

# Solvency and Financial Condition Report 2025

Garantia Insurance Company Ltd.

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## Garantia Insurance Company Ltd.

*Garantia is a non-life insurance company specializing in credit risk insurance. Garantia was founded in 1993 and it operates under the supervision of the Finnish Financial Supervisory Authority and provides straightforward and cost-effective guarantee insurance solutions for lenders, companies, and households. Our products facilitate the completion of transactions and help our customers grow their business. We enable access to financing and support the conclusion of deals.*

*Our competitive advantages are based on strong customer understanding, a scalable and efficient operating model, a committed and proactive personnel, solid expertise in risk selection, and strong solvency. The international credit rating agency Standard & Poor's has affirmed Garantia's credit rating as A- with a stable outlook.*

*Garantia is a wholly owned subsidiary of Taaleri Plc and part of the Taaleri Group. Taaleri is a specialist in investments, private asset management and non-life insurance, powering change with capital. Taaleri has three business segments: Private Asset Management, Garantia and Investments. The Private Asset Management segment includes the renewable energy, bioindustry and real estate businesses. The Garantia segment consists of Garantia Insurance Company. The Investments segment comprises development capital and other direct investments. Taaleri Plc's shares are listed on Nasdaq Helsinki.*

*Lisätietoja: [www.garantia.fi](http://www.garantia.fi), [www.taaleri.com](http://www.taaleri.com)*

## SUMMARY

### A. Business and performance

Garantia is a non-life insurance company specializing in credit risk insurance, providing straightforward and cost-effective guarantee solutions for lenders, households, and companies.

In 2025, Garantia invested in the development and marketing of its mortgage guarantee business. As a result of these efforts, the availability and awareness of mortgage guarantees improved, and the share of new mortgages in Finland guaranteed by Garantia's mortgage guarantees increased significantly. In the corporate segment, Garantia participated in financing arrangements for domestic companies together with both existing and new financing partners. In the spring, Garantia guaranteed a Multi-issuer Bond (Multi-issuer Bond V) issued by four companies, with a nominal amount of EUR 62.5 million. In the autumn, in line with its strategy, Garantia participated in its first credit risk insurance transaction outside Finland, in the Nordic region. In credit risk insurance transactions, Garantia shares the credit risk arising from corporate exposures with financiers and other insurers.

Garantia's business returned to growth in 2025. Premiums written income increased by 42.0 percent to EUR 23.2 million (16.4). The growth was driven by an increase in guarantee issuance for both mortgage guarantees and corporate exposures. Earned premiums also rose by 4.1 percent to EUR 20.3 million (19.5) as a result of the increased guarantee issuance and expansion of the guarantee insurance exposure.

The guarantee insurance exposure grew by 6.1 percent during the year and amounted to EUR 1,782 million (1,679) at year-end. Of the portfolio, EUR 1,493 million (1,404), or 84 percent (84), consisted of consumer exposures, and EUR 289 million (275), or 16 percent (16), consisted of corporate exposures. In autumn 2025, Garantia decided to discontinue the sale of rental guarantees offered to private individuals. The decision has no material impact on the guarantee insurance portfolio or the balance on technical account before the change in the equalisation provision.

Claims incurred increased to EUR 2.0 million (1.0). The rise in claims was partly due to the prolonged weak economic cycle, which has somewhat impaired the repayment ability of mortgage borrowers. Nevertheless, claims costs remained low both in absolute terms and relative to the guarantee insurance portfolio. The loss ratio was 10.1 percent (5.4), and claims as a share of the guarantee portfolio were 0.11 percent (0.06).

Operating expenses remained at the comparison period level, amounting to EUR 5.0 million (5.0). The expense ratio improved to 24.7 percent (25.6) due to the growth in earned premiums.

The balance on technical account before the change in the equalisation provision decreased by 1.6 percent to EUR 13.2 million (13.4), and the combined ratio increased to 34.8 percent (31.0). Profitability in insurance operations remained excellent, supported by the growth in earned premiums and continued moderate claims and operating expenses. The equalisation provision was released by EUR 2.0 million (1.0), resulting in an underwriting result of EUR 15.3 million (14.5).

Market conditions for investment activities ultimately developed favourably during the financial year despite the equity market turbulence experienced in the spring. The investment result was supported by rising equity prices, a stable interest-rate environment, and narrowing of corporate bond credit spreads.

The net investment income recognised in Garantia's result totalled EUR 7.7 million (13.1), and the decline was mainly attributable to the exceptionally large reversals of impairments recorded in the comparison period. The difference between the fair value and book value of investment assets amounted to EUR 9.5 million (7.3) at year-end.

The fair value of Garantia's investment assets (including cash, bank receivables and accrued interest) totalled EUR 166.0 million (158.1) at the end of the financial year.

In 2025, the risk level of the investment portfolio was increased by allocating more to broad equity index funds. At year-end, 71.4 percent (77.8) of the investment portfolio was allocated to fixed-income investments, 27.1 percent (20.7) to equity and private equity investments, and 1.5 percent (1.5) to real estate investments. The return on investment operations at fair value was 6.6 percent (10.3). Net investment return on committed capital at fair value amounted to EUR 9.9 million (15.2), or 6.4 percent (10.1).

Garantia's profit before taxes amounted to 23.0 million euros (27.6).

### B. System of governance

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

At its Annual General Meeting on 21 February 2025, the company elected the following members to the Board of Directors: Titta Elomaa (Chair), Kenneth Kaarnimo (Vice Chair), Jorma Timonen, Eija Koskimies and Ilkka Laurila. Of these, Ilkka Laurila was

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Garantia Insurance Company Ltd.

elected as a new member as of 21 February 2025. Between 1 January and 21 February 2025, Peter Ramsay also served as a member of the Board. During the financial year, the Board convened 15 times. The Board had no separate committees during the financial year.

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 is reliably organised ensures the observance of the company's business strategy, the set targets and the principles and procedures related to risk and solvency management.

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

Garantia's internal control and risk management are organised according to the Three Lines of Defense 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.

There were no material changes in the company's system of governance in 2025.

### C. Risk profile

The key risks in Garantia's business operations are the credit risk associated with guarantee insurance operations and the market risks related to investment operations.

In guarantee insurance operations, credit risk refers to the risk that the guaranteed party does not fulfil its contractual obligations towards the beneficiary of the guarantee. The amount of credit risk is mainly affected by the creditworthiness of the guaranteed parties and the amount of any collateral received. The market risks of the investment portfolio arise from interest rate, equity, real estate and currency risks, as well as credit and counterparty risks affecting the value and return of investment assets.

The risk position of Garantia's guarantee insurance operations remained stable. The guarantee insurance portfolio grew compared with the end of the previous year in both consumer and corporate exposures.

Consumer exposures totalled EUR 1,493 million (1,404) at the end of the financial year and accounted for 84% (84) of the guarantee insurance portfolio. Consumer exposures consist mainly of mortgage guarantees provided to households and, to a lesser extent, rental guarantees. A mortgage guarantee is additional collateral for a housing loan. A rental guarantee protects a residential landlord against a tenant's breach of obligations under the lease agreement. In autumn 2025, Garantia decided to discontinue the sale of rental guarantees to private individuals.

The majority of consumer exposures arise from the mortgage guarantee portfolio, whose risk position did not undergo material changes during the year. The portfolio is well diversified in terms of counterparties, the geographical location of the underlying residential properties, and the years in which the guarantees were issued. The creditworthiness of the mortgage borrowers is, on average, very strong. Credit risks related to the mortgage guarantee portfolio are further limited through an excess-of-loss type portfolio reinsurance arrangement, under which the reinsurer covers claims arising from the mortgage guarantee portfolio exceeding Garantia's retention, up to EUR 20 million. The weakening economic cycle and rising unemployment have reduced the repayment ability of mortgage borrowers, and housing prices have declined over the past two years. This has also resulted in a moderate increase in claims incurred, although claims incurred have remained moderate both in absolute terms and relative to the exposure.

Corporate exposures totalled EUR 289 million (275) at the end of the financial year, representing 16% (16) of the guarantee insurance portfolio. Corporate exposures consist of corporate loan guarantees, commercial guarantees and other guarantees related to corporate activities. The guaranteed companies are primarily medium-sized and large Finnish enterprises and organisations. Protection against credit risks in the corporate portfolio is achieved through careful risk selection, collateral, reinsurance and contractual terms that mitigate risk.

The share of investment-grade exposures (rating classes AAA...BBB-) was 31.3% (37.0), and the share of exposures rated BB- or better was 82.4% (67.3) of the rated corporate portfolio. The share of exposures in weak rating categories (C+ or lower) decreased to 1.1% (2.1). The creditworthiness of the company's corporate counterparties has remained generally good despite the weak economic environment.

The most significant industries within the corporate exposure portfolio were retail and wholesale trade at 21.6% (14.6), water and waste management at 16.8% (17.2), construction at 13.1% (13.9), manufacturing at 11.4% (17.3), and real estate activities at 10.0% (6.3). The shares of other industries were below ten percent.

In investment operations, the risk level was moderately increased by allocating more to broad equity index funds and by extending the duration of fixed-income investments. At year-end, fixed-income investments (including cash and bank receivables) accounted for 71.4% (77.8), equity and private equity investments for 27.1% (20.7), and real estate investments for 1.5% (1.5). Most fixed-income investments are allocated to the bonds of financially strong Nordic corporates and credit institutions. Of the fixed-income portfolio, 73.8% (69.4) had an investment-grade credit rating. The modified duration of the fixed-income investments was 4.2 (3.2).

#### D. Valuation for solvency purposes

Garantia calculates its solvency in accordance with Chapter 3 of the Insurance Companies Act (2018/521) (the so-called Solvency II solvency). For solvency calculation purposes, the company prepares a Solvency II balance sheet, which differs from the company's financial statements balance sheet.

The valuation of assets in the Solvency II balance sheet differs from the financial statements primarily in that investments are measured at fair value under Solvency II, whereas the financial statements include items recorded as assets that, under Solvency II, are classified as liabilities (netted against liabilities). At the end of 2025, the value of assets in the company's Solvency II balance sheet amounted to EUR 166.1 million (158.2), which was EUR 3.3 million higher than in the financial statements.

The valuation of liabilities in the Solvency II balance sheet differs significantly from the financial statements. The most material differences arise from the different valuation of technical provisions, the treatment of the equalisation provision, and the recognition of deferred tax liabilities. The largest single difference relates to the equalisation provision, which is treated as own funds in the Solvency II balance sheet, whereas in the financial statements it forms part of the technical provisions. At the end of 2025, the company's Solvency II liabilities amounted to EUR 34.5 million (30.3), and the valuation difference compared with the financial statements was EUR 49.8 million.

At the end of 2025, the difference between assets and liabilities in the company's Solvency II balance sheet was EUR 131.6 million (127.9). Compared with the financial statements, net assets were EUR 53.1 million higher.

#### E. Capital management

At the end of the financial year, the company's own basic own funds amounted to EUR 113.6 million (112.9), and the Solvency Capital Requirement (SCR) totalled EUR 46.7 million (43.0). The solvency ratio, i.e. the ratio of basic own funds to the Solvency Capital Requirement, was 243.2% (262.7).

The company's solvency position is strong, as its own funds exceed more than twice the solvency requirement under the Insurance Companies Act and the Solvency II framework. At the end of the financial year, the company's basic own funds included a loss-absorbing capacity buffer totalling EUR 66.9 million (69.9).

Basic own funds increased mainly due to strong underwriting performance and the appreciation of investment assets. Basic own funds include a deduction for the expected dividend distribution, which also increased by EUR 3 million compared with the reference period.

The increase in the Solvency Capital Requirement during the financial year was mainly due to higher market risk resulting from changes in the investment allocation. Insurance risk also increased slightly due to portfolio growth.

Garantia's basic own funds consist entirely of unrestricted Tier 1 basic own funds. Garantia does not apply transitional measures in the determination of own funds, nor does its own funds include items classified as ancillary own funds. Garantia does not use the matching adjustment or the volatility adjustment in the calculation of technical provisions. Garantia applies the standard formula in the calculation of the Solvency Capital Requirement. Garantia does not use simplified calculations in the risk modules or sub-modules of the standard formula, nor does it use undertaking-specific parameters instead of the standard formula parameters. Garantia does not apply transitional measures for technical provisions or market risk calculations.

The company's Solvency Capital Requirement has included an add-on related to insurance risk imposed by the Finnish Financial Supervisory Authority (FIN-FSA) since 30 June 2018. FIN-FSA assesses the amount of the add-on at least annually. The most recent review was conducted on 6 June 2025, when the add-on was set at EUR 5.0 million (7.0). The updated add-on has been included in the company's Solvency Capital Requirement as of 30 June 2025. In its decision, FIN-FSA took into account the insurance risk capital requirement based on Garantia's internal economic capital model.

In its decision regarding the add-on, FIN-FSA states that the risk profile of Garantia's non-life underwriting risk module deviates by more than 15% from the underlying assumptions of the standard formula, and therefore the conditions for maintaining the add-on continue to be met. According to FIN-FSA, no material changes have occurred in the company's risk profile since the previous decision issued on 5 June 2024.

