SWEDBANK P&C INSURANCE AS

Annual report

for the financial year
ended on 31 December 2016

Business name	Swedbank P&C Insurance AS
Commercial Register code	11269248
Address	Liivalaia 12, Tallinn 15039, Estonia
Telephone	+372 888 2220
Facsimile	+372 888 2221
E-mail	varakindlustus@swedbank.ee
Website	www.swedbank.ee/varakindlustus
Principal activity	Provision of insurance services
Beginning of financial year	1 January 2016
End of financial year	31 December 2016
Chairman of the Management Board	Margus Liigand
Auditors	AS Deloitte Audit Eesti
Documents enclosed with the Annual Report	Independent Certified Auditor´s Report Profit Distribution Proposal

MANAGEMENT REPORT

Swedbank P&C Insurance AS (hereinafter also the Company) operates in Estonia, Latvia and Lithuania. The Company provides motor own damage, motor third party liability, home and apartment building, travel and payment protection insurances. The products of Swedbank P&C Insurance are sold through the sales channels of Swedbank. Customers can also enter into contracts by telephone and e-mail and partially via other e-channels.

Results of the Company in 2016

The financial results of the Company in 2016 may be considered to be very good. By the end of the year the Company's portfolio consisted of 630 thousand contracts in force with total value of written premiums of 68 million euros.

2016 profit of the Company was 10.8 million euros and was lower than last year mainly due to the higher income tax (1.7 million euros decrease). Technical profitability ratios of the Company were very good and the profit before taxes amounted to 16.5 million euros, which exceeded the previous year result by 1.2 million euros. The profitability growth was strongly restricted by an increase in the claim ratio. Gross premiums amounted to 71.1 million euros in 2016 (growth compared to previous year 18.8%). Net premiums amounted to 66.2 million euros.

In euros	2016	2015
Premiums earned net of reinsurance	66 200 196	55 611 342
Claims incurred net of reinsurance	40 714 650	32 678 121
Net operating expenses	8 998 662	7 507 132
Return of insurance activities	16 486 884	15 426 089
Net profit	10 819 903	12 523 446
Net claims ratio	61,5%	58,8%
Net expense ratio	13,6%	13,5%
Combined ratio	75,1%	72,3%

Net claims ratio = $\dfrac{\text{Claims incurred net of reinsurance}}{\text{Premiums earned net of reinsurance}}$

Net expense ratio = $\dfrac{\text{Net operating expenses}}{\text{Premiums earned net of reinsurance}}$

Combined ratio = Net claims ratio + net expense ratio

Sales Results of the Company in Estonia 2016

In thousands of euros	Gross premium	Proportion
Motor own damage insurance	19 317	40.7%
Home insurance	15 825	33.4%
Motor third party liability insurance	5 524	11.6%
Payment protection insurance	3 535	7.5%
Travel insurance	2 827	6.0%
Apartment building insurance	338	0.7%
Other	41	0.1%
TOTAL	47 407	100%

Sales Results of the Company in Latvia 2016

In thousands of euros	Gross premium	Proportion
Home insurance	5 664	52.0%
Motor own damage insurance	3 193	29.3%
Motor third party liability insurance	850	7.8%
Travel insurance	710	6.5%
Payment protection insurance	420	3.9%
Other	54	0.5%
TOTAL	10 891	100%

Sales Results of the Company in Lithuania 2016

In thousands of euros	Gross premium	Proportion
Home insurance	8 235	64.2%
Motor own damage insurance	1 699	13.2%
Travel insurance	1 212	9.5%
Payment protection insurance	1 487	11.6%
Other	187	1.5%
TOTAL	12 820	100%

In 2016, gross premiums of the Company increased in all countries (YoY basis 18.8%). It was foremost caused by active sales of home insurance products in all Baltic countries, as well as increase of sales of travel and motor own damage insurance. Sales of motor third party liability insurance increased in Estonia and in Latvia by the end of the year, but the impact on the total gross premium growth was low. Active sales of mortgage related insurance products in the Baltics lead to the increase of payment protection insurance premiums. Moreover, credit card payment protection sales were very strong in Lithuania leading to a significant increase in premiums of this product group.

In 2016, 51 thousand insured events (YoY growth 38%) were accepted. The amount of claims paid totalled 42.2 million euros (YoY growth 30%).

The profit of the Company from insurance activities totalled 16.5 million euros (2015: 15.4 million euros). The net claim ratio was 61.5% (2015: 58.8%) and the net expense ratio 13.6% (2015: 13.5%).

One of the main reasons to the increase of the claim ratio were growing claims in the home insurance products. Motor own damage claim ratio remained at the same level as previous year. Claim ratio in travel insurance worsened compared to 2015.

