150	12 963 946
2020	18 988 434	18 589 254	-147 325	-5 656 767	-1 287 333	11 497 829
2019	19 626 678	15 606 525	-809 954	-5 029 933	-489 804	9 276 833
Reinsurance						
2023	0	31 365	0	0	0	31 365
2022	0	25 876	0	0	0	25 876
2021	0	32 997	0	0	0	32 997
2020	0	-13 550	0	0	0	-13 550
2019	0	59 509	0	0	0	59 509
Total						
2023	19 023 396	20 765 724	-843 199	-5 143 481	-472 848	14 306 196
2022	24 663 706	18 789 391	-399 786	-4 675 633	-724 150	12 989 822
2021	25 142 016	18 622 251	-147 325	-5 656 767	-1 287 333	11 530 826
2020	18 988 434	15 592 975	-809 954	-5 029 933	-489 804	9 263 283
2019	19 626 678	13 997 645	-3 822 578	-5 915 755	1 613 514	5 872 826
Change in equalisation provision						
2023						844 699

2022	578 518
2021	677 472
2020	591 579
2019	1 617 762
Balance on technical account	
2023	15 150 895
2022	13 568 340
2021	12 208 298
2020	9 854 863
2019	7 490 588

Note 3. Items deducted from insurance premiums written

EUR	2022	2021
Credit losses from insurance premium receivables	17 553	14 379

Note 4. Breakdown of net investment income

EUR	2023	2022
Investment income		
Income from other investments		
Dividend income	478 272	84 352
Interest income	4 088 997	3 010 143
Other income	6 221	459 013
	4 573 490	**3 553 508**
Reversal of impairments	12 199 377	8 690 721
Gain on sale of investments	547 471	2 289 078
	12 746 849	**10 979 799**
Investment income, total	**17 320 339**	**14 533 307**
Investment expenses		
Expenses from real estate investments		
Expenses from other investments	-328 731	-486 412
Interest expenses and other financial expenses	-1 000	-1 000
	-329 731	**-487 412**
Impairments	-8 727 044	-28 475 631
Loss on sale of investments	-1 350	-780 926
	-8 728 394	**-29 256 557**

Investment expenses, total	**-9 058 125**	**-29 743 970**
Net investment income	**8 262 214**	**-15 210 663**

Note 5. Breakdown of operating expenses

EUR	2023	2022
Insurance sales expenses	1 523 451	1 740 993
Insurance management expenses	1 022 800	1 040 471
Administrative expenses	2 597 230	1 894 169
Operating expenses	**5 143 481**	**4 675 633**

Note 6. Total operating expenses by activity

EUR	2023	2022
Claims processing expenses	301 359	303 105
Operating expenses	5 143 481	4 675 633
Investment management expenses	217 548	188 854
Total operating expenses	**5 662 388**	**5 167 593**

Note 7. Auditor's fees

EUR	2023	2022
Ernst & Young Oy		
Auditing fees	44 121	41 912

Notes to the balance sheet

Note 8. Changes in intangible and tangible assets

EUR	Intangible assets	Tangible assets	Total
Acquisition cost 1 January	603 920	101 770	705 690
Depreciated fully during the previous year			0
Increases			0
Deductions			0
Acquisition cost 31 December	**603 920**	**101 770**	**705 690**
Accumulated depreciation 1 January	-393 320	-47 167	-440 487
Depreciated fully during the previous year			0
Accrued depreciation on deductions			0
Depreciation for the financial year	-120 784	-1 559	-122 344
Accumulated depreciation 31 December	**-514 104**	**-48 727**	**-562 831**
Book value 31 December	**89 816**	**53 043**	**142 860**

Note 9. Fair value and valuation difference of investments

EUR	Remaining acquisition cost	Book value	Fair value
Investments 31 December			
Real estate investments			
Real estate investment funds and collective investments	1 914 100	1 899 009	2 268 957
Other investments			
Shares and other equity instruments	28 619 747	27 940 198	31 704 020
Other financial instruments	136 937 953	125 599 870	126 577 928
Total	**167 471 801**	**155 439 078**	**160 550 905**
The remaining acquisition cost of financial instruments includes the difference between the nominal value and the acquisition cost accrued as interest income or expense	437 170		
Valuation difference			**5 111 828**

Note 10. Changes in shareholders' equity

EUR		2023		2022
Restricted				
Share capital 1 January = 31 December		10 200 000		10 200 000
Unrestricted				
Profit / loss from previous accounting periods 1 January	26 157 225		42 784 217	
Distribution of dividends	-10 000 000	16 157 225	-15 000 000	27 784 217
Profit/loss for the financial year		19 025 188		-1 626 992
		35 182 413		**26 157 225**
Shareholders' equity total		**45 382 413**		**36 357 225**

Share capital of Garantia Insurance Company Ltd. is fully owned by Taaleri Oyj (business ID 2234823-5, registered domicile Helsinki). As of 31 December 2022, Garantia's share capital consisted of 60 000 shares. The company has a single series of shares.