On 11 December 2025, Standard & Poor's Global Ratings (S&P) affirmed the credit rating of Garantia Insurance Company Ltd at A- with a stable outlook. The rating covers the company's Issuer Credit Rating (ICR), Financial Strength Rating (FSR), and Financial Enhancement Rating (FER), which reflects the company's capacity and willingness to meet its obligations under financial guarantees.

## A. BUSINESS AND PERFORMANCE

### A.1 Business

Garantia Insurance Company Ltd was established in 1993. It is a private non-life insurance company specialising in guarantee insurance. Its legal form is a limited liability company and it is domiciled in Helsinki. The company has one (1) office, which is located in Helsinki at the address Kasarmikatu 21 B, 00130 Helsinki.

In accordance with the authorisation granted by the Financial Supervisory Authority on 26 August 1993, Garantia may offer insurance in the non-life insurance classes 14 Credit and 15 Suretyship. On the basis of its authorisation, the company may also engage in the reinsurance of such non-life insurance. Based on agreements made with pension insurance companies Garantia is also responsible for calculation of the employees' pension insurance (TyEL) interest rates according to valid calculation principles approved by the Ministry of Social Affairs and Health.

Garantia does not have any subsidiaries or associated companies.

Garantia's guarantee insurance solutions for consumers include residential mortgage guarantees that are offered to consumers via partner banks and rent guarantees offered under the Takaamo brand name, for example. Garantia's solutions for companies comprise corporate loan guarantees, commercial bonds and other business-related guarantees.

Garantia's primary geographical area of operations is Finland.

During the 2024 financial year, Garantia employed an average of 23 (21) people.

Garantia is a wholly owned subsidiary of Taaleri Plc (Business ID 2234823-5) and part of the Taaleri Group. Taaleri is a specialist in investment, private equity funds, and non-life insurance, enabling change through capital. The Group focuses on innovative investments in renewable energy, bioindustry, and housing, as well as guarantee insurance. Taaleri's business consists of three reporting segments: Private Asset Management, Investments, and Garantia. The Garantia segment comprises Garantia Insurance Company Ltd. Taaleri Plc's share is listed on the stock exchange maintained by Nasdaq Helsinki Ltd.

Taaleri Plc and its subsidiaries and associated companies form an insurance group pursuant to chapter 26 of the Insurance Companies Act, to which group supervision will be applied. The group's parent company is Taaleri Plc. There is no separate solvency capital requirement for the insurance group.

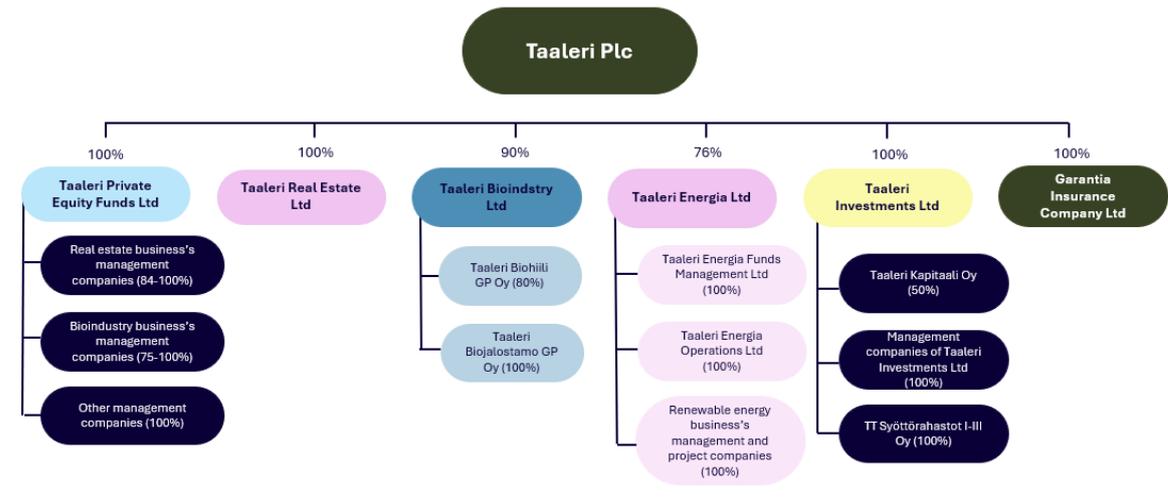


Image 1: Taaleri Group structure on 31 December 2025

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

The annual general meeting held on 21 February 2025 appointed Ernst & Young Oy as the auditor and Authorised Public Accountant Johanna Winqvist-Illkka as the principally responsible auditor. Ernst & Young's address is Korkeavuorenkatu 32-34, 00130, Helsinki, its telephone number is +358 (0)207 280 190 and its e-mail addresses are in the form [firstname.lastname@fi.ey.com](mailto:firstname.lastname@fi.ey.com).

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

The Report by the Board of Directors and the Financial Statements for 2025 are available at: <https://garantia.fi/en/about-us/financial-information/>.

## A.2 Underwriting performance

In 2025, Garantia invested in the development and marketing of its mortgage guarantee business. As a result of these efforts, the availability and awareness of mortgage guarantees improved, and the share of new mortgages in Finland guaranteed by Garantia's mortgage guarantees increased significantly. In the corporate segment, Garantia participated in financing arrangements for domestic companies together with both existing and new financing partners. In the spring, Garantia guaranteed a Multi-issuer Bond (Multi-issuer Bond V) issued by four companies, with a nominal amount of EUR 62.5 million. In the autumn, in line with its strategy, Garantia participated in its first credit risk insurance transaction outside Finland, in the Nordic region. In credit risk insurance transactions, Garantia shares the credit risk arising from corporate exposures with financiers and other insurers.

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The balance on technical account before the change in the equalisation provision decreased by 1.6 percent to EUR 13.2 million (13.4), and the combined ratio increased to 34.8 percent (31.0). Profitability in insurance operations remained excellent, supported by the growth in earned premiums and continued moderate claims and operating expenses. The equalisation provision was released by EUR 2.0 million (1.0), resulting in an underwriting result of EUR 15.3 million (14.5).

## A.3 Investment performance

The company's investments are used for covering the technical provisions and the equity capital, and their primary purpose is to secure the liquidity of insurance operations in years with exceptionally high claims. Investment operations are guided by an investment plan that is approved annually by the Board of Directors, which contains the main principles of investment operations, portfolio allocation limits and risk limits.

Garantia's investment income at fair value is made up of dividend income, interest income, sale gains and unrealised positive changes in the value of investments and costs incurred from losses on the sale of investments, impairment, unrealised negative change in value and other investment expenses. Garantia's shareholders' equity and reserves in the financial statements does not include gains or losses entered directly into shareholders' equity and reserves before entry on the profit and loss account.

Market conditions for investment activities ultimately developed favourably during the financial year despite the equity market turbulence experienced in the spring. The investment result was supported by rising equity prices, a stable interest-rate environment, and narrowing of corporate bond credit spreads.

The net investment income recognised in Garantia's result totalled EUR 7.7 million (13.1), and the decline was mainly attributable to the exceptionally large reversals of impairments recorded in the comparison period. The difference between the fair value and book value of investment assets amounted to EUR 9.5 million (7.3) at year-end.

The fair value of Garantia's investment assets (including cash, bank receivables and accrued interest) totalled EUR 166.0 million (158.1) at the end of the financial year.

In 2025, the risk level of the investment portfolio was increased by allocating more to broad equity index funds. At year-end, 71.4 percent (77.8) of the investment portfolio was allocated to fixed-income investments, 27.1 percent (20.7) to equity and private equity investments, and 1.5 percent (1.5) to real estate investments. The return on investment operations at fair value was 6.6 percent (10.3). Net investment return on committed capital at fair value amounted to EUR 9.9 million (15.2), or 6.4 percent (10.1).

The tables below present the allocation of investment assets by asset class and the net investment income at fair value for the past five (5) years.

#### Investments by asset class at fair value

EUR million	2025	%	2024	%
Fixed income investments	118,5	71,4 %	123,0	77,8 %
Equity investments	44,9	27,1 %	32,7	20,7 %
Real estate investments	2,5	1,5 %	2,4	1,5 %
Total	166,0	100,0 %	158,1	100,0 %

#### Net return on investments

	Net return on investments at fair value	Capital employed <sup>9)</sup>	Net return on investments, %	Net return on investments, %					
				2025	2025	2024	2023	2022	2021
	in euros	in euros	%	%	%	%	%	%	%
<b>Fixed income investments</b>	<b>6 591 059</b>	<b>115 734 306</b>	<b>5,7</b>	<b>5,7</b>	<b>10,3</b>	<b>6,9</b>	<b>-12,2</b>	<b>2,5</b>	<b>2,5</b>
Loan receivables <sup>1)</sup>									
Bonds	6 568 734	113 907 675	5,8	5,8	10,5	7,0	-12,4	2,5	2,6
Other financial instruments and deposits <sup>1) 2)</sup>	22 325	1 826 631	1,2	1,2	1,1	0,4	-0,2	-0,4	-0,2
<b>Equity investments</b>	<b>3 856 446</b>	<b>36 303 863</b>	<b>10,7</b>	<b>10,7</b>	<b>11,4</b>	<b>7,6</b>	<b>-6,0</b>	<b>29,0</b>	<b>-2,8</b>
Listed equities <sup>3)</sup>	4 379 095	31 567 172	14,0	14,0	13,2	9,6	-12,1	27,9	-3,2
Private equity investments <sup>4)</sup>	-522 649	4 736 691	-11,1	-11,1	2,7	3,4	12,1	33,1	-1,0
Unlisted equities <sup>5)</sup>									
<b>Real estate investments</b>	<b>-240 760</b>	<b>2 848 935</b>	<b>-8,5</b>	<b>-8,5</b>	<b>-2,5</b>	<b>1,7</b>	<b>5,7</b>	<b>4,9</b>	<b>4,3</b>
Direct real estate investments									
Real estate investment funds and collective investments	-240 760	2 848 935	-8,5	-8,5	-2,5	1,7	5,7	4,9	4,3
<b>Other investments</b>									
Hedge funds <sup>6)</sup>									
Commodities									
Other investments <sup>7)</sup>									
<b>Total</b>	<b>10 206 745</b>	<b>154 887 104</b>	<b>6,6</b>	<b>6,6</b>	<b>10,3</b>	<b>6,9</b>	<b>-11,2</b>	<b>6,1</b>	<b>1,8</b>
Unallocated income, expenses and operating expenses	-299 645								
<b>Net return on investments at fair value</b>	<b>9 907 100</b>	<b>154 887 104</b>	<b>6,4</b>	<b>6,4</b>	<b>10,1</b>	<b>6,7</b>	<b>-11,3</b>	<b>5,9</b>	<b>1,7</b>

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.

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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.

#### A.4 Performance of other activities

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

At the end of 2025, Garantia had lease and rental commitments totalling EUR 0.5 million (0.9) relating to leases payable in future financial periods. The lease and rental commitments consisted of leases for office premises, company cars, ICT equipment, and office machinery. The lease agreements are operating leases in nature.

#### A.5 Other information

Significant civil cases and disputes

Garantia has no significant civil cases in progress at the time of reporting.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

General information on the system of governance

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



Image 2: Decision-making bodies and reporting relations

The General Meeting is Garantia’s highest decision-making body and exercises its powers in accordance with the Insurance Companies Act and the company’s Articles of Association, following the procedures set out therein. Among other duties, the General Meeting appoints the members and the Chair of the Board of Directors.

The Board of Directors has general authority over the company and, together with the CEO, ensures that the company is managed professionally and in accordance with sound and prudent business principles as well as principles of reliable governance. The Board is responsible for the administration of the company and the appropriate organisation of its operations, and for ensuring that the company’s accounting and financial management are properly supervised. The Board appoints the CEO and the CEO’s deputy, as well as the members of the Executive Management Team, and approves separate rules of procedure for the Board, the Executive Management Team, the Credit Committee, the Collateral Committee, and the Rating Committee. The rules of procedure specify, among other things, the members appointed by the Board to each body, and describe their duties, working methods, and reporting relationships. The Board also makes guarantee insurance decisions in accordance with the decision-making framework, decides on strategically significant individual investments, and oversees business development as well as the appropriateness, comprehensiveness, and reliability of solvency and risk management.

Each year, the Board approves a decision-making framework appropriate to the company’s objectives and the scope of its business. The framework includes descriptions and definitions of the company’s decision-making processes and responsibility limits. The framework ensures that all decisions of material importance to the company involve, prior to implementation, at least two individuals responsible for the company’s operations.

During the financial year, the Board consisted of Titta Elomaa (Chair), Kenneth Kaarnimo (Vice Chair), Jorma Timonen, Eija Koskimies, and Ilkka Laurila. Of these, Ilkka Laurila was elected as a new member on 21 February 2025. Between 1 January and 21 February 2025, the Board consisted of Titta Elomaa (Chair), Kenneth Kaarnimo (Vice Chair), Jorma Timonen, Eija Koskimies, and Peter Ramsay.

The term of office of Board members continues until the end of the next Annual General Meeting following their election. The Annual General Meeting was held on 21 February 2025.