The expense ratio of the Company is still low in comparison to the insurance market. It did not grow in 2016 as it was expected, increasing only by 0.1 pp compared to 2015, despite a considerable growth of the portfolio in total. The Company remains to be the insurer with the best expense ratio in the Baltic countries.

In 2016, the Company continued conservative investment policy by investing into the bank deposits and low-risk bonds.

The Company has a strong capital position and as of 31.12.2016 available capital exceeds 1.67 times (2015: 1.64) the solvency capital requirement.

Economic Environment

In 2016, economic growth decelerated in Estonia and Latvia, and remained modest in Lithuania. Uncertain external environment and a delay in the use of the EU funds hampered investment. Consumption was the main driver of growth. Consumers' real purchasing power improved: wages grew rapidly while prices grew little. The number of new cars sold was higher than expected, supported by high household sentiment, low interest rates and the availability of good offers in the market. Real estate market remained active: prices grew and the number of deals increased.

In 2017, economic growth is expected to accelerate in all three Baltic countries as better outlook of external demand will support exports and investments. Nominal wage growth will remain decent and unemployment rate is expected to decrease, except for Estonia, where a labour market reform will lift the number of the unemployed.

Non-life Insurance Market

In 2016, Baltic non-life insurance market grew in all the Baltic States, whereby the most rapid growth, 13.2%, was reported in Lithuania. In Estonia and Latvia the insurance market grew 8.4% and 6.4% respectively. The Company´s premium growth exceeded the market in each of the Baltic States.

The market share of the Company in Estonia was 15.7% (0.4 percentage points increase compared to 2015). The market share of the Company in Latvia was 4.0% (0.5 percentage points increase) and 3.1% in Lithuania (0.6 percentage points increase).

We expect that the insurance market will continue growing in 2017, which would be also supported by the price increase of insurance payments.

Members of Management and Supervisory Boards

The Council of Swedbank P&C Insurance AS decided to call back Ivika Torpel from Company´s Management Board starting from 12.02.2016. Management Board continued with four members: Margus Liigand, Peeter Kabbun, Vaida Janušytė and Mihkel Mandre. Margus Liigand will continue as the CEO of the Company.

Membership of the Council did not change during 2016. The Council continued with four members: Johanna Okasmaa Nilsson, Jonas Jonsson, Aet Altroff and Kristina Mikenberg.

The total remuneration paid to Members of the Management Board in 2016 under Board Member agreements amounted to 141.3 thousand euros and under employment contracts 35.2 thousand euros. The Members of the Management Board, similarly to all employees, are entitled to bonuses for 2016, based on the bonus program of Swedbank group. In 2016, based on bonus program of Swedbank Group, 2,520 shares of Swedbank AB were transferred to Board Members for the performance in year 2012. The Company did not calculate or pay any remuneration to Members of the Supervisory Board.

Number of Employees and Staff Costs

As of 31 December 2016 the Company had 103 employees (58 in Estonia, 19 in Latvia and 26 in Lithuania), incl. four members of the Management Board. Staff costs along with social taxes amounted to 2,577,748 euros (2015: 2,387,516 euros). Personal social tax expenses in 2016 amounted to 373,011 euros (2015: 357,481 euros) in the Company in Estonia, 88,427 euros (2015: 89,447 euros) in the Latvian branch and 124,942 euros in the Lithuanian branch (2015: 102,511 euros). The unemployment insurance expenses totalled 7,912 euros (2015: 7,377 euros) in the Company in Estonian and 821 euros in the Lithuanian branch (2015: 662 euros).

Activity Plan for 2017

The company will carry on current action plan to harmonize non-life insurance offering and availability in the Baltic countries during 2017. The Company will continue to put an emphasis on maintaining the high insurance portfolio quality.

In order to improve the operational quality and control costs it is planned to unify the structure, working processes and client relationships with Swedbank Life Insurance SE. In addition to that, the Company finds important to continue with automatization of existing processes.

In 2017, the Company will concentrate on improvement of client relationships and sales channels, especially products availability in e-channels. As a result, we expect growth in digital channels sales volumes.

The main goal of the Company continues to be the maintenance of a high level of customer satisfaction by offering excellent services, broad insurance cover and competitive prices whilst retaining the profitability of the Company by keeping operating expenses low.

