



GARANTIA INSURANCE COMPANY LTD FINANCIAL STATEMENTS BULLETIN 1 JANUARY – 31 DECEMBER 2015

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GARANTIA INSURANCE COMPANY RISK CARRYING CAPACITY IMPROVED AND CREDIT RATING IS A-

- Earnings before tax improved and were EUR 8.5 (5.3) million.
- The balance on the technical account was good. The claims ratio was 15% (4) and the combined ratio was 64% (46).
- Net return on investments at fair values was 4.4% (7.1).
- Earned premiums declined by 11% year on year.
- Standard & Poor's confirmed Garantia's credit rating on 19 June 2015 as A- with a negative outlook. The company's risk carrying capacity is strong.
- Garantia's all shares were transferred to the ownership of Taaleri Oyj following an acquisition completed on 31 March 2015.
- The annual general meeting appointed a new Board of Directors for Garantia on 31 March 2015. Hannu Tonteri was elected as Chairman of the Board of Directors and Juhani Elomaa (Vice Chairman), Timo Hukka, Jukka Ohls, Antti Suhonen and Tomi Yli-Kyyny as members of the Board.
- On 31 March 2015, the Board of Directors appointed Vesa Aho M.Sc (Econ. & Bus. Adm.) as the new CEO, with effect from 14 April 2015.

Profit and loss account and Key ratios

EUR million	2015	2014	Change
Earned premiums	9 849	11 071	-11 %
Claims incurred	-1 492	-412	262 %
Operating expenses	-4 778	-4 646	3 %
Balance on technical account before changes in equalisation provision	3 579	6 013	-40 %
Change to equalisation provision	-3 517	-6 101	-42 %
Balance on technical account	62	-88	-171 %
Investment income and expenses, net	8 460	5 348	58 %
Earnings before tax	8 523	5 260	62 %
Taxes	-1 712	-1 042	64 %
Net profit for the financial year	6 811	4 218	61 %
Combined ratio, %	64 %	46 %	18 pps.
Claims ratio, %	15 %	4 %	11 pps.
Expense ratio, %	49 %	42 %	7 pps.
Net return on investments at fair values, %	4,4 %	7,1 %	-2,5 pps.
Risk carrying capacity, %	1064 %	909 %	155 pps.
Solvency ratio (S2), %*	549 %	383 %	166 pps.
Average number of personnel	25	25	0

* The Solvency II regulations were not in force during the 2015 financial year and they do not fall within the sphere of statutory auditing under the Insurance Companies Act (as amended on 1 January 2016).

Earnings

Earnings before tax increased to EUR 8.5 (5.3) million.

Earned premiums decline. The demand was very low for corporate loan guaranties. The recovery in the mortgage market and cooperation launched with S-Bank increased the earned premiums on residential mortgage guaranties. The demand for commercial bonds also grew slightly. The gross exposure of Insurance portfolio totalled EUR 1,164 (1,338) million at the end of the year.

Claims paid remained at a low level. The claims ratio was 15.1% (3.7). In 2015 a total of EUR 1.9 (3.1) million in claims were paid, and about half of these were related to residential mortgage guaranties and half to loan guaranties. Operating expenses grew by 3%. Operating expenses included costs related to reorganisation of personnel and moving to new premises.

Investment activities

Investment activities exceeded the return targets set for 2015 as a result of the good equity market returns. Net return on investments at fair values was 4.4% (7.1). Net return on investments recognised in profit and loss account were EUR 8.5 (5.3) million. During the review period, the valuation difference of investment assets declined from EUR 10.3 million to EUR 6.7 million.

The investment portfolio (incl. deposits) totalled EUR 120 (123) million at the end of the year. Fixed income investments made up 82% (75) and equity investments 17% (23) of the investment portfolio. The share of equity investments in investment portfolio was lowered during the financial year.

The majority of fixed income investments are invested in senior debt securities with a good credit rating. The modified duration of fixed income investments was 2.5 (2.7).