Note 11. Distributable reserves

EUR	2023	2022
Profit / loss for the financial year	19 025 187.51	-1 626 991.59
Profit / loss from previous accounting periods	16 157 225.11	27 784 216.70
Distributable profits total	**35 182 412.62**	**26 157 225.11**
Distributable reserves total	**35 182 412.62**	**26 157 225.11**

Note 12. Claims outstanding

Adequacy of claims provision by insurance class

	2023	2022
Credit and suretyship		
euro	1 226 969	1 363 920
% of claims outstanding 1 January	98.9 %	79.4 %

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

Other notes

Note 13. Committments

EUR	2023	2022
Total gross exposure from guarantee insurance	1 745 183 781	1 861 598 445
Total gross exposure from guarantee insurance after deducting the computational value of collaterals	1 694 265 138	1 770 025 440
Lease liabilities from rental of premises		
Leases payable during the following financial year	178 906	14 934
Leases payable after the following financial year	378 630	
Other lease liabilities		
Leases payable during the following financial year	27 086	37 166
Leases payable after the following financial year	12 593	36 999
Capital commitments related to investment operations	3 385 641	3 492 453

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

Employee share savings plan

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

The parent company, Taaleri Plc, will charge the company for the costs of acquiring the additional shares, which will be transferred to Garantia's personnel when the required shares are paid. In accordance with applicable accounting regulations, Garantia does not recognise a provision for the costs in its financial statements. The company estimates that the share savings accumulated by the personnel during the savings period will entitle them to a maximum of 8,288 additional shares. Calculated at the closing price of Taaleri Plc's share on the balance sheet date, the value of the additional shares would be EUR 74,509 in total. The receipt of additional shares is conditional on the fulfilment of the conditions of the remuneration scheme.

Personnel's equity-based incentive programmes

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

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

Disputes

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

Note 14. Notes on personnel and members of corporate bodies

EUR	2023	2022
Personnel expenses		
Salaries and other remuneration	2 879 247	2 369 407
Pension expenses	467 397	410 500
Other indirect employee expenses	73 032	33 508
	3 419 676	**2 813 415**
Salaries and remunerations paid to		
Chief Executive Officer	402 953	504 771
Members of the Board of Directors	120 000	120 000
Average number of personnel during financial year	**23**	**23**

Note 15. Notes on ownership in other companies

EUR	Book value	Fair value
Shares and funds		
ISHARES Edge S&P 500 Min. Vol. EUR	5 266 773	5 464 184
Db Stoxx Europe 600	2 498 993	2 631 120
SPDR MSCI EM Asia	1 803 775	1 803 775
ISHARES Care MSCI Japan	906 426	1 108 392
iShares S&P 500 EUR Hedged UCITS ETF (Acc)	2 021 161	2 182 861
SPDR MSCI USA Small Cap Value Weighted UCITS ETF	1 088 557	1 228 725
iShares $ TIPS 0-5 UCITS ETF EUR Hedged (Dist)	1 960 447	1 960 447
iShares $ Treasury Bond 1-3yr EUR Hedged UCITS ETF (Acc)	5 038 815	5 124 796
iShares $ Treasury Bond 1-3yr UCITS ETF USD (Dist)	4 988 428	4 988 428
	25 573 373	**26 492 728**
Private equity funds		
CapMan Buyout X Fund B Ky	269 207	518 578
HL Large Buyout Club Fund	2 097 618	4 692 714
	2 366 825	**5 211 292**
Real estate property funds		

Taaleri Asuntorahasto VIII	984 909	984 909
Taaleritehtaan Tonttirahasto Ky	914 100	1 284 048
	1 899 009	**2 268 957**
TOTAL	**29 839 207**	**33 972 977**