The CEO, supported by the Executive Management Team, is responsible for the practical management of the company’s operational activities and for preparing matters to be presented to the Board. The CEO implements the Board’s decisions within the company, monitors their execution, and reports to the Board on progress. During the financial year, the company’s CEO was Henrik Allonen. In addition to the CEO, the Executive Management Team consisted of Chief Financial and Risk Officer Jussi Blomgren, General Counsel Assi Ikonen, Director of Customer Relations and Sales Timo Lehtikainen, and Chief Information Officer Riku Saastamoinen. Mari Seikkula started as Chief Information Officer in January 2026.

In addition to the Board and the CEO, decision-making authority within Garantia is exercised, in accordance with their respective rules of procedure, by the Credit Committee, the Collateral Committee, and the Rating Committee, all appointed by the Board. The decision-making powers and instructions of these bodies are defined in the decision-making framework approved by the Board, which also specifies the authorisations granted to the individuals concerned.

The task of the Credit Committee is to make guarantee insurance decisions, claims decisions, and investment decisions within the decision-making authorities approved by the Board of Directors. The task of the Collateral Committee is to assess the counter-collateral offered to Garantia and to ensure the quality and effectiveness of the collateral evaluation process. The task of the Rating Committee is to approve counterparties' credit ratings and to ensure the quality and effectiveness of the rating process.

Based on the CEO's proposal, the Board of Directors approves the company's organisational structure as well as the key functions and the persons responsible for them. The company's organisation consists of four (4) units and four (4) key functions. In addition, certain functions, such as human resources and communications, are organised at the Taaleri Group level.

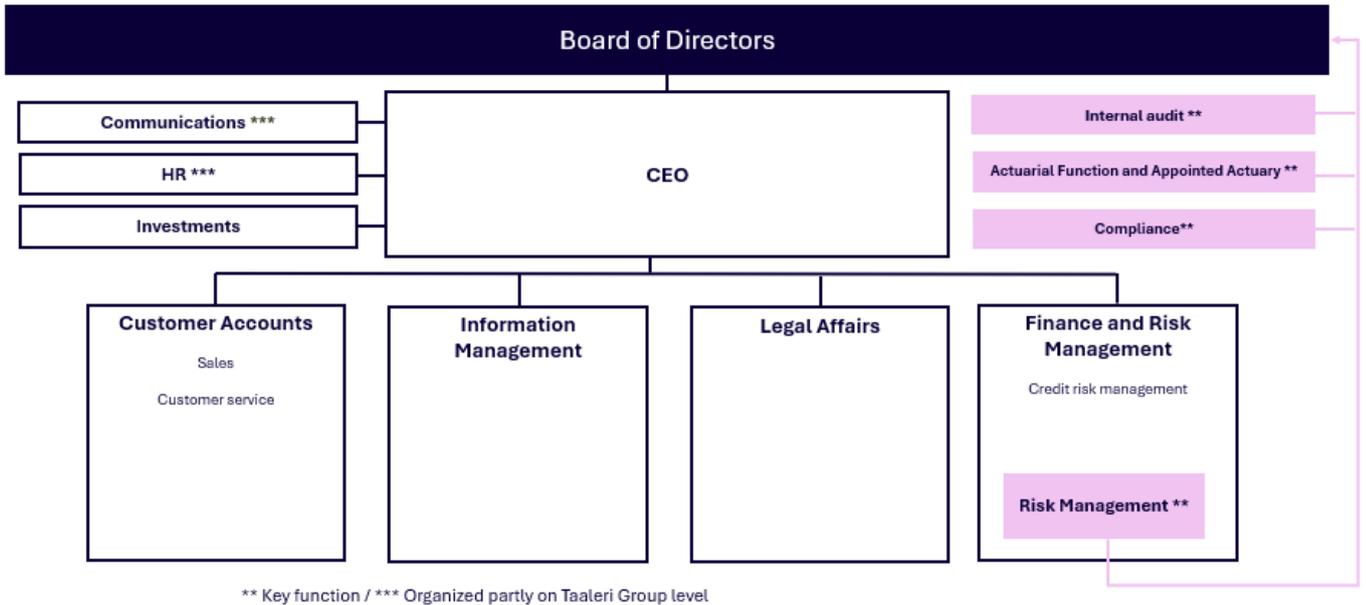


Image 3: Garantias organisation and key functions

Garantia's internal control and risk management are organised in accordance with the three lines of defence principle. Under this principle, responsibilities are divided between (1) units that, in their operations, take business risks—handling insurance and investment activities, making decisions binding on the company, and operating at the customer interface (Operational Risk Management); (2) units responsible for risk oversight, performing independent risk assessments, and monitoring compliance with the company's internal guidelines, laws, and regulations (Independent Risk Management); and (3) an independent internal audit function (Internal Audit). External oversight is carried out by the auditors and supervisory authorities.

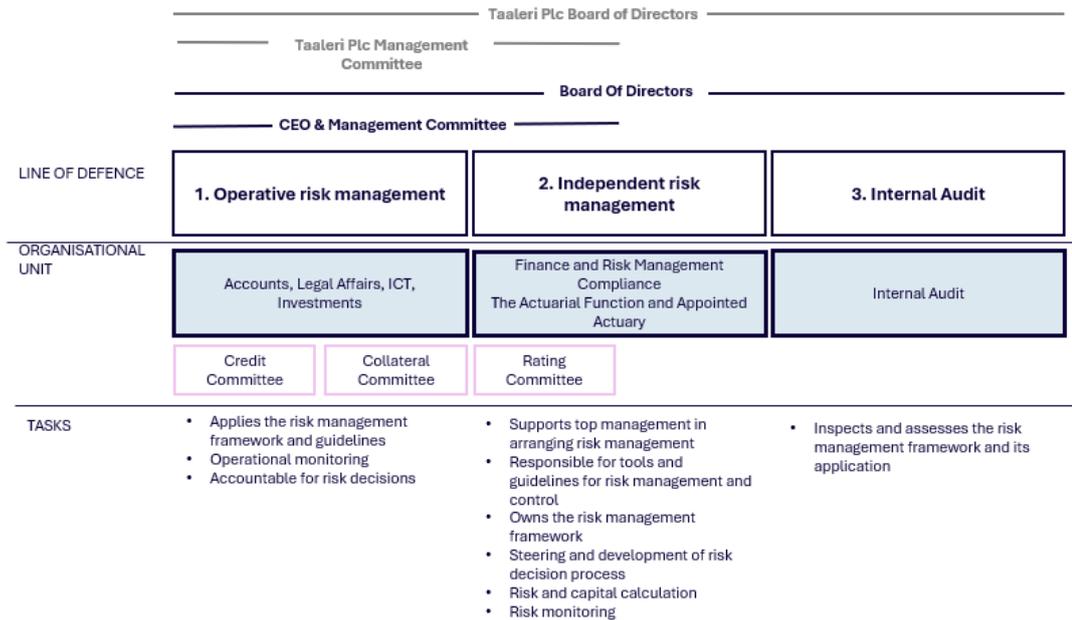


Image 4: The organisation of Garantia’s risk management

The company’s key functions are the Compliance Function, the Risk Management Function within the Finance and Risk Management unit, Internal Audit, and the Actuarial Function including the Responsible Actuary. The person responsible for organising Internal Audit is the company’s Legal Counsel, while the person responsible for organising the Actuarial Function, the duties of the Responsible Actuary, and the Risk Management Function is the Chief Financial and Risk Officer. The Compliance Function is organised under the company’s Legal Counsel. Each key function reports to the company’s Board of Directors as described in the internal control and risk management principles.

The objective of the Compliance Function is to strengthen customer and market confidence in Garantia. The Compliance Function monitors legislation, regulatory guidance, and other applicable rules concerning the company and oversees compliance with them across all operations. The function is also responsible for monitoring adherence to the company’s internal policies and rules. In addition to compliance monitoring, the function assesses the adequacy of measures taken within the company to prevent and remedy any deficiencies in compliance.

The objective of the Risk Management Function is to support the company’s management in organising and developing risk management, as well as in operational planning and decision-making. The function is responsible for implementing and developing the calculation of risks and capital requirements, and for reporting on the company’s risk and solvency position. The role of risk management in internal control is comprehensive, and it performs continuous internal control activities within its operations.

Internal Audit is an evaluation, assurance, and consulting function independent of the company’s operational activities. Its task is to support the company’s management in achieving its objectives by providing a systematic approach to assessing and improving the adequacy and effectiveness of the organisation’s risk management, control, and governance processes.

In accordance with the Insurance Companies Act, the duties of the Actuarial Function and the Responsible Actuary include coordinating the calculation of technical provisions and ensuring the appropriateness and compliance of the methods, models, and assumptions used in the calculation. The function also assesses the sufficiency and quality of the data used in the calculation of technical provisions, reports to the Board on the reliability and adequacy of the calculation, provides opinions to the Board on the company’s underwriting policy and reinsurance arrangements, prepares a report for the Board on the nature and level of the technical provisions and the requirements for maintaining solvency and liquidity, assesses the adequacy of the management of the company’s underwriting risks, and participates in the effective implementation of the risk management system and the preparation of the risk and solvency assessment.

### Changes to the system of governance

The Digital Operational Resilience Act (DORA) for the financial sector entered into force in January 2025. In 2024, Garantia significantly updated its internal guidelines and processes in view of the DORA regulation. Otherwise, there were no material changes in the company’s systems of management and governance.

## Remuneration policy

### *General remuneration principles*

The objective of Garantia's remuneration system is to ensure that personnel are committed to the long-term development of the company, to create an image of an attractive employer and to motivate personnel to work together to achieve the company's targets. Garantia complies with the general principles of the Taaleri Group's remuneration system, as applicable. Garantia's Board of Directors prepares and approves the company's remuneration system annually as part of annual planning. In addition, the Remuneration Committee of the Board of Taaleri Plc discusses Garantia's remuneration system as part of the Taaleri Group remuneration system. The Boards of Directors of Garantia and Taaleri Plc approve the amounts of the remuneration to be carried out annually before the payment of the remuneration.

### *Remuneration of the Board of Directors*

The monthly fees of the members of the Board of Directors are confirmed by the General Meeting based on a proposal by the largest shareholder. The members of the Board are not paid separate meeting fees or other financial benefits. The members of the Board are not included in Garantia's remuneration scheme. In 2025, a total of EUR 281,189 (331,592) was paid in fees to the members of the Board.

### *Decision-making regarding remuneration*

The remuneration and other terms of employment or service of the CEO and the rest of the executive management are decided by Garantia's Board of Directors. In other appointment, recruitment, and salary decisions, the principle applied is that the decision-maker and the person subject to the decision must not be in a direct supervisor-subordinate relationship; instead, the decision is made at the next level of hierarchy above the person's immediate supervisor.

### *Remuneration system*

In 2025, Garantia's personnel remuneration system consisted of

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

In addition to a fixed basic salary, Garantia's remuneration system includes variable remuneration comprising short-term and long-term remuneration. In the short-term remuneration system, the bonus is paid during the year following the earnings year. In the long-term remuneration system, 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-term and long-term remuneration system is cash.

In the 2024 short-term remuneration system, in accordance with the company's annual plan, the accumulation of remuneration was based on the volume of premiums written by the company, the profitability of insurance operations and personal targets. In deviation from the above, the short-term remuneration objectives of personnel employed in the company's independent control functions<sup>1</sup> are determined in such a way that their fulfilment is not dependent on the company's business objectives being met or on the company's financial results.

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

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

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<sup>1</sup> Independent control functions in the company are the Risk Management, Compliance and Actuarial functions and the Internal Audit.

principles confirmed by the company. Remuneration already paid can also be re-collected if information comes to light based on which the remuneration should have been left unpaid in the first place.

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

#### *Employee share savings plan*

Garantia's personnel participate in the Taaleri Group's employee share savings plan, which is an incentive scheme intended for the Group's employees. Under the share savings plan, employees are offered the opportunity to save a portion of their salary and invest it in shares of Taaleri Plc. In return, at the end of the holding period the employee receives Taaleri Plc shares (so-called additional shares) as a reward, based on the number of shares acquired with the savings. The saving period of each plan cycle is one (1) year, and the holding period required for the additional shares is two (2) years. The parent company, Taaleri Plc, charges Garantia for the expenses arising from the acquisition of the additional shares to be delivered to Garantia's personnel when the required shares are paid. In accordance with the applicable accounting regulations, Garantia does not record a provision for these expenses in its financial statements.

The rewards for the first plan cycle 2022–2025 were paid in July 2025, and at the same time Taaleri Plc charged Garantia for the expenses related to the acquisition of the additional shares delivered to personnel.

The saving period for the second plan cycle 2025–2028 began on 1 October 2025 and will end on 30 September 2026. Based on the company's estimate, the share savings accumulated by personnel during the saving period are expected to entitle them to a maximum of 8,824 additional shares. The receipt of the additional shares is conditional upon the fulfilment of the terms of the incentive scheme.

#### *Personnel's equity-based incentive programmes*

The Taaleri Group has a share-based incentive scheme for key personnel of the Group, which also includes individuals employed by Garantia. Under the incentive scheme, the rewards accrued during predetermined earning periods are paid partly in shares of Taaleri Plc and partly in cash. The earning criteria of the scheme and the targets set for each criterion are determined by the Board of Directors of Taaleri Plc. For the ongoing earning periods, the rewards under the scheme are based on the total shareholder return of Taaleri Plc's share and the development of the Taaleri Group's continuing income.