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Profit and loss account 1 January – 31 December 2015

euros	2015	2014	change, %
Technical Account			
Earned premiums			
Premiums written	10 018 859,90	11 250 256,14	-10,9 %
Reinsurers' share	-1 024 927,60	-1 436 557,64	-28,7 %
Change to provision for unearned premiums	1 019 473,16	1 456 328,72	-30,0 %
Reinsurers' share	-164 652,02	-199 112,66	-17,3 %
	9 848 753,44	11 070 914,56	-11,0 %
Claims Incurred			
Claims paid	-1 459 258,79	-1 067 510,18	36,7 %
Reinsurers' share	38 504,92	498 474,31	0,0 %
Change in provision for outstanding claims	-274 124,45	680 107,08	-140,3 %
Reinsurers' share	203 223,88	-523 363,41	-138,8 %
	-1 491 654,44	-412 292,20	261,8 %
Operating expenses	-4 777 713,42	-4 645 538,31	2,8 %
Balance on technical account before change to equalisation provision	3 579 385,58	6 013 084,05	-40,5 %
Change to equalisation provision	-3 516 924,28	-6 100 731,45	-42,4 %
Non-technical account	62 461,30	-87 647,40	-171,3 %
Non-technical account			
Investment income	9 058 130,51	5 964 701,75	51,9 %
Investment expenses	-597 997,33	-616 858,35	-3,1 %
Direct taxes on ordinary operations	-1 711 924,96	-1 042 073,58	64,3 %
Net profit for the financial year	6 810 669,52	4 218 122,42	61,5 %

Balance Sheet 31 December 2015

Assets

euros	31.12.2015	31.12.2014
INTANGIBLE ASSETS		
Intangible rights	12 702,03	14 273,75
Other long-term expenditure	261 511,46	701 522,03
	274 213,49	715 795,78
INVESTMENTS		
Investments in real property		
Real property and shares in property	0,00	1 224 727,08
Investments in associates		
Shares and participants	0,00	0,00
Other investments		
Shares and units	19 769 510,75	24 242 462,84
Other financial instruments	87 631 415,53	84 317 172,04
	107 400 926,28	108 559 634,88
Total	107 400 926,28	109 784 361,96
RECEIVABLES		
From primary insurance		
From policy holders	403 202,30	337 655,05
From reinsurance	35 876,69	143 623,27
Other	1 251 817,72	1 316 577,90
	1 690 896,71	1 797 856,22
OTHER ASSETS		
Tangible assets		
Equipment	102 072,35	64 907,28
Other tangible assets	49 250,40	49 896,51
	151 322,75	114 803,79
Cash and bank balances	4 024 287,27	1 619 466,44
Total	4 175 610,02	1 734 270,23
PREPAYMENTS AND ACCURED INCOME		
Accured interest and retail income	1 836 553,14	1 565 219,16
Other accured income	22 595,49	20 345,16
	1 859 148,63	1 585 564,32
TOTAL ASSETS	115 400 795,13	115 617 848,51

Liabilities

euros	31.12.2015	31.12.2014
EQUITY AND RESERVES		
Share capital	10 200 000,00	10 200 000,00
Reserve for invested unrestricted equity	25 515,00	10 025 715,00
Retained earnings	9 580 634,72	5 362 512,30
Profit / loss of the financial year	6 810 669,52	4 218 122,42
Total	26 616 819,24	29 806 349,72
TECHNICAL PROVISIONS		
Provision for unearned premiums	11 394 495,22	12 413 968,38
Reinsurers' share	-409 971,04	-574 623,06
	10 984 524,18	11 839 345,32
Claims outstanding	1 196 347,75	922 223,30
Reinsurers' share	-526 849,10	-323 625,22
	669 498,65	598 598,08
Equalisation provision	74 788 747,00	71 271 822,72
Total	86 442 769,83	83 709 766,12
OTHER LIABILITIES		
From primary insurance	125 000,00	175 000,00
From reinsurance	355 445,24	757 590,91
Other	239 184,37	163 034,08
	719 629,61	1 095 624,99
ACCURED EXPENSES AND PREPAID INCOME		
Other	1 621 576,45	1 006 107,68
	1 621 576,45	1 006 107,68
TOTAL LIABILITIES	115 400 795,13	115 617 848,51

Calculation of key financial indicators

Claims ratio, %	=	$\frac{\text{Claims incurred}}{\text{Insurance premium income}^*}$	*	100
Expense ratio, %	=	$\frac{\text{Operating costs}}{\text{Insurance premium income}^*}$	*	100
Combined ratio, %	=	Claims ratio, % + Expense ratio, %		
Solvency capital (S1),€	=	Solvency margin + Equalisation provision + Minority share		
Risk carrying capacity, %	=	$\frac{\text{Solvency capital (S1)}}{\text{12-month Insurance premium income}}$	*	100
Solvency ratio (S2), %	=	$\frac{\text{Basic own funds}}{\text{Solvency capital requirement}}$	*	100

* after the share of reinsurers