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

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

Note 17: Risks and risk management

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

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

Organisation, responsibilities and control of risk management

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

Figure 1: The organisation of Garantia's risk management

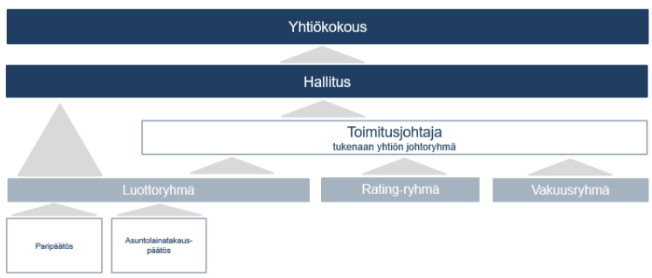

Figure 2: Decision-making bodies and reporting relations

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

The Board has appointed a Credit Committee, Collateral Committee and a Rating Committee, which, in accordance with the decision-making system approved by the Board, decide on matters within their purview. The Credit Committee is responsible for underwriting, claims and investment decisions. The Collateral Committee is responsible for collateral assessment and for ensuring the quality and effectiveness of the collateral assessment process. The independent Rating Committee is responsible for approving credit ratings and for ensuring the quality and effectiveness of the rating process. The Collateral Committee and Rating Committee report to the CEO and the Credit Committee reports to the Board of Directors.

The units in Garantia's organisation that are responsible for risk control carry out independent risk assessments and ensure that company guidelines and acts and other legal provisions are complied with, and thus form an independent risk management function. The task of the independent risk management function is to assist the Board of Directors and other functions to ensure efficient risk management, to monitor the functioning of the risk management system and the company's general risk profile as a whole, to report on exposure to risks and to advise the Board in risk management matters, to identify and assess developing risks and to ensure the appropriateness of the risk models used to measure risks. The independent risk management function reports its activities to Garantia's Board of Directors and CEO.

Internal Audit is an assessment, verification and consulting function that is independent of the company's operational activities. The task of Internal Audit is to support the company's management in the achievement of targets by providing a systematic approach to the assessment and development of the adequacy and efficiency of the organisation's risk management, control, and management and administration processes (system of governance). Internal Audit's activities are based on an action plan that is compiled annually. Internal Audit reports on its observations, conclusions and recommendations to the Boards of Directors of Taaleri Plc and Garantia.

Risk management process

Garantia's risk management process is made up of the following areas:

1. Operational planning,
2. Capital management,
3. Risk appetite,
4. Identification and assessment of risks,
5. Measurement of risks, and
6. control and reporting of risks.

Garantia's *operational planning* is made up of long-term (about 3 years) strategic planning and short-term (1 year) annual planning. Operational planning is based on an analysis of the operating environment, the competitive environment and own operations and also on the Taaleri Group strategy. Profit and solvency scenarios, and stress tests, risk survey results, and a risk and solvency assessment are used to define the company's goals, projects supporting achievement of these goals and risk appetite. Every year the actuary presents the statements required by the Insurance Companies Act to the Board of Directors to support operational planning. The strategy and annual plan, including the company's own risk and solvency assessment, are confirmed by the company's Board of Directors, and the entire personnel is involved in their preparation.

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

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

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

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

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

Insurance risk

Insurance risk, or underwriting risk, means a risk of loss arising from inadequate assumptions concerning pricing and technical provisions or an unfavourable change in the value of insurance liabilities. In guaranty insurance, the insurance risk mostly consists of credit risk (the inability of the guaranteed counterparty to manage its financial or operational obligations under the contract in relation to the beneficiary of the guaranty). This may be the result of the default of the guaranteed counterparty (default risk) or the guaranteed counterparty may fail to fulfil a contractual obligation on time (delivery risk). The credit risk is also considered to include the counterparty risk of the reinsurers or the party providing other counter guaranties, which results from the default of the reinsurer or the party providing other counter guaranties, and the 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 of guaranty operations are adequate in relation to the risks taken. In guaranty insurance, credit risks are reduced by means of client selection, active management of client relationships, monitoring of changes in the clients' operations, pricing, diversification and also, typically with reinsurance, contractual terms and conditions, and collateral and covenant arrangements. Central to the management of credit risks is the process of underwriting insurance policies, which is controlled by the credit risk policy (insurance policy), reinsurance policy and decision-making system adopted by the Board of Directors and the complementary processes and guidelines on credit risk assessment, distribution channel auditing, pricing, collateral and covenants approved by the Executive Committee. The Risk Management function monitors the functioning and quality of the company's underwriting process. In addition to the daily underwriting process, credit risks are identified and assessed at least once a year with a risk survey compiled in conjunction with annual planning.