The parent company, Taaleri Plc, charges Garantia for the expenses arising from the portions of the share-based incentive schemes allocated to Garantia's personnel when the share rewards are paid. In accordance with the applicable accounting regulations, Garantia does not record a provision for expenses arising from the share-based incentive scheme in its financial statements; instead, the expenses are recognised as costs at the time the rewards are paid.

At the balance sheet date, the number of outstanding portions allocated to key personnel belonging to Garantia under the share-based incentive scheme was 62,000. The payment of the rewards is conditional upon the fulfilment of the terms of the incentive scheme.

#### *Total amount of variable remuneration*

The total amount of variable remuneration for a single financial year, including both short- and long-term remuneration by Garantia and Taaleri Group's shared incentive programmes, may not exceed the total amount of the total fixed salaries for one (1) year as decided by the Board of Taaleri Plc. The General Meeting of Taaleri Plc may decide that the total amount of variable remuneration may correspond to no more than the total amount of the total fixed salaries for two (2) years.

#### *Pension arrangements*

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

#### *Information on material transactions with defined groups*

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

## B.2 Fit and proper requirements

### Suitability and reliability requirements in general

In accordance with the Insurance Companies Act, members of the Board of Directors, the CEO, the Deputy CEO, and the persons responsible for key functions are required to meet specific fitness and propriety requirements. In addition, general fitness and propriety requirements apply to the company's other personnel. In this regard, the Board of Directors has approved separate written policies to ensure that the management, the persons responsible for key functions, and other employees meet the required fitness and propriety standards. The policies follow the requirements set out in the Insurance Distribution Directive (EU 2016/97) and the national legislation based on it.

The Board of Directors must collectively possess the general knowledge of insurance and financial operations necessary in view of the nature and scope of Garantia's activities. When assessed as a whole, the members of the Board must have professional competence, experience, and knowledge in the following areas: insurance and financial markets, business strategy and business model, governance system, financial analysis and actuarial analysis, the regulatory framework and its requirements, and the key risks associated with the company's operations.

### Suitability and reliability assessment process and methods

Garantia's management and the persons responsible for key functions must be of good repute and trustworthy. In assessing this, attention is paid to the individual's integrity and financial standing. The assessment is based on evidence covering aspects related to criminal matters, financial matters, and regulatory compliance. To verify this, a review is conducted to confirm that the individual is capable of managing their own affairs and assets. Garantia's management and the persons responsible for key functions must also possess the general suitability required for the position to which they are appointed. A separate assessment is carried out to verify that these requirements are met, including an evaluation of the individual's education, managerial experience, professional competence, skills, and relevant background required for the role. The assessment also identifies any potential conflicts of interest or incompatible combinations of duties related to the individual, the role, or the function, and necessary measures are taken to address such conflicts. In addition, the assessment includes a justified evaluation of whether the individual has sufficient time available to perform the role.

The Board of Directors regularly assesses the adequacy and appropriateness of the fitness and propriety requirements and the continued good repute of the individuals concerned. The requirements are also reassessed whenever significant changes occur in the company's business, organisation, or division of responsibilities. A person's supervisor evaluates whether the individual meets the fitness and propriety requirements for the role in connection with recruitment or internal transfers, as well as during performance and development discussions. The results of the assessment of personnel integrity are reported to the Financial Supervisory Authority as required.

## B.3 Risk management system and risk and solvency assessment

### General principles of risk and solvency management

Garantian arvot, hyvän liiketavan periaatteet, strategia ja liiketoiminnan tavoitteet muodostavat yhtiön riskienhallinnan ja vakavaraisuuden hallinnan perustan. Riskienhallinnan tarkoituksena on tukea yhtiön tavoitteiden saavuttamista tunnistamalla yhtiön vaikuttavat uhat ja mahdollisuudet ja pitää ne riskinottohalukkuuden- ja kyvykkyyden rajoissa. Luotettavasti järjestetty sisäinen valvonta varmistaa, että yhtiön liiketoimintastrategiaa, asetettuja tavoitteita sekä riskien- ja vakavaraisuuden hallintaan liittyviä periaatteita ja toimintatapoja noudatetaan. Strategian mukaisesti yhtiö ylläpitää riskimyonteistä ja avoimuuteen perustuvaa kulttuuria, jossa riskit tunnistetaan ennakoivasti ja riskinkantokykyä käytetään tehokkaasti. Strategia tukee EIOPA:n ohjeiden mukaista vaatimusta integroidusta ja ennakoivasta riskienhallinnasta

Garantiassa sisäisen valvonnan ja riskienhallinnan keskeisenä tavoitteena on turvata yhtiön riskinkantokyky ja varmistaa siten toiminnan jatkuvuus. Riskienhallinta kattaa yhtiöön kohdistuvien yksittäisten riskien ja riskien yhteisvaikutuksen tunnistamisen, mittaamisen, seurannan, hallinnan ja raportoinnin. Riskien ja vakavaraisuuden hallinta on lisäksi kytketty kiinteäksi osaksi Garantian liiketoiminnan prosesseja ja toiminnan suunnittelua ja seurantaa.

### Risk management strategy

Garantia's risk management strategy 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.

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## Operational planning

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 its preparation.

## Capital management

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's dividend policy is to distribute a growing and performance-related steady dividend. However, the company 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 or by acquiring new capital.

## Risk appetite

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), insurance policy (concentration risks and risk-taking limits and risk indicators concerning insurance operations), reinsurance policy (risk-taking limits concerning reinsurance operations) and the investment plan (risk-taking limits concerning investment operations).

## Identification and assessment of risks

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

Garantia defines and assesses its capital requirement and measures the risk of its business operations with three different Value-at-Risk-based risk indicators. The primary indicator used in the steering of operations, measurement of risk and assessment of capital adequacy is economic capital ("Internal Risk Capital") at a confidence level of 99.5%. When estimating its capital requirement, the company also uses the solvency capital requirement (SCR) based on the Solvency II standard formula at a confidence level of 99.5% 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.

## Measurement of risks

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

## Control and reporting of risks

Monitoring and reporting of Garantia's risk and solvency position are divided into external and internal monitoring and reporting. External reporting refers to information published for all stakeholders as well as regulatory reporting. Garantia also reports on its operations to the external credit rating agency Standard & Poor's. Internal risk and solvency reporting refers to reporting carried out at least monthly to Garantia's Executive Management Team and Board of Directors, and quarterly to the Audit Committee of the Taaleri Group's Board of Directors. The purpose of internal monitoring and reporting is to ensure that the company's risk and solvency position remain within the limits of its risk appetite. In all cases, the reporting process follows the same steps:

- 1) Collection of data from source systems
- 2) Calculation based on the collected data and consolidation into relevant time series

- 3) Completion of reporting templates
- 4) Review and validation in accordance with the four-eyes principle
- 5) Distribution of the report

#### B.4 Own risk and solvency assessment

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

In the risk and solvency assessment, the company assesses its overall solvency position by examining the amount of qualitative and calculated risks in the company's risk profile in relation to its current risk appetite and the manner in which they may develop in the medium term in normal and stressed scenarios. The qualitative assessment of principal risks in the risk and solvency assessment is based on the above-mentioned risk survey. The scenarios that describe future trends are based on the scenarios used in the company's long-term and annual planning and which have been developed and discussed by the company's Board of Directors, Executive Committee, risk management and financial administration and the Taaleri Group's corresponding bodies. The Risk Management function under the company's Finance and Risk Management unit is responsible for coordinating and conducting the qualitative risk survey and preparing the report itself. The Actuarial Function participates in preparing the report. The report is dealt with by the company's Executive Committee, which also steers and is closely involved in the preparation of the assessment. The Board evaluates and approves the risk and solvency assessment, after which the report is delivered to the Financial Supervisory Authority.

#### B.5 Internal control system

Internal control covers the activities of all units within the company and includes the organisation of appropriate reporting at all organisational levels. The purpose of internal controls is to ensure:

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

The Board of Directors is the highest decision-making body in matters related to internal control and the management of risks and solvency. The Board approves the principles and policies governing internal control and risk management (including risk-taking limits), as well as their organisation, and monitors and oversees their effectiveness and the development of the company's risk and solvency position.

The CEO, supported by the Executive Management Team, is responsible for the practical organisation of internal control and risk management in accordance with the principles approved by the Board.

The chairs of the first and second line decision-making bodies, as well as the managers of units and functions, are responsible for planning the activities within their areas of responsibility and for complying with the internal control and risk management frameworks and specific operating guidelines. Responsible persons must organise and instruct their areas of responsibility so that they can reliably and sufficiently monitor day-to-day operations. Functions that are significant for operations must be organised so that the person responsible for the function can supervise and verify that each employee complies with the relevant instructions.

The tasks and reporting relationships of the Compliance Function are described above in section B.1.

#### B.6 Internal Audit function

Internal Audit is an evaluation, assurance, and consulting function that is independent of the company's operational activities. The purpose of Internal Audit is to support the company's management in achieving its objectives by providing a systematic approach to assessing and improving the adequacy and effectiveness of the organisation's risk management, control, and governance processes. The tasks of Internal Audit include, among other things:

- to assess the adequacy and efficiency of control and supervision methods;
- to assess the efficiency of the Risk Management and Compliance functions;
- to assess the adequacy of management supervision;
- to assess the economical and efficient use of resources;

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- to assess the methods that safeguard property; and
- to assess the scope of the solvency management process.

Garantia's internal audit services are provided by an external service provider, ensuring the independence and objectivity of the audit function and that the individuals performing internal audit duties do not hold other operational responsibilities. Since 2024, Garantia's internal auditor has been Advisense Oy, with Joonas Värtinen as the designated auditor.

The Board of Directors of Garantia approves the annual internal audit plan, which describes in more detail the tasks and audit areas of Internal Audit. Internal Audit must submit long-term (three-year) and short-term (one-year) audit plans to the Board for approval. The audit plans must be based on the key risks identified by Garantia and its management, the audit needs arising from the activities of key functions, the processes essential to Garantia's operations, and the principles of internal control and risk management. In addition, it must be ensured that the internal audit plan is based on a systematic risk assessment and that it takes into account all Garantia's activities, the entire governance system, and the expected development of the business. The audit plan must cover all significant functions to be audited within a reasonable timeframe.

Internal Audit reports its key observations, conclusions, and recommendations regarding the effectiveness of internal control, risk management, and the governance system to Garantia's Board of Directors at least annually. The person responsible for Internal Audit at Garantia ensures that these matters are further reported to the Board of Directors of Taaleri Plc to the extent required by the Board of Taaleri Plc. Detailed audit reports are prepared for each audit, including all findings prioritised according to their significance. Recommendations are presented to the process owner of the audited area and to the person responsible for Internal Audit at the end of the audit, and they are reviewed beforehand with the key personnel of the audited area.

## B.7 Actuarial Function

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

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

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

## B.8 Outsourcing

The procurement principles for outsourcing approved by the Board ensure that the appropriateness and materiality of any outsourcing arrangement for Garantia are assessed comprehensively, and that the risks arising from outsourcing are mitigated. The principles require Garantia to consider factors like business continuity, regulatory compliance of service providers, information security, and personal data processing requirements when choosing providers for essential operations.

Outsourcing must not jeopardize the conditions stipulated in Garantia's licence to operate. Garantia's activities—also to the extent that they are outsourced—must be organised in a manner that complies with the requirements set for procedures, internal control, and risk management under applicable laws, regulations, and supervisory guidelines. Outsourcing may not impede the supervision carried out by the Finnish Financial Supervisory Authority (FIN-FSA), nor may it lead to a deterioration of Garantia's governance system, an unreasonable increase in operational risk, or a decline in the level of service provided to policyholders, insured parties, or beneficiaries.

Garantia's key rationale for outsourcing functions is to utilize the specialized expertise of another company or expert, and to enhance cost-efficiency. Each year, Garantia evaluates how well service providers perform their outsourced key functions. It also reviews the risks associated with outsourcing and examines the strategies used to control those risks. Prior to implementing any outsourcing arrangement, the person responsible for organizing the outsourcing prepares a comprehensive risk assessment. The assessment is reviewed by the executive management team, and the Board decides on the outsourcing. Outsourcing projects are also reported to the Finnish Financial Supervisory Authority. A formal contract is executed with the service provider responsible for the outsourced activity, expressly detailing the respective rights and obligations of all parties involved.

Garantia receives internal audit, actuarial (including responsible actuary), and compliance services—all key functions under the Insurance Companies Act—from external providers. The internal audit service provider is Advisense Oy. The actuarial function and responsible actuary are provided by Janne Kaippio Oy, and the compliance function is provided by KPMG Oy. In addition, the following service providers perform Garantia's key functions and tasks: FA Solutions Oy, Intrum Oy, Loihde Trust Oy, M-Files

Oy, Microsoft, Nomentia Oyj, SecondFloor B.V. (Cleversoft), Suomen Tunnistetieto Oy, Telia Cygate Oy, and Visma Public Oy (Visma Aquila Oy).

The person responsible for each outsourced task evaluates annually the service provider's performance and its ability and capacity to carry out the assigned tasks in the future. The assessment is presented to the executive management team, which evaluates the related risks and the adequacy of the measures taken or proposed. The executive management team reports significant findings and resulting actions to the company's Board.