Margus Liigand
Chairman of the Management Board

STATEMENT OF FINANCIAL POSITION

In euros	Note	31.12.2016	31.12.2015
ASSETS			
Cash and cash equivalents	3	13 621 772	7 184 894
Financial investments	4	38 655 459	41 062 598
Bonds		25 153 925	24 443 886
Term deposits		13 501 534	16 618 712
Receivables related to insurance activities		3 777 726	3 429 443
Prepaid expenses	5	122 480	136 589
Reinsurance assets	6	5 130 244	3 972 649
Receivables		1 711 359	1 397 887
Technical provisions		3 418 885	2 574 762
Deferred tax assets	17	22 283	1 423
Tangible assets		5 977	10 728
Total assets		**61 335 941**	**55 798 324**
LIABILITIES AND EQUITY			
Liabilities related to insurance activities	7	25 881 824	22 396 482
Technical provisions		23 511 766	20 354 424
Liabilities related to reinsurance		1 879 971	1 605 585
Other		490 087	436 473
Other liabilities	8	1 357 358	1 256 331
Total liabilities		**27 239 182**	**23 652 813**
Equity			
Share capital	9	21 210 000	7 210 000
Share premium		1	1
Statutory legal reserve		721 000	721 000
Retained earnings		1 345 855	11 691 064
Net profit for financial year		10 819 903	12 523 446
Total equity		**34 096 759**	**32 145 511**
Total liabilities and equity		**61 335 941**	**55 798 324**

The Notes presented on pages 12 to 47 form inseparable parts of the Financial Statements.

Swedbank

STATEMENT OF COMPREHENSIVE INCOME

In euros	Note	2016	2015
Premiums earned, net of reinsurance	10		
Premiums earned		70 208 209	59 250 623
Reinsurance premium		-4 008 013	-3 639 281
TOTAL		66 200 196	55 611 342
Claims incurred, net of reinsurance	11		
Claims incurred, gross		40 890 915	32 715 452
Claims handling expenses		2 675 022	2 114 512
Share of reinsurance in claims incurred		-2 851 287	-2 151 843
TOTAL		40 714 650	32 678 121
Operating expenses			
Acquisition costs and reinsurance commissions	13	3 974 790	2 875 412
Administrative expenses	14	4 716 892	4 412 807
Other operating expenses		306 980	218 913
TOTAL		8 998 662	7 507 132
Profit from insurance activities		16 486 884	15 426 089
Investment income and expenses, net	16	201 600	122 001
Other income		501	3 205
Other expenses		231 584	284 727
Profit before income tax		16 457 401	15 266 568
Income tax	17	5 658 357	2 743 616
Deferred income tax	17	-20 859	-494
Net profit for the year		10 819 903	12 523 446
Total comprehensive income for the year		10 819 903	12 523 446

The Notes presented on pages 12 to 47 form inseparable parts of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

In euros	Share capital	Share premium	Statutory legal reserve	Retained earnings	Total equity
As at 01.01.2015	**7 210 000**	**1**	**300 002**	**23 737 139**	**31 247 142**
Net profit for the year	0	0	0	12 523 446	12 523 446
Distribution of dividends	0	0	0	-11 500 000	-11 500 000
Change in Statutory legal reserve	0	0	420 998	-420 998	0
Fair value adjustment of share based payment at the settlement date	0	0	0	-125 077	-125 077
As at 31.12.2015	**7 210 000**	**1**	**721 000**	**24 214 510**	**32 145 511**
Net profit for the year	0	0	0	10 819 903	10 819 903
Proceeds from issuance of shares	14 000 000	0	0	0	14 000 000
Distribution of dividends	0	0	0	-22 800 000	-22 800 000
Fair value adjustment of share based payment at the settlement date	0	0	0	-68 655	-68 655
As at 31.12.2016	**21 210 000**	**1**	**721 000**	**12 165 758**	**34 096 759**

The Notes presented on pages 12 to 47 form inseparable parts of the Financial Statements.

STATEMENT OF CASH FLOWS

In euros	2016	2015
Cash flow from / used in operating activities	**12 635 329**	**15 428 620**
Insurance premium collected	71 637 885	60 406 721
Claims, recoveries and handling expenses paid	-40 659 078	-31 076 705
Settlements with reinsurers	-1 146 189	-1 441 700
Operating expenses paid	-11 694 443	-9 686 646
Income tax paid	-5 506 356	-2 779 226
Other income and expenses	3 510	6 176
Cash flow from / used in investing activities	**2 612 896**	**-6 010 255**
Acquisition of fixed tangible assets	-4 386	-4 413
Interest collected	701 563	426 164
Acquisition of bonds	-9 866 831	-23 726 350
Disposal of bonds	8 806 600	10 123 910
Placed in term deposits	-15 300 000	-26 600 000
Proceeds from matured term deposits	18 386 711	33 835 950
Investment expenses paid	-110 761	-65 516
Cash flow used in financing activities	**-8 800 000**	**-11 500 000**
Distribution of dividends	-22 800 000	-11 500 000
Proceeds from issuance of shares	14 000 000	0
TOTAL CASH FLOW	6 448 225	-2 081 635
Cash and cash equivalents at beginning of the year	7 184 894	9 270 039
Change in cash and cash equivalents	6 448 225	-2 081 635
Effect of exchange rate changes	-11 347	-3 510
Cash and cash equivalents at end of the year	13 621 772	7 184 894