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

Quantitative information on insurance risks

Sensitivity analysis of insurance operations, 31 Dec 2023

Risk parameter	Total, EUR thousand	Change in risk parameter	Effect on equity, EUR thousand	Effect on combined ratio, %
Premiums earned	20 294	increases 10 %	1 624	improves 2.7%-p.
Claims incurred	845	increases 10 %	0	worsens 0.4%-p.
Large claim, EUR 10 million	0	EUR 10 mn.	0	worsens 49.3%-p.
Operating expenses	5 143	increases 10 %	-514	worsens 2.5%-p.

Sensitivity analysis of insurance operations, 31 Dec 2022

Risk parameter	Total, EUR thousand	Change in risk parameter	Effect on equity, EUR thousand	Effect on combined ratio, %
Premiums earned	18 244	increases 10 %	1 785	improves 2.6%-p.
Claims incurred	579	increases 10 %	0	worsens 0.3%-p.
Large claim, EUR 10 million	0	EUR 10 mn.	0	worsens 54.8%-p.
Operating expenses	4 676	increases 10 %	-468	worsens 2.6%-p.

Trend in claims incurred

EUR thousand	Claims paid	Change in provision for outstanding claims	Claims incurred	% of insurance exposure	Claims ratio, %

2023	-1 121	276	-845	0.05 %	4.2 %
2022	-1 055	477	-579	0.03 %	3.2 %
2021	-1 270	592	-677	0.04 %	3.8 %
2020	-855	263	-592	0.03 %	4.0 %
2019	-336	-1 282	-1 618	0.09 %	12.2 %
2018	427	355	783	-0.05 %	-6.4 %
2017	-343	-736	-1 079	0.07 %	10.1 %
2016	-934	-240	-1 174	0.09 %	12.4 %
2015	-1 421	-71	-1 492	0.13 %	15.1 %
2014	-569	157	-412	0.03 %	3.7 %

Claims paid includes the share of reinsurers, income from collection of recourse receivables and operating expenses allocated to claims processing. Change in provision for outstanding claims includes the share of reinsurers.

Total insurance exposure by business line

EUR million	2023	2022
Consumer exposure	1 397	1 343
Corporate exposure	352	519
Total	**1 749**	**1 862**
Committed undrawn portion	*23*	*0*

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

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

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

Corporate insurance exposure by credit rating

	2023	2022
AAA...BBB-	103	113
BB+...BB-	133	217
B+...B-	86	152
C+ or weaker	9	11
Rated exposure total	**332**	**492**
Other exposure	20	26

Corporate exposure total	**352**	**519**

Corporate insurance exposure by collateral class

EUR million	2023	2022
Reinsured	12	28
Classes 1 & 2	39	64
Classes 3 & 4	91	117
Unsecured	190	283
Rate exposure total	**332**	**492**
Other exposure	20	26
Corporate exposure	**352**	**519**

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

Corporate insurance exposure by industry

	2023	2022
Manufacturing	63	117
Machinery and equipment (incl. repair)	33	53
Metals	3	25
Chemicals	16	22
Food	9	13
Other	2	4
Construction	41	85
Wholesale and retail trade	69	77
Water supply and waste management	39	64
Transport and logistics	34	46
Finance and insurance	22	29
Energy	21	20
Services	15	13
Information and communication	1	11
Other industries	26	30
Rated exposure total	**332**	**492**
Other exposure	20	26
Corporate exposure total	**352**	**519**

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

Actuarial assumptions

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

The provision for unearned premiums is determined as ‘pro rata parte temporis’. The proportion of the premiums written of the valid insurance policies attributable to future financial years is determined on an insurance contract level. The outstanding claims provision consists of known and unknown claims. The individual claims due after the closing date are allocated on a claims basis as part of the known outstanding claims. A proportion of the premiums written accrued by the company during the financial year is allocated to outstanding claims unknown to the company on the closing date as part of unknown outstanding claims, using a specific coefficient. Actual technical provisions are not discounted.

The purpose of the equalisation provision is to balance the impact of years with exceptional technical results. The equalisation provision acts as a buffer, especially against growth in claims incurred. In Garantia’s calculation principles for the equalisation provision, an amount corresponding to the claims incurred for the period in question of the provision is recognised annually into profit and loss until the equalisation provision reaches the target amount. In the long term the equalisation provision will gravitate to its target amount. The calculation of the target amount has been defined in the Insurance Companies Act.