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

The Executive Management Team regularly assesses the content of the governance system and the related policies in connection with the company's annual planning process, in order to ensure that the governance system and its policies remain up to date, adequate, and appropriate in relation to the company-level and group-level strategy as well as the scope of the company's business. The scope of the assessment, the observations, and the conclusions are documented and reported to the company's Board of Directors, which decides on any necessary changes and related feedback procedures.

The company considers its management and governance system to be appropriately designed for its operations and for achieving its objectives, and to meet the applicable requirements, taking into account the nature, scale, and complexity of the risks inherent in its business.

### **B.9 Other information**

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## C. RISK PROFILE

Garantia's risk and solvency management process and objectives include the continuous identification and assessment of risks arising from the business and operating environment. The key risks related to Garantia's business are the credit risks and technical provision risk (insurance risk) arising from guarantee insurance, the investment risks of the assets covering the technical provisions, strategic risks, as well as operational and compliance risks.

The Solvency II risk-specific capital requirements are discussed in more detail in section E.2 Solvency Capital Requirement and Minimum Capital Requirement.

### C.1 Insurance risk

#### General information on insurance risk

Insurance risk, or underwriting risk, means a risk of loss arising from inadequate assumptions concerning pricing and technical provisions or an unfavourable change in the value of insurance liabilities. In guarantee insurance, the insurance risk mostly consists of credit risk (the inability of the guaranteed counterparty to manage its financial or operational obligations under the contract in relation to the beneficiary). This may be a result of the default of the guaranteed counterparty (default risk) or the guaranteed counterparty may fail to fulfil a contractual obligation on time (delivery risk). The credit risk is also considered to include the counterparty risk of the reinsurers or the party providing other counter guarantees, which results from the default of the reinsurer or the party providing other counter guarantees, and the value change risk, which is caused by changes in the fair value of the collateral.

#### Management of insurance risk

The aim in the management of the insurance risk, i.e. the credit risk in guarantee insurance, is to ensure that the negative profit impacts arising from client and counterparty risks remain at acceptable levels and that the returns of guarantee operations are adequate in relation to the risks taken. In guarantee insurance, credit risks are reduced by means of client selection, active management of client relationships, monitoring of changes in the clients' operations, pricing, diversification and also, typically with reinsurance, contractual terms and conditions, and collateral and covenant arrangements.

Central to the management of credit risks is the process of underwriting insurance policies, which is controlled by the insurance policy, reinsurance policy and decision-making system confirmed by the Board of Directors and the complementary processes and guidelines on credit risk assessment, distribution channel auditing, pricing, collateral and covenants approved by the Executive Committee. The Risk Management function monitors the functioning and quality of the company's underwriting process. In addition to the daily underwriting process, credit risks are identified and assessed at least once a year with a risk survey compiled in conjunction with annual planning.

#### Measurement of insurance risk

The amount of insurance risk (credit risk) is measured using the company's internal economic capital model, the solvency capital requirement (SCR) and Standard & Poor's insurance capital model. In the company's internal economic capital model, the economic capital of insurance risk is defined on a contract basis primarily using the Basel II Internal Ratings-based Approach, which considers the amount of exposure, the counterparty's or contract'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 the entire guarantee insurance exposure is assessed based on the distribution of gross insurance exposure and expected loss by product groups and by examining the average maturity of the guarantee insurance exposure and the ratio of claims incurred against earned premiums and the guarantee insurance exposure. For the corporate exposure portfolio, credit risk is also assessed at the level of the portfolio on the basis of the credit rating distribution, the industry distribution and the largest exposures.

The credit risk of consumer credit exposures is assessed mainly at the portfolio level. The main ways of assessing the credit risk of the residential mortgage guarantee portfolio include the distribution of the residential mortgage guarantee portfolio by risk area<sup>2</sup>, by municipality and by credit category, and the trend in payment delays in the residential mortgage guarantee portfolio.

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<sup>2</sup> The risk area describing the loan-to-value ratio measures the relative position of Garantia's guarantee exposure in the financing structure of the residential mortgage project.

The credit rating (PD) of the residential mortgage guarantee portfolio is done automatically in the insurance information system. The rating is done at the contract level and is based on the basic information on the residential mortgage and the debtor obtained with the granting of the guarantee. The risk of claims in the rental guarantee portfolio is modelled and measured at the portfolio level, and individual contracts are not classified.

In addition to economic capital secured by the counterparty, the credit risk of individual clients and groups of connected clients in corporate exposures is 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 insurance risk position is monitored and reported to the Executive Committee and the Board of Directors every month.

### Risk position of insurance operations

The risk position of Garantia's guarantee insurance operations remained stable. The guarantee insurance portfolio grew compared with the end of the previous year in both consumer and corporate exposures.

Consumer exposures totalled EUR 1,493 million (1,404) at the end of the financial year and accounted for 84% (84) of the guarantee insurance portfolio. Consumer exposures consist mainly of mortgage guarantees provided to households and, to a lesser extent, rental guarantees. A mortgage guarantee is additional collateral for a housing loan. A rental guarantee protects a residential landlord against a tenant's breach of obligations under the lease agreement. In autumn 2025, Garantia decided to discontinue the sale of rental guarantees to private individuals.

The majority of consumer exposures arise from the mortgage guarantee portfolio, whose risk position did not undergo material changes during the year. The portfolio is well diversified in terms of counterparties, the geographical location of the underlying residential properties, and the years in which the guarantees were issued. The creditworthiness of the mortgage borrowers is, on average, very strong. Credit risks related to the mortgage guarantee portfolio are further limited through an excess-of-loss type portfolio reinsurance arrangement, under which the reinsurer covers claims arising from the mortgage guarantee portfolio exceeding Garantia's retention, up to EUR 20 million. The weakening economic cycle and rising unemployment have reduced the repayment ability of mortgage borrowers, and housing prices have declined over the past two years. This has also resulted in a moderate increase in claims incurred, although claims incurred have remained moderate both in absolute terms and relative to the exposure.

Corporate exposures totalled EUR 289 million (275) at the end of the financial year, representing 16% (16) of the guarantee insurance portfolio. Corporate exposures consist of corporate loan guarantees, commercial guarantees and other guarantees related to corporate activities. The guaranteed companies are primarily medium-sized and large Finnish enterprises and organisations. Protection against credit risks in the corporate portfolio is achieved through careful risk selection, collateral, reinsurance and contractual terms that mitigate risk.

The share of investment-grade exposures (rating classes AAA...BBB-) was 31.3% (37.0), and the share of exposures rated BB- or better was 82.4% (67.3) of the rated corporate portfolio. The share of exposures in weak rating categories (C+ or lower) decreased to 1.1% (2.1). The creditworthiness of the company's corporate counterparties has remained generally good despite the weak economic environment.

The most significant industries within the corporate exposure portfolio were retail and wholesale trade at 21.6% (14.6), water and waste management at 16.8% (17.2), construction at 13.1% (13.9), manufacturing at 11.4% (17.3), and real estate activities at 10.0% (6.3). The shares of other industries were below ten percent.

#### Sensitivity analysis of insurance operations, 31 Dec 2025

Risk parameter	Total, EUR thousand	Change in risk parameter	Effect on equity, EUR thousand	Effect on combined ratio, %
Premiums earned	20 273	increases 10 %	1 622	improves 3.2%-p.
Claims incurred	2 042	increases 10 %	0	worsens 1.0%-p.
Large claim, EUR 10 million	0	EUR 10 mn.	0	worsens 49.3%-p.
Operating expenses	5 009	increases 10 %	-401	worsens 2.5%-p.

#### Sensitivity analysis of insurance operations, 31 Dec 2024

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

#### Trend in claims incurred

EUR thousand	Claims paid	Change in provision for outstanding claims	Claims incurred	% of insurance exposure	Claims ratio, %
2025	-2 012	-30	-2 042	0,11 %	10,1 %
2024	-1 459	412	-1 047	0,06 %	2,2 %
2023	-1 121	276	-845	0,05 %	4,2 %
2022	-1 055	477	-579	0,03 %	3,2 %
2021	-1 270	592	-677	0,04 %	3,8 %
2020	-855	263	-592	0,03 %	4,0 %
2019	-336	-1 282	-1 618	0,09 %	12,2 %
2018	427	355	783	-0,05 %	-6,4 %
2017	-343	-736	-1 079	0,07 %	10,1 %
2016	-934	-240	-1 174	0,09 %	12,4 %

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

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

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

#### Total insurance exposure by business line

EUR million	2025	2024
Consumer exposure	1 493	1 404
Corporate exposure	289	275
Total	1 782	1 679
	8	12

#### Consumer exposure by credit rating

EUR million	2025	2024	2025, %	2024, %
Residential mortgage guarantees				
AAA...BBB-	1 067	996	71,6 %	71,2 %

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BB+...BB-	422	403	28,4 %	28,8 %
Total	1 489	1 399	100,0 %	100,0 %
Rental guarantees	4	4		
Consumer exposure total	1 493	1 402		

## Corporate insurance exposure by credit rating

EUR million	2025	2024	2025, %	2024, %
AAA...BBB-	87	96	31,3 %	37,0 %
BB+...BB-	143	79	51,1 %	30,2 %
B+...B-	46	80	16,5 %	30,6 %
C+ or weaker	3	5	1,1 %	2,1 %
Rated exposure total	280	260	100,0 %	100,0 %
Other exposure	10	14		
Corporate exposure total	289	275		

## Corporate insurance exposure by collateral class

EUR million	2025	2024	2025, %	2024, %
Reinsured	3	4	0,9 %	1,6 %
Classes 1 & 2	20	28	7,1 %	10,9 %
Classes 3 & 4	79	66	28,2 %	25,3 %
Unsecured	178	162	63,8 %	62,2 %
Rated exposure total	280	260	100,0 %	100,0 %
Other exposure	10	14		
Corporate exposure total	289	275		

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

	2025	2024
Wholesale and retail trade	61	38
Water supply and waste management	47	45
Construction	37	36
Manufacturing	32	45
Machinery and equipment (incl. repair)	14	22
Metals	2	4
Chemicals	11	13
Food	4	6
Other	1	1
Real estate	28	16
Energy	23	15
Finance and insurance	18	33
Services	17	27
Transport and logistics	15	2
Information and communication	0	0
Other industries	2	2
Rated exposure total	280	260

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Other exposure	10	14
Corporate exposure total	289	275

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.

## C.2 Market risk

### General information on market risk

The company's investments are used for covering the technical provisions and the equity capital, and their primary purpose is to secure the liquidity of insurance operations in years with exceptionally high claims. Garantia's investment operations are long-term and the objective is primarily to secure capital and achieve stable and steadily increasing asset growth. The principle of prudence is observed in investment operations, according to which assets are only invested in the type of property where the company is able to identify, measure, monitor, manage, control and report the related risks. Market, counterparty (credit risk) and liquidity risk are the risks affecting the investment operations. In addition, the sustainability risks associated with investment operations are assessed when investment decisions are made.

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

### Management of market risks

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 operations. 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 operations 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.

### Measurement of market risk

The capital requirement for investment risks is measured using the economic capital model, the Solvency Capital Requirement (SCR), and Standard & Poor's investment risk capital requirement. In the economic capital model, investment risk is measured at instrument level using Value-at-Risk-based risk models for equity risk (including illiquid private equity investments), currency risk, real estate risk, interest rate risk, and credit spread risk. The market risk model used in the economic capital framework was validated and updated during 2025.

In addition to economic capital, investment risks are also measured by asset class, country, credit rating, counterparty, modified duration, interest rate sensitivity, and the amount of foreign-currency-denominated investments. The investment risk position is monitored and reported monthly to the Executive Management Team and the Board of Directors.

### Market risk position

In investment activities, the trend continued in 2025 and the risk level was increased moderately by allocating more to broad equity index funds and by extending the duration of fixed-income investments. Of the investments (including cash and bank receivables), fixed-income investments accounted for 71.4% (77.8%) at year-end, equity and private equity investments for 27.1% (20.7%), and real estate investments for 1.5% (1.5%). The majority of the fixed-income portfolio is invested in bonds issued by financially sound Nordic corporates and credit institutions. Of the fixed-income investments, 54.0% (52.7%) had an investment-grade credit rating. The modified duration of the fixed-income portfolio was 4.2 (3.2).

## Investments by asset class at fair value

EUR million	2025	%	2024	%
Fixed income investments	118,5	71,4 %	123,0	77,8 %
Equity investments	44,9	27,1 %	32,7	20,7 %
Real estate investments	2,5	1,5 %	2,4	1,5 %
Total	166,0	100,0 %	158,1	100,0 %

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

## Fixed-income investments by maturity and credit rating, 31 Dec 2025

EUR million	0-1 yrs.	1-3 yrs.	3-5 yrs.	Over 5 yrs.	Total	%
AAA...AA-	0,5	0,0	0,0	0,0	0,5	0,4 %
A+...A-	0,0	0,0	0,0	16,0	16,1	13,5 %
BBB+...BBB-	2,0	5,1	20,8	42,9	70,8	59,8 %
BB+ or weaker	1,1	15,6	7,5	6,9	31,1	26,2 %
Total	3,7	20,7	28,3	65,8	118,5	100,0 %

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

EUR million	0-1 yrs.	1-3 yrs.	3-5 yrs.	Over 5 yrs.	Total	%
AAA...AA-	6,5	0,0	0,0	0,0	6,5	5,3 %
A+...A-	0,1	5,0	0,0	11,7	16,7	13,6 %
BBB+...BBB-	3,8	14,2	15,8	28,3	62,1	50,5 %
BB+ or weaker	3,8	16,7	17,1	0,0	37,6	30,6 %
Total	14,1	35,9	32,9	40,0	123,0	100,0 %

## Sensitivity analysis of investment activities, 31 Dec 2025

Investment category	Investments at fair value, EUR million	Risk parameter	Change (+/-)	Effect on equity, EUR million (+/-)
Fixed income	118,5	Chg in int. rates	1,0 %	3,9
Equities	41,2	Market value	10,0 %	3,3
Private equity	6,3	Market value	10,0 %	0,5

## Sensitivity analysis of investment activities, 31 Dec 2024

Investment category	Investments at fair value, EUR million	Risk parameter	Change (+/-)	Effect on equity, EUR million (+/-)
Fixed income	123,0	Chg in int. rates	1,0 %	3,1
Equities	27,7	Market value	10,0 %	2,2
Private equity	7,4	Market value	10,0 %	0,6

### C.3 Credit risk

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

### C.4 Liquidity risk

Liquidity risk refers to the risk that insurance and reinsurance undertakings are unable to convert their investments and other assets into cash in order to meet their financial obligations as they fall due. At Garantia, liquidity risk is limited, as insurance premium income is collected before claims are paid, and the largest individual payments consist of insurance claims to beneficiaries or profit distributions or capital repayments to the shareholder, the timing of which is generally known well in advance. Garantia also has no financial liabilities. The key methods for managing liquidity risk at Garantia are maintaining a sufficient level of cash to cover daily payments and ensuring the liquidity of the investment portfolio. As of the beginning of 2024, two liquidity metrics have been added to the company's monthly reporting as part of the risk indicators. The purpose of these metrics is to monitor the company's liquidity position under exceptional (once-in-200-years) conditions.

The first metric compares the adequacy of the company's liquid investment assets to cover the payment of an insurance claim equal to the largest single guarantee exposure under a crisis scenario for investments corresponding to a 99.5% confidence level. The review horizon of this metric is one month.

The second metric compares the adequacy of the company's liquid investment assets relative to a crisis scenario for the claims cost of the entire guarantee insurance portfolio, also at a 99.5% confidence level. The review horizon of this metric is 12 months.

Both metrics take into account not only the valuation shock applied to investments but also the discount resulting from rapid liquidation of assets (the so-called haircut) as well as a 100% loss-given-default (LGD) assumption for insurance claims.

Garantia's solvency calculation includes technical provisions that incorporate expected profits included in future premiums (EP-IFP), amounting to EUR 4.96 million (4.50 million). The expected profits relate entirely to the credit and guarantee insurance line of business. Expected profits included in future premiums represent the present value, until the end of the coverage period, of the difference between the projected future premiums of the insurance portfolio in force on 31 December 2025 and the expected claims and operating expenses (excluding acquisition costs) associated with those premiums. The estimate of expected claims and operating expenses is based on the historical combined ratio excluding acquisition costs. For expected operating expenses, the estimate includes an assumption regarding the impact of inflation on future expense levels. Inflation does not, however, affect expected claims in guarantee insurance.

### C.5 Operational risk

Operational risks refer to the risk of loss resulting from inadequate or failed processes, human error, systems failures, or external events.

The purpose of operational risk management is to ensure that operational activities are organised appropriately and that risks do not lead to unforeseen direct or indirect financial losses. A corporate culture that supports operational risk management and internal control is continuously maintained and strengthened through training and guidance of personnel.

The key elements of operational risk management are the identification and assessment of risks, as well as the evaluation of the effectiveness and adequacy of controls and mitigation measures. The main tools for managing operational risks include function-specific risk assessments carried out at least annually, continuous recording of realised operational risks, identification of corrective actions and monitoring and reporting of their implementation, business continuity plans, policies governing outsourcing, new product development and implementation, customer due diligence, and the prevention of money laundering and terrorist financing, as well as process descriptions and other work and operating instructions.

The amount of operational risk is measured using the Solvency Capital Requirement (SCR) and the economic capital requirement, which is assessed annually based on the risk assessment. In addition, realised risk events and near misses are monitored and recorded, corrective actions are defined, and their implementation is followed. The development of operational risks is reported quarterly to the Executive Management Team and the Board of Directors.

### C.6 Other material risks

#### Strategic risk

Strategic risk refers to the risk arising from changes in the operating or competitive environment, slow response to such changes, choosing an incorrect strategy or business model, or failing to implement the strategy. Reputational risk and regulatory risk are considered part of strategic risk. Reputational risk refers to the risk that justified or unjustified adverse publicity related to the company's business or relationships weakens confidence in the company. Reputational risk often results from realised operational or compliance risks and may lead to a deterioration of the company's reputation among customers and other

stakeholders. Regulatory risk refers to the risk that changes in regulation significantly weaken the company's ability to conduct its business.

A key method for managing strategic risks is a systematic and continuous planning and monitoring process, which enables the identification and assessment of potential risks in the operating, competitive, and regulatory environment, as well as the updating of the strategy and the management of actions initiated to mitigate these risks. Reputational risk is managed proactively and over the long term by acting in accordance with Garantia's values, complying with regulation and the principles of good business conduct approved by the Board of Directors, and communicating openly and consistently with different stakeholders. Strategic risks are monitored and assessed at least annually as part of the risk assessment conducted in connection with the annual planning process.

#### Compliance risk

Compliance risks refer to risks of legal or administrative sanctions, financial losses, or loss of reputation resulting from the company's failure to comply with laws, regulations, or other requirements applicable to its operations. Legislative changes are monitored actively, and ongoing regulatory initiatives are reported regularly to the Board of Directors. The risk assessment carried out in connection with Garantia's annual planning process also includes the identification and assessment of regulatory risks, as well as the definition and monitoring of development measures aimed at reducing such risks. Guidance and training of personnel play a key role in the management of compliance risks.

#### Concentration risk

Concentration risk refers to any type of risk where the associated losses may be so significant that, if realised, they could jeopardise the solvency or financial position of insurance and reinsurance undertakings.

The most significant concentration risk in Garantia's business arises from direct and indirect credit and counterparty concentration risk in guarantee insurance and investment activities. Garantia's total exposures include individual large customer group, sector-specific, and product-specific credit concentrations, and in addition, both guarantee insurance exposures and investment exposures are concentrated in Finland. In managing credit concentration risk, the key focus is on the selection of customers and investment targets, as well as the continuous monitoring of changes in customers' financial situations. Concentration risk is measured and assessed in the economic capital model using a dedicated concentration risk model, as well as through customer-group- and sector-specific risk limits that take total exposures into account.

#### Sustainability risk

At Garantia, sustainability risk refers to an environmental, social, or governance-related event or circumstance that, if realised, could have a negative impact on the value of an investment made by the company or on the amount of the company's insurance liabilities.

Material sustainability risks may arise in both the company's guarantee insurance operations and its investment activities. In these areas, sustainability risks are essentially linked to the sustainability of the operations of the individual companies and entities that act as credit risk counterparties in guarantee insurance contracts or investments.

In guarantee insurance operations, sustainability risk related to corporate counterparties is assessed primarily using the sustainability risk tool introduced in 2023, as well as as part of the credit rating decision-making process. The assessment focuses on evaluating the counterparty's environmental responsibility, social responsibility, and governance practices. Garantia's underwriting policy includes the objective of not taking on insurance risk from companies, entities, or projects whose operations involve significant sustainability risks. In addition, companies that receive a low score in the sustainability risk tool may be offered slightly more favourable pricing.

### C.7 Other Information

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## D. VALUATION FOR SOLVENCY PURPOSES

### D.1 Assets

Garantia calculates its solvency as required by chapter 3 of the Insurance Companies Act (2018/521) (so-called Solvency II capital adequacy). For the solvency calculation, the company prepares a Solvency II balance sheet, which is different from the company's FAS balance sheet. On the company's Solvency II balance sheet, investments are valued at fair value on the final date of each reporting period.

The fair value of publicly listed equities and other financial instruments 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. The fair value of bonds and other IOUs is taken to be the last trading price of the reporting period or the most probable assignment price. The fair value of other investments is taken to be the expected assignment price.

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

The tables below show, for each Solvency II balance sheet item, the value of the assets, comparison with the FAS balance sheet and valuation principles.

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

	31.12.2025	31.12.2024	Change
Property, plant & equipment held for own use	48 365	48 365	0
Investments	165 428 601	156 640 766	8 787 835
Bonds	117 961 963	121 526 261	-3 564 298
Collective Investments Undertakings	47 466 637	35 114 504	12 352 133
Deposits other than cash equivalents	0	0	0
Reinsurance recoverables from Non-life and health similar to non-life	12 565	13 260	-696
Insurance and intermediaries receivables	0	0	0
Reinsurance receivables	53 026	47 429	5 598
Receivables (trade, not insurance)	249	12 228	-11 979
Cash and cash equivalents	546 183	1 442 781	-896 598
Any other assets, not elsewhere shown	0	0	0
<b>Total assets</b>	<b>166 088 989</b>	<b>158 204 829</b>	<b>7 884 159</b>

### The difference between assets on Solvency II and FAS balance sheets 31.12.2025, euro

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	Solvency II	FAS	Difference
Intangible assets	0	19 885	-19 885
Property, plant & equipment held for own use	48 365	48 365	0
Investments	165 428 601	155 919 137	9 509 463
Bonds	117 961 963	116 280 474	1 681 489
Collective Investments Undertakings	47 466 637	39 638 663	7 827 974
Deposits other than cash equivalents	0	0	0
Reinsurance recoverables	12 565	0	12 565
Debtors, arising out of direct insurance operations (FAS)	0	6 232 584	-6 232 584
Reinsurance receivables	53 026	53 026	0
Receivables (trade, not insurance)	249	249	0
Cash and cash equivalents	546 183	546 183	0
Debtors, other (FAS)	0	0	0
<b>Total assets</b>	<b>166 088 989</b>	<b>162 819 431</b>	<b>3 269 558</b>

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

## D.2 Technical Provisions

### General information on technical provisions

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

### Provision for unearned premiums

The calculation of the provision for unearned premiums is based on the simplification "*Simplification for Premium Provision*" as described in section TP.6.80 of EIOPA's *Technical Specification for the Preparatory Phase (Part I)*. In the calculation of the provision for unearned premiums, the present value of future premiums (PVFP), calculated gross of commissions, is based on the forecast of gross premiums relating to the contracts in force at the reporting date. For the residential mortgage guarantees product group and the construction defect insurance product group, the PVFP is assumed to be zero, as these product groups are based on a one-off payment.

The valuation principles for the provision for unearned premiums under Solvency II differ from those applied in the financial statements. In the financial statements, the provision for unearned premiums is determined at the guarantee level. For each valid guarantee, the capital value of the future expected costs is calculated on a prudent basis using a product-group-specific expense ratio assumption, and the sum of these present values forms the provision for unearned premiums.

Under the Solvency II balance sheet, the provision for unearned premiums is valued using the same four product groups (residential mortgage guarantees, construction defect insurance, rent guarantees and other guarantee products), with the calculation carried out separately for each group. The Solvency II valuation takes into account the claims ratio, expense ratio, acquisition expense ratio, the PVFP and the volume measure (VM). In addition, the financial statements items "*Debtors arising out of direct insurance operations*" (as a negative item), "*Creditors arising out of direct insurance operations*" and, where related to fulfilling insurance contract obligations, "*Provisions*" have been included within the provision for unearned premiums on the Solvency II balance sheet.

### Risk margin

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

### Provision for claims outstanding

The Solvency II provision for claims outstanding corresponds to the provision for claims outstanding in the financial statements, discounted using the one-year risk-free interest rate (excluding rent guarantees) according to the risk-free interest rate term structure published by EIOPA. In addition, the financial statements item "*Other receivables*" (recognised recourse receivables) is included as a negative item within the provision for claims outstanding on the Solvency II balance sheet.

### Reinsurers' shares

The reinsurers' share of technical provisions is presented as an asset on the Solvency II balance sheet, whereas in the financial statements it is deducted from the technical provisions. Under Solvency II, the reinsurers' share of the provision for unearned premiums is calculated using the *gross-to-net factor* described in section TP.6.105 of EIOPA's *Technical Specification for the Preparatory Phase (Part I)*. The reinsurers' share of the provision for claims outstanding corresponds to the reinsurers' share of the provision for claims outstanding in the financial statements, discounted using the one-year risk-free interest rate according to the risk-free interest rate term structure published by EIOPA.

### Uncertainties related to the value of technical provisions

The level of uncertainty related to the value of the technical provisions is considered to be moderate. The uncertainty arises from the realisation of future claims payments and operating expenses in relation to the applied forecasts. The forecasts for future premium cash flows do not contain significant uncertainty. Furthermore, due to the short maturity of the cash flow profile of the technical provisions and the low interest rate environment, the technical provisions do not contain material interest rate risk.