Quantitative information about technical provisions

Technical provisions

EUR thousand	2023	2022
Provision for unearned premiums	40 781	42 500
Provision for claims outstanding	965	1 241
Provision for known claims outstanding	16	12
Provision for unknown claims outstanding	949	1 229
Equalisation provision	69 008	69 853
Total	**110 754**	**113 594**

Reinsurers' share has been deducted from the provisions for unearned premiums and claims outstanding.

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

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

Provision for unearned premiums and claims outstanding by maturity, 31 Dec 2022

EUR thousand	0-1 years	1-2 years	2-3 years	Over 3 years	Total
Provision for unearned premiums	13 406	8 954	6 817	13 324	**42 500**
Provision for claims outstanding	1 241				**1 241**
Total	**14 647**	**8 954**	**6 817**	**13 324**	**43 741**

The duration of the cash flow distribution of the technical provisions (excl. equalisation provision) is 2.8 (2.7) years.

Investment risks

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

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

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

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

Capital requirements for investment risks are measured by means of the economic capital model, the solvency capital requirement (SCR) and S&P's insurance capital model. In the economic capital model, investment risks are measured on an instrument-specific basis with Value-at-Risk calculation models for equity risk, currency risk, interest rate risk and credit spread risk. In addition to economic capital, investment risks are measured on the basis of asset class, country, credit rating, counterparty, duration, interest rate sensitivity and the amount of foreign currency denominated investments. The investment risk position is monitored and reported to the Executive Committee and the Board of Directors monthly.

Quantitative information on investment risks

Investments by asset class at fair value

EUR million	2023	%	2022	%
Fixed income investments	142,1	86,6 %	136,3	88,2 %
Equity investments	19,6	12,0 %	16,1	10,4 %
Real estate investments	2,3	1,4 %	2,2	1,4 %
Total	**164,0**	**100,0 %**	**154,7**	**100,0 %**

Fixed income investments include cash & bank balances and accrued interest. Fixed-income investments mainly include bonds issued by Nordic corporates and credit institutions.

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

EUR million	0-1 yrs.	1-3 yrs.	3-5 yrs.	Over 5 yrs.	Total	%
AAA...AA-	1,3	17,0	0,0	0,0	18,3	**12,9 %**
A+...A-	0,3	0,0	0,0	8,5	8,7	**6,1 %**
BBB+...BBB-	7,8	21,4	30,0	11,3	70,5	**49,6 %**
BB+ or weaker	10,0	21,2	13,3	0,0	44,5	**31,3 %**
Total	**19,3**	**59,7**	**43,4**	**19,7**	**142,1**	**100,0 %**

Fixed-income investments by maturity and credit rating, 31 Dec 2022

EUR million	0-1 yrs.	1-3 yrs.	3-5 yrs.	Over 5 yrs.	Total	%
AAA...AA-	0,3	21,8	0,0	0,0	22,1	**16,2 %**
A+...A-	8,8	6,1	2,2	2,0	19,2	**14,1 %**
BBB+...BBB-	3,5	21,7	22,1	5,3	52,6	**38,5 %**
BB+ or weaker	0,0	26,6	14,3	1,6	42,5	**31,2 %**
Total	**12,7**	**76,2**	**38,6**	**8,9**	**136,3**	**100,0 %**

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

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

Sensitivity analysis of investment activities, 31 Dec 2023

Investment category	Investments at fair value, EUR million	Risk parameter	Change (+/-)	Effect on equity, EUR million (+/-)
Fixed income	142,1	Chg in int. rates	1,0 %	2,8
Equities	14,4	Market value	10,0 %	1,2
Private equity	7,5	Market value	10,0 %	0,6

Sensitivity analysis of investment activities, 31 Dec 2022

Investment category	Investments at fair value, EUR million	Risk parameter	Change (+/-)	Effect on equity, EUR million (+/-)
Fixed income	136,3	Chg in int. rates	1,0 %	2,5
Equities	10,8	Market value	10,0 %	0,9
Private equity	7,6	Market value	10,0 %	0,6

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

Operational risks

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

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

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

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

Other risks

Strategic risk

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

Compliance risk

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

Sustainability risk

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

Concentration risk

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

Liquidity risk

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

Note 18. Summary of financial indicators

		2023	2022	2021	2020	2019
Gross premiums written (before share of reinsurers)	€	19 023 396	24 663 706	25 142 016	18 988 434	19 626 678
Claims ratio	%	4.2 %	3.2 %	3.8 %	4.0 %	12.2 %
Claims incurred without computational interest expenses (+/-)	€	844 699	578 518	677 472	591 579	1 617 762
Claims ratio without computational interest expenses	%	4.2 %	3.2 %	3.8 %	4.0 %	12.2 %
Operating profit (+) or loss (-)	%	25.3 %	25.6 %	31.7 %	33.8 %	43.4 %
Combined ratio	%	29.5 %	28.8 %	35.5 %	37.8 %	55.7 %
Combined ratio without computational interest expenses	%	29.5 %	28.8 %	35.5 %	37.8 %	55.7 %
Operating profit (+) or loss (-)	€	22 605 342	-2 205 509	19 226 339	13 012 175	12 153 226
Adjustments in off-balance sheet valuation differences, current value reserve and revaluation reserve (+/-)	€	1 913 453	-3 572 319	1 559 832	-1 159 605	4 531 751
Total result (+/-)	€	24 518 795	-5 777 828	20 786 172	11 852 570	16 684 977

Interest expenses and other financial expenses (+)	€	-1 000	-1 000	1 000	1 000	1 000
Computational interest expense (+)	€					
Return on total assets (at fair value)	%	15.2 %	-3.5 %	12.4 %	7.6 %	11.6 %
Net return on investments at fair value on capital employed (+/)	%	6.9 %	-11.3 %	5.9 %	1.7 %	8.0 %
Equalization provision	€	69 008 375	69 853 074	70 431 592	71 109 064	71 700 643
Average number of personnel during the financial year	pers	23	23	23	22	25

Note 20. Investment allocation at fair value

	Basic allocation				Risk allocation [8]			
	31 Dec 2023		31 Dec 2022		31 Dec 2023		31 Dec 2022	
	in euros	%	in euros	%	in euros	%	in euros	% [10]
Fixed income investments	**142 071 334**	**86.6**	**136 348 289**	**88.2**	**142 071 334**	**86.6**	**136 348 289**	**83.1**
Loan receivables [1]								
Bonds [1]	140 538 383	85.7	135 567 279	87.6	140 538 383	85.7	135 567 279	82.7
Other financial instruments and deposits [1] [2]	1 532 951	0.9	781 010	0.5	1 532 951	0.9	781 010	0.5
Equity investments	**19 630 348**	**12.0**	**16 125 952**	**10.4**	**19 630 348**	**12.0**	**16 125 952**	**9.8**
Listed equities [3]	14 419 057	8.8	10 772 128	7.0	14 419 057	8.8	10 772 128	6.6
Private equity investments [4]	5 211 292	3.2	5 353 824	3.5	5 211 292	3.2	5 353 824	3.3
Unlisted equities [5]								
Real estate investments	**2 268 957**	**1.4**	**2 197 783**	**1.4**	**2 268 957**	**1.4**	**2 197 783**	**1.3**
Direct real estate investments								
Real estate investment funds and collective investments	2 268 957	1.4	2 197 783	1.4	2 268 957	1.4	2 197 783	1.3
Other investments								
Hedge funds [6]								
Commodities								
Other investments [7]								
Total	**163 970 640**	**100.0**	**154 672 024**	**100.0**	**163 970 640**	**100.0**	**154 672 024**	**94.3**
Effect of derivatives [9]								
Total investments at fair value	**163 970 640**	**100.0**	**154 672 024**	**100.0**	**163 970 640**	**100.0**	**154 672 024**	**94.3**
Modified duration of the bond portfolio	2.4		2.3					

1) Includes accrued interest.
2) Includes cash and bank balances, and receivables and payables relating to trading of securities.
3) Includes balanced funds if they cannot be allocated elsewhere.
4) Includes private equity funds and mezzanine funds and also infrastructure investments.
5) Includes unlisted real estate investment companies.
6) Includes all types of hedge fund units irrespective of the fund's strategy
7) Includes items that cannot be allocated to other groups.
8) The risk allocation can be presented for comparison periods as the data accumulates (not retroactively)
If the figures are presented for comparison periods and the periods are not entirely comparable, then this must be stated.
9) Includes the effect of derivatives on the difference between risk allocation and basic allocation. The effect may be +/-. After the correction
the final amount of the risk allocation matches the basic allocation.
10) The relative share is calculated using the final amount of "Total investments at fair value" as the denominator.