Garantia's technical provisions calculated in accordance with the Solvency II framework include expected profits included in future premiums (EPIFP) totalling EUR 4.9 (4.9) million. The expected profits are allocated in full to the credit and guarantee insurance class. Expected profits included in future premiums refer to the present value of the difference between the forecast premiums written from the insurance exposure as at 31 December 2025 and the expected claims and operating expenses (excluding insurance acquisition costs) relating to these premiums until the end of the insurance term.

The estimate of the expected claims and operating expenses is based on the historical combined ratio excluding acquisition costs. With respect to expected operating expenses, the estimate includes an assumption on the impact of inflation on future expenditure levels. In contrast, inflation does not affect expected claims in guarantee insurance.

Matching adjustment, volatility adjustment, transitional risk-free interest rate term structure and transitional deduction

Garantia does not apply the matching adjustment referred to in Article 77b of Directive 2009/138/EC, the volatility adjustment referred to in Article 77d, the transitional risk-free interest rate term structure referred to in Article 308c, nor the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

### D.3 Other liabilities

The valuation of other liabilities on the Solvency II balance sheet differs from the financial statements (FAS) in that the Solvency II balance sheet includes deferred tax liabilities that are not recognised on the FAS balance sheet. In addition, the FAS balance sheet item "Insurance and intermediaries payables" is included within the provision for unearned premiums on the Solvency II balance sheet. All other liability items under other liabilities are valued as in the FAS balance sheet. The tables below present, for each liability item on the Solvency II balance sheet, the value of the liabilities, a comparison with the FAS balance sheet and the valuation principles applied to other liabilities. The increase in liabilities during the reporting period resulted from the growth in guarantee insurance operations and the increase in the best-estimate provision for claims outstanding due to the rise in known claims.

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

	31.12.2025	31.12.2024	Change
Technical provisions – non-life	17 197 498	12 716 620	4 480 878
Best Estimate	10 182 960	7 140 667	3 042 293
Risk margin	7 014 538	5 575 953	1 438 585
Deferred tax liabilities	14 473 708	13 988 557	485 151
Insurance & intermediaries payables	0	0	0
Reinsurance payables	42 497	56 767	-14 270
Payables (trade, not insurance)	2 467 113	3 167 711	-700 598
Any other liabilities, not elsewhere shown	270 369	369 723	-99 355
<b>Total liabilities</b>	<b>34 451 185</b>	<b>30 299 378</b>	<b>4 151 807</b>
Excess of assets over liabilities	131 637 804	127 905 451	3 732 353

The difference between liabilities on Solvency II and FAS balance sheets  
31.12.2025, euro

	Solvency II	FAS	Difference
Technical provisions – non-life	17 197 498	15 703 802	1 493 696
Best estimate	10 182 960	0	10 182 960
Risk margin	7 014 538	0	7 014 538
Provisions	0	6 680	-6 680
Reinsurer's share of technical provisions (FAS)	0	-53 320	53 320
Equalisation provision (FAS)	0	65 919 532	-65 919 532
Deferred tax liabilities	14 473 708	0	14 473 708
Creditors, arising out of direct insurance operations (FAS)	0	24	-24
Reinsurance payables	42 497	42 497	0
Payables (trade, not insurance)	2 467 113	2 404 607	62 506
Any other liabilities, not elsewhere shown	270 369	270 369	0
<b>Total liabilities</b>	<b>34 451 185</b>	<b>84 294 191</b>	<b>-49 843 007</b>
Excess of assets over liabilities	131 637 804	78 525 239	53 112 565

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

#### D.4 Alternative methods for valuation

Garantia ei sovelle vaihtoehtoisia arvostusmenetelmiä.

#### D.5 Other information

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## E. CAPITAL MANAGEMENT

Garantia updates its capital plan at least once a year. The plan outlines the company's capital management principles, solvency constraints, solvency targets and dividend distribution policy. The capital plan ensures, in an anticipatory manner, that the company's own funds remain sufficient even under exceptional circumstances. The capital plan is based on the annually prepared risk and solvency assessment. In addition to the regular annual updates, the capital plan is also updated if there is a material change in the company's risk position, risk-bearing capacity or profitability outlook compared to what was previously anticipated.

Garantia's objective is to be a reliable partner. The company ensures the continuity and stability of its operations by maintaining strong solvency. The company's Board of Directors has set Garantia's target level of capitalisation above the statutory Solvency II solvency capital requirement, above the minimum capital requirement corresponding to an AAA credit rating as defined by Standard & Poor's, and above the internally assessed capital requirement (economic capital at the 99.5% confidence level). Garantia distributes dividends or returns capital to its owner only to the extent that this does not jeopardise the company's A- credit rating or its internally set solvency target. The qualitative objective for Garantia's own funds is that they should consist entirely of unrestricted Tier 1 basic own funds.

The primary means of ensuring balance between risks and the company's actual capitalisation is the maintenance of profitable business operations and active risk management. If an imbalance is identified, it is restored through management of profit and risk position or by acquiring new capital.

### E.1 Own Funds

Garantia's own funds consist entirely of unrestricted Tier 1 basic own funds. Garantia does not apply transitional measures in determining its basic own funds, nor do its own funds include items classified as ancillary own funds. The company's own funds are sufficient in both quality and quantity to cover the solvency capital requirement and the minimum capital requirement. Garantia's basic own funds amounted to EUR 113.6 (112.9) million at the end of the financial year. Basic own funds increased slightly, mainly as a result of excellent investment performance. Basic own funds include, as a deduction, foreseeable dividends, the amount of which increased compared with the previous year.

#### Own funds (Tier 1), euro

	31.12.2025	31.12.2024	Change
Ordinary share capital (gross of own shares)	10 200 000	10 200 000	0
	103 437	102 705	
Reconciliation reserve	804	451	732 353
of which foreseeable dividends, distributions and charges	18 000 000	15 000 000	3 000 000
<b>Total</b>	<b>113 637 804</b>	<b>112 905 451</b>	<b>732 353</b>

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

	31.12.2025	31.12.2024	Change
Own funds (Tier 1)	113 637 804	112 905 451	732 353
Solvency Capital requirement (SCR)	46 717 162	42 976 983	3 740 179
Solvency Capital requirement excl. capital add-on	41 719 160	35 948 552	5 770 608
Minimum Capital requirement (MCR)	11 679 290	10 744 246	935 044
Own funds / SCR, %	243 %	263 %	-20 pp.
Own funds / MCR, %	973 %	1051 %	-78 pp.

The most significant item explaining the difference between the equity presented in the financial statements and the amount of own funds under Solvency II is the equalisation provision of EUR 65.9 (67.9) million included in the technical provisions in the financial statements, which is classified as own funds on the Solvency II balance sheet. Of the total deferred tax liabilities presented on the Solvency II balance sheet, EUR 14.5 (14.0) million relates to the equalisation provision.

The purpose of the equalisation provision, which is included within technical provisions on the FAS balance sheet, is to smooth the impact of years with exceptionally high or low technical results. The equalisation provision acts as a buffer particularly

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against increases in claims incurred. Under Garantia's calculation principles for the equalisation provision, an amount corresponding to the claims incurred for the period is released annually through profit and loss until the provision reaches its target level. Over the long term, the equalisation provision will gravitate toward this target amount. The calculation of the target amount is defined in the Insurance Companies Act. The calculation principles applied by Garantia in its financial statements were approved by the Financial Supervisory Authority on 21 October 2016.

Garantia has no deferred tax assets on its Solvency II balance sheet.

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

	31.12.2025	31.12.2024
Shareholder's equity and reserves (+)	78 525 239	75 047 070
Foreseeable dividends, distributions and charges (-)	-18 000 000	-15 000 000
Valuation difference of Technical provisions - non-life (+)	-1 534 451	300 755
Provision for unearned premiums and claims outstanding (net) in financial statements	15 650 483	13 004 114
Technical provisions - non-life in Solvency II	-17 197 498	-12 716 620
Reinsurance recoverables from Non-life in Solvency II	12 565	13 260
Items in financial statements included in Solvency II technical provisions	-6 232 561	-8 684 232
Debtors, arising out of direct insurance operations	-6 232 584	-4 536 469
Debtors, other	0	-4 147 813
Creditors, arising out of direct insurance operations	24	49
Equalisation provision (+)	65 919 532	67 961 225
Provisions (+)	6 680	4 732
Valuation difference of Investments	9 509 463	7 317 034
Book-value of investments in financial statements	-155 919 137	-149 323 732
Fair value of investments in Solvency II	165 428 601	156 640 766
Intangible assets (-)	-19 885	-52 575
Deferred tax liabilities (-)	-14 473 708	-13 988 557
Valuation difference of any other liabilities	-62 506	0
Own funds	113 637 804	112 905 451

## E.2 Solvency capital requirement and minimum capital requirement

Garantia's solvency capital requirement amounted to EUR 46.7 (42.9) million on 31 December 2025.

The increase in the solvency capital requirement during the financial year resulted primarily from higher market risk, which in turn was driven by changes in portfolio allocation and an increase in the duration of the investment portfolio. In addition, insurance risk increased slightly due to the growth of the insurance exposure.

Garantia applies the standard formula in the calculation of the solvency capital requirement. Garantia does not use simplified calculations in the risk modules or sub-modules of the standard formula, nor does it apply company-specific parameters in place of those specified in the standard formula.

The Financial Supervisory Authority (FIN-FSA) imposed a capital add-on on Garantia for the first time in its decision of 14 June 2018. The add-on was incorporated into the company's solvency capital requirement as of 30 June 2018 and has been reassessed annually thereafter. The FIN-FSA most recently updated its decision on 6 June 2025, confirming the amount of the capital add-on at EUR 4,998,002. The FIN-FSA has informed the company that it assesses the capital add-on at least once a year.

In its latest decision of 6 June 2025, the FIN-FSA applied the same calculation methodology as approved in the previous year. Under this methodology, the capital add-on is determined as the difference between the following two figures, calculated using actual year-end data preceding the decision:

- The company's solvency capital requirement (SCR), where the non-life underwriting risk sub-module is replaced with the amount calculated according to the company's RPO99.5 model, while all other parts follow the Solvency II standard formula;
- The solvency capital requirement (SCR) calculated fully in accordance with the standard formula.

The primary reason for the capital add-on is that the Solvency II standard formula treats credit and guarantee insurance as a single category in which the capital requirement is driven mainly by annual premiums. In the standard formula, the recession (catastrophe) risk for guarantee insurance is also based on premiums and does not take into account the amount or quality of the guarantee exposures. Consequently, the standard formula does not, in the FIN-FSA's assessment, provide an accurate reflection of Garantia's risk position.

In its decision on the capital add-on, the FIN-FSA states that the risk profile of Garantia's non-life underwriting risk sub-module deviates by more than 15% from the underlying assumptions of the standard formula, and therefore the conditions for maintaining the capital add-on remain unmet. According to the FIN-FSA's assessment, no material changes have occurred in the company's risk profile since the previous decision issued on 5 June 2024.

#### Solvency capital requirement by component, euro

	31.12.2025	31.12.2024	Change
Basic solvency capital requirement	51 585 359	44 390 029	7 195 330
Market risk	36 977 070	28 110 413	8 866 657
Interest rate risk	5 902 395	4 365 082	1 537 313
Equity risk	20 941 500	13 775 683	7 165 817
Property risk	634 583	601 123	33 460
Spread risk	13 846 555	11 493 368	2 353 187
Currency risk	6 731 566	6 434 902	296 664
Concentration risk	7 328 864	7 307 595	21 269
Diversification benefit	-18 408 393	-15 867 340	-2 541 053
Counterparty default risk	947 242	723 005	224 237
Non-life underwriting risk	27 292 550	27 599 371	-306 821
Premium and reserve risk	14 600 086	13 210 395	1 389 691
Lapse risk	1 527 944	1 052 585	475 359
Catastrophe risk	19 646 090	21 131 189	-1 485 099
Diversification effect	-8 481 570	-7 794 798	-686 772
Intangible asset risk	0	0	0
Diversification effect	-13 631 503	-12 042 760	-1 588 743
Operational risk	563 590	545 661	17 929
Adjustment for loss-absorbing capacity	-10 429 790	-8 987 138	-1 442 652
Total excl. capital add-on	41 719 160	35 948 552	5 770 608
Capital add-on	4 998 002	7 028 431	-2 030 429
Total	46 717 162	42 976 983	3 740 179

Garantia's minimum capital requirement amounted to EUR 11.7 (10.7) million on 31 December 2025. In the calculation of the minimum capital requirement for the credit and guarantee insurance class, the net best estimate (after deduction of the share of reinsurance contracts/special purpose vehicles) was EUR 10.2 (7.1) million, and the net premiums written (after deduction of the reinsurers' share) over the previous 12 months amounted to EUR 23.2 (16.4) million. In 2024, the minimum capital requirement was at its lower bound, which corresponds to 25% of the solvency capital requirement. As a result, the increase in the minimum capital requirement was entirely due to the increase in the solvency capital requirement.

Garantia's solvency capital requirement takes into account the loss-absorbing capacity of deferred taxes, which amounted to EUR 14.5 (9.0) million on 31 December 2025. The loss-absorbing capacity is fully based on the release of deferred tax liabilities recognised on the Solvency II balance sheet, which in turn arise from valuation differences between the Solvency II balance sheet and the financial statements. The largest single item of deferred tax liabilities relates to the equalisation provision. The formation of deferred tax liabilities is described in sections D.3 and E.1.