Note 21. Net return on investments

	Net return on investments at fair value	Capital employed [9]	Net return on investments, %			Net return on investments, %	
		2023		2022	2021	2020	2019
	in euros	in euros	%	%	%	%	%
Fixed income investments	**9 068 668**	**131 774 380**	**6.9**	**-12.2**	**2.5**	**2.5**	**6.3**
Loan receivables [1]							
Bonds	9 058 496	129 502 887	7.0	-12.4	2.5	2.6	6.3
Other financial instruments and deposits [1] [2]	10 173	2 271 493	0.4	-0.2	-0.4	-0.2	-0.2
Equity investments	**1 290 818**	**16 958 515**	**7.6**	**-6.0**	**29.0**	**-2.8**	**22.7**
Listed equities [3]	1 113 645	11 699 038	9.6	-12.1	27.9	-3.2	27.9
Private equity investments [4]	177 173	5 259 477	3.4	12.1	33.1	-1.0	-1.2
Unlisted equities [5]							
Real estate investments	**38 974**	**2 236 519**	**1.7**	**5.7**	**4.9**	**4.3**	**3.5**
Direct real estate investments							
Real estate investment funds and collective investments	38 974	2 236 519	1.7	5.7	4.9	4.3	3.5
Other investments							
Hedge funds [6]							
Commodities							
Other investments [7]							
Total	**10 398 460**	**150 969 414**	**6.9**	**-11.2**	**6.1**	**1.8**	**8.1**
Unallocated income, expenses and operating expenses	-236 208						

Net return on investments at fair value	**10 162 252**	**150 969 414**	**6.7**	**-11.3**	**5.9**	**1.7**	**8.0**

1) Includes accrued interest.
2) Includes cash and bank balances, and receivables and payables relating to trading of securities.
3) Includes balanced funds if they cannot be allocated elsewhere.
4) Includes private equity funds and mezzanine funds and also infrastructure investments.
5) Includes unlisted real estate investment companies.
6) Includes all types of hedge fund units irrespective of the fund's strategy.
7) Includes items that cannot be allocated to other groups.
8) Change in market value from beginning and end of reporting period less cash flows during the period.
Cash flow = difference between sales/returns and purchases/costs
9) Capital employed = market value at the beginning of the reporting period + daily/monthly time-weighted cash flows.

Note 22. Calculation principles of key financial ratios

Gross premiums written	=	Insurance premium income written before deducting the share of reinsurers
Earned premiums	=	+ Gross premiums written - Reinsurers' share of gross premiums written +/- Change in the provision for unearned premiums +/- Reinsurers' share of the change in provision for unearned premiums
Claims ratio, %	=	$\frac{\text{Claims incurred}}{\text{Earned premiums}}$ Claims ratio is calculated after deducting the share of reinsurers from earned premiums.
Expense ratio, %	=	$\frac{\text{Operating expenses}}{\text{Earned premiums}}$ Expense ratio is calculated after deducting the share of reinsurers from earned premiums.
Combined ratio, %	=	Claims ratio, % + Expense ratio, %
Operating profit or loss	=	Profit or loss before change in equalisation provision and taxes.
Return on total assets, % (at fair value)	=	+/- Operating profit or loss + Interest expense and other financial expenses +/- Change in revaluation reserve/fair value reserve +/- Change in valuation difference of investments

		+ Balance sheet total +/- Valuation difference of investments The denominator is calculated as the average of the balance sheet values from the end of the financial year and the previous financial year.
Basic own funds	=	+ Equity and reserves + Equalisation provision - Intangible assets + Valuation differences of investments - Forseeable dividends and distributions - Valuation differences of technical provisions (excl. equalisation provision) * - Deferred tax liability on Solvency II balance sheet - Items in financial statements included in Solvency II technical provisions *) Valuation differences between Solvency II and FAS technical provisions, net of reinsurance recoverables.
Solvency ratio, %	=	Basic own funds

SIGNATURES

Helsinki, 8 February 2024

Karri Haaparinne

Antti Suhonen

Kenneth Kaarnimo

Laura Paasio

Peter Ramsay

Henrik Allonen, CEO

A report on the conducted audit has been issued today.

Helsinki, 8 February 2024

Ernst & Young Oy

Johanna Winqvist-Ilkka

Authorised Public Accountant