Garantia does not have any loss-absorbing capacity based on probable future taxable profits or deferred tax assets as part of its solvency capital requirement.

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

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

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

Garantia applies the standard formula in the calculation of the solvency capital requirement and does not use an internal model.

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

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

### **E.6 Other Information**

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## Annex I: Tables to be published in accordance with the Commission Implementing Regulation (EU) 2023/895

### S.02.01.02 Balance Sheet

	Solvency II value
	C0010
<b>Assets</b>	
Intangible assets	R0030
Deferred tax assets	R0040
Pension benefit surplus	R0050
Property, plant & equipment held for own use	R0060 48 365
Investments (other than assets held for index-linked and unit-linked contracts)	R0070 165 428 601
Property (other than for own use)	R0080
Holdings in related undertakings, including participations	R0090
Equities	R0100 0
Equities – listed	R0110
Equities – unlisted	R0120
Bonds	R0130 117 961 963
Government Bonds	R0140
Corporate Bonds	R0150 117 961 963
Structured notes	R0160
Collateralised securities	R0170
Collective Investments Undertakings	R0180 47 466 637
Derivatives	R0190
Deposits other than cash equivalents	R0200
Other investments	R0210
Assets held for index-linked and unit-linked contracts	R0220
Loans and mortgages	R0230
Loans on policies	R0240
Loans and mortgages to individuals	R0250
Other loans and mortgages	R0260
Reinsurance recoverables from:	R0270 12 565
Non-life and health similar to non-life	R0280 12 565
Non-life excluding health	R0290 12 565
Health similar to non-life	R0300
Health similar to life	R0310
Life excluding health and index-linked and unit-linked	R0320
Life index-linked and unit-linked	R0330
Deposits to cedants	R0340
Insurance and intermediaries receivables	R0350
Reinsurance receivables	R0360
Receivables (trade, not insurance)	R0370 53026,2
Own shares (held directly)	R0380 249
	R0390
	R0400
Cash and cash equivalents	R0410 546 183
Any other assets, not elsewhere shown	R0420
<b>Total assets</b>	<b>R0500 166 088 989</b>

## Liabilities

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

	C0010
R0510	17 197 498
R0520	17 197 498
R0530	
R0540	10 182 960
R0550	7 014 538
R0560	
R0570	
R0580	
R0590	
R0600	
R0610	
R0620	
R0630	
R0640	
R0650	
R0660	
R0670	
R0680	
R0690	
R0700	
R0710	
R0720	
R0740	
R0750	
R0760	
R0770	
R0780	14 473 708
R0790	
R0800	
R0810	
R0820	
R0830	42 497
R0840	2 467 113
R0850	
R0860	
R0870	
R0880	270 369
R0900	34 451 185
R1000	131 637 804

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)	Total
		Credit and suretyship insurance	
		C0090	C0200
<b>Premiums written</b>			
Gross – Direct Business	R0110	23 247 187	23 247 187
Gross – Proportional reinsurance accepted	R0120		
Gross – Non-proportional reinsurance accepted	R0130		
Reinsurers' share	R0140	357 259	357 259
Net	R0200	22 889 927	22 889 927
<b>Premiums earned</b>			
Gross – Direct Business	R0210	20 633 664	20 633 664
Gross – Proportional reinsurance accepted	R0220		
Gross – Non-proportional reinsurance accepted	R0230		
Reinsurers' share	R0240	360 450	360 450
Net	R0300	20 273 214	20 273 214
<b>Claims incurred</b>			
Gross – Direct Business	R0310	1 682 299	1 682 299
Gross – Proportional reinsurance accepted	R0320		
Gross – Non-proportional reinsurance accepted	R0330		
Reinsurers' share	R0340	12 018	12 018
Net	R0400	1 670 281	1 670 281
<b>Expenses incurred</b>	R0550	5 645 070	5 645 070
<b>Other expenses</b>	R1200		
<b>Total expenses</b>	R1300		5 645 070

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

## S.17.01.02 Non-life technical provisions

	Direct business and accepted proportional reinsurance	Total Non-Life obligation
	Credit and suretyship insurance	
	C0100	C0180
<b>Technical provisions calculated as a whole</b>	R0010	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	
<b>Technical provisions calculated as a sum of BE and RM</b>		
<b>Best estimate</b>		
Premium provisions		
Gross	R0060	9 573 211
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-25 881
Net Best Estimate of Premium Provisions	R0150	9 599 092
<b>Claims provisions</b>		
Gross	R0160	609 749
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	38 446
Net Best Estimate of Claims Provisions	R0250	571 303
<b>Total Best estimate – gross</b>	R0260	10 182 960
<b>Total Best estimate – net</b>	R0270	10 170 395
<b>Risk margin</b>	R0280	7 014 538
<b>Amount of the transitional on Technical Provisions</b>		
Technical Provisions calculated as a whole	R0290	
Best estimate	R0300	
Risk margin	R0310	
<b>Technical provisions – total</b>		
Technical provisions – total	R0320	17 197 498
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	R0330	12 565
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	R0340	17 184 933

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

## S.19.01.21 Non-life insurance claims as development triangles

**Total Non-Life Business**

Accident year / Underwriting year	<b>20010</b>	1- Accident year
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Gross Claims Paid (non-cumulative)  
(absolute amount)

Year	Development year											In Current Year	Sum of years (cumulative)		
	0	1	2	3	4	5	6	7	8	9	10 & +				
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110				
Prior	R0100												R0100		
N-9	R0160	908 638	-52 768	-63 701	-42 313	-40 136	-49 696	-45 704	-35 102	-78 900	-28 941	-116 161	R0160	-39 498	
N-8	R0170	571 064	-20 955	31 112	-44 185	-29 941	165 239	-17 618	-23 324	-15 354			R0170	-28 941	
N-7	R0180	363 238	-20 021	-13 411	-16 462	-30 837	-13 094	-14 671	-18 135				R0180	-15 354	
N-6	R0190	816 259	957 338	1 393 156	623 241	-23 563	-6 144	-10 442					R0180	-18 135	
N-5	R0200	544 678	-18 617	-17 552	-8 047	-8 753	-9 220						R0190	-10 442	
N-4	R0210	789 866	-12 758	-30 554	-24 494	-27 310							R0200	-9 220	
N-3	R0220	948 318	-4 817	-18 667	-21 325								R0210	-27 310	
N-2	R0230	1 194 963	-60 668	-44 050									R0220	-21 325	
N-1	R0240	5 763 681	-4 570 396										R0230	-44 050	
N	R0250	2 344 221											R0240	-4 570 396	
													R0250	2 344 221	
													<b>Total</b>	R0260	-2 556 609
															8 794 695

(absolute amount)

Year	Development year											Year end (discounted data)			
	0	1	2	3	4	5	6	7	8	9	10 & +				
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300				
Prior	R0100												R0100	0	
N-9	R0160		193 302	163 163	163 163	0	0	0	0	0	0	-71 902	R0160	0	
N-8	R0170	857 194	113 849	142 300	81 343	0	0	0	0	0	0	0	R0170	0	
N-7	R0180	2 191 101	705 880	517 740	517 740	370 305	0	0	0	0	0	0	R0180	0	
N-6	R0190	880 372	0	0	0	0	0	0	0	0	0	0	R0190	0	
N-5	R0200	4 365 385	2 345 857	754 662	0	0	0	0	0	0	0	0	R0200	0	
N-4	R0210	1 509 279	0	0	0	0	0	0	0	0	0	0	R0210	0	
N-3	R0220	1 282 905	4 882	4 882	4 882	0	0	0	0	0	0	0	R0220	4 775	
N-2	R0230	1 242 873	2 287	0	0	0	0	0	0	0	0	0	R0230	0	
N-1	R0240	963 209	0	0	0	0	0	0	0	0	0	0	R0240	0	
N	R0250	-3 547 924											R0250	-3 309 073	
													<b>Total</b>	R0260	-3 304 298

## S.23.01.01 Own Funds

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

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

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

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

### Deductions

Deductions for participations in financial and credit institutions

### Total basic own funds after deductions

### Ancillary own funds

Inpaid and uncalled ordinary share capital callable on demand

Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand

Inpaid and uncalled preference shares callable on demand

A legally binding commitment to subscribe and pay for subordinated liabilities on demand

Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC

Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC

Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Other ancillary own funds

### Total ancillary own funds

### Available and eligible own funds

Total available own funds to meet the SCR

Total available own funds to meet the MCR

Total eligible own funds to meet the SCR

Total eligible own funds to meet the MCR

### SCR

### MCR

### Ratio of Eligible own funds to SCR

### Ratio of Eligible own funds to MCR

### Reconciliation reserve

Excess of assets over liabilities

Own shares (held directly and indirectly)

Foreseeable dividends, distributions and charges

Other basic own fund items

Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

### Reconciliation reserve

### Expected profits

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

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

### Total Expected profits included in future premiums (EPIFP)

	Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	10 200 000	10 200 000			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	103 437 804	102 705 451			
R0140					
R0160					
R0180					
R0220					
R0230					
R0290	113 637 804	113 637 804			
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	113 637 804	113 637 804			
R0510	113 637 804	113 637 804			
R0540	113 637 804	113 637 804			
R0550	113 637 804	113 637 804			
R0580	46 717 162				
R0600	11 679 290				
R0620	243,25 %				
R0640	972,99 %				

	C0060
R0700	131 637 804
R0710	
R0720	18 000 000
R0730	10 200 000
R0740	
R0760	103 437 804
R0770	
R0780	4 857 146
R0790	4 857 146

## S.25.01.21 Solvency capital requirement (standard formula)

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

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
R0010	36 977 070		
R0020	947 242		
R0030			
R0040			
R0050	27 292 550		
R0060	-13 631 503		
R0070	0		
R0100	51 585 359		

### Calculation of Solvency Capital Requirement

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

	C0100
R0130	563 590
R0140	0
R0150	-10 429 790
R0160	
R0200	41 719 160
R0210	4 998 002
R0211	
R0212	
R0213	
R0214	
R0220	46 717 162
R0400	
R0410	
R0420	
R0430	
R0440	

of which, capital add-ons already set - Article 37 (1) Type a  
 of which, capital add-ons already set - Article 37 (1) Type b  
 of which, capital add-ons already set - Article 37 (1) Type c  
 of which, capital add-ons already set - Article 37 (1) Type d

### Solvency capital requirement

#### Other information on SCR

#### Capital requirement for duration-based equity risk sub-module

Total amount of Notional Solvency Capital Requirements for remaining part  
 Total amount of Notional Solvency Capital Requirements for ring fenced funds  
 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios  
 e to RFF nSCR aggregation for article 304

### Approach to tax rate

Approach based on average tax rate

	Yes/No
	C109
R0590	No

### Calculation of loss absorbing capacity of deferred taxes

ion of deferred tax liabilities

LAC DT justified by reference to probable future taxable economic profit

LAC DT justified by carry back, current year

LAC DT justified by carry back, future years

Maximum LAC DT

	LAC DT
	C0130
R0640	-10 429 790
R0650	-10 429 790
R0660	
R0670	
R0680	
R0690	-10 429 790

## S.28.01.01 Minimum capital requirement

### Linear formula component for non-life insurance and reinsurance obligations

		<b>C0010</b>
MCR <sub>NL</sub> Result	<b>R0010</b>	4 233 169

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	<b>C0020</b>	<b>C0030</b>
Medical expense insurance and proportional reinsurance	<b>R0020</b>	
Income protection insurance and proportional reinsurance	<b>R0030</b>	
Workers' compensation insurance and proportional reinsurance	<b>R0040</b>	
Motor vehicle liability insurance and proportional reinsurance	<b>R0050</b>	
Other motor insurance and proportional reinsurance	<b>R0060</b>	
Marine, aviation and transport insurance and proportional reinsurance	<b>R0070</b>	
Fire and other damage to property insurance and proportional reinsurance	<b>R0080</b>	
General liability insurance and proportional reinsurance	<b>R0090</b>	
Credit and suretyship insurance and proportional reinsurance	<b>R0100</b>	10 170 396
Legal expenses insurance and proportional reinsurance	<b>R0110</b>	21 531 057
Assistance and proportional reinsurance	<b>R0120</b>	
Miscellaneous financial loss insurance and proportional reinsurance	<b>R0130</b>	
Non-proportional health reinsurance	<b>R0140</b>	
Non-proportional casualty reinsurance	<b>R0150</b>	
Non-proportional marine, aviation and transport reinsurance	<b>R0160</b>	
Non-proportional property reinsurance	<b>R0170</b>	

### Overall MCR calculation

	<b>C0070</b>	
Linear MCR	<b>R0300</b>	4 233 169
SCR	<b>R0310</b>	46 717 162
MCR cap	<b>R0320</b>	21 022 723
MCR floor	<b>R0330</b>	11 679 290
Combined MCR	<b>R0340</b>	11 679 290
Absolute floor of the MCR	<b>R0350</b>	4 000 000
	<b>C0070</b>	
<b>Minimum Capital Requirement</b>	<b>R0400</b>	11 679 290