The Notes presented on pages 12 to 47 form inseparable parts of the Financial Statements
.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES

Swedbank P&C Insurance AS is a company registered in Estonia and operating in Estonia, Latvia and Lithuania. In Latvia, the branch was registered in 2009 and in Lithuania in 2011. The parent company of Swedbank P&C Insurance AS is Swedbank AS in Estonia. The parent company of the Group is Swedbank AB in Sweden.

1.1 Basis of preparation of the Financial Statements

The accounting policies and procedures and the presentation of financial information applied in preparation of the 2016 Financial Statements of Swedbank P&C Insurance AS (hereinafter also the Company) are in accordance with the International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission.

Functional currency of the Company is euro. All the amounts in these Financial Statements have been presented with an accuracy of one euro, unless indicated otherwise. The Financial Statements have been prepared using the accrual basis of accounting.

The Annual Report, prepared by the Management Board, which also includes the financial statements, has been presented to the Supervisory Board and the Shareholder for approval. The Shareholder has the right to reject the Annual Report prepared by the Management Board and approved by the Supervisory Board and demand that a new report is prepared.

1.2 Judgements and estimates of Management Board in preparing Financial Statements

Preparation of Financial Statements in accordance with the International Financial Reporting Standards as adopted by European Commission requires the use of estimates and judgements by the Management Board, which impacts the balances of assets and liabilities recognised, as well as revenue and expenses of the accounting period. The judgements and the estimates have been developed according to the best knowledge of the Management Board and considering the factors that are deemed justified under the current circumstances. The judgements and estimates are consistently reviewed. The final outcome may differ from these judgements and estimates.

The Management Board has decided to disclose bonds of investment portfolio in fair value through profit and loss. Judgements of the fair value of assets in the investment portfolio are determined by the portfolio manager (Swedbank Investeerimisfondid AS) on the basis of market information. The fair value of the remaining financial assets and liabilities does not differ substantially from their book value. The Management Board has decided that the investment portfolio should have very good liquidity at all times, covering the potential outflows arising from insurance contracts. Additionally, at least 10% of the Portfolio assets have to have a liquidation horizon of one week. The only exception is allowed to assets covering annuities; there maximum allowed maturity is 20 years.

In calculating insurance technical provisions, the Management Board estimates unearned premium and outstanding claims provisions separately. Premium provision represents unearned part of premium instalments. Historical claim data, current trends, actual payment patterns are used for outstanding claims provision estimation.

In calculating the cost which is recognised as employee benefits ultimately settled in the form of common shares in Swedbank AB, the Management Board estimates how many common shares will be settled. Employees are allotted contingent rights to receive common shares, which require, for example, that they remain employed until the settlement date; otherwise the rights expire. Management also estimates the fair value of the rights allotted to employees and which gives them the conditional right to receive common shares in Swedbank AB at no cost. The estimate is based on the quoted price of the common share, since the right essentially has the same terms as a common share.

Liability adequacy is considered as management judgement; see for furthered details chapter 1.14.

1.3 Classification of Contracts

According to IFRS 4, for the accounting purposes contracts of an insurance company must be classified into insurance or investment contracts. Insurance contracts are contracts under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or another beneficiary upon the arrival of an insured event. All contracts concluded by the Company can be classified as insurance contracts.

1.4 Revenue Recognition

Revenue from insurance premiums (gross premium) means premium earned and to be earned under an insurance contract or instalments of premium whose due date falls in the financial year. If the due date of premium or the first instalment of premium is after the date of entry into force of the insurance contract, premium revenue is recognised at the date of entry.

Share of reinsurance in claims paid means indemnities to be received from reinsurers on the basis of reinsurance contracts.

Reinsurance commission means commissions to be received from reinsurers on the basis of reinsurance contracts.

Recourse revenue means amounts of recourse actions recorded in the financial year less doubtful receivables.

Revenue from realization of salvage is recognised when the right of ownership of the assets has been transferred to the buyer. The right of ownership is transferred to the buyer as from the transfer of the assets. Sales revenue is recognised in the amount actually paid by the buyer. Payment is a prerequisite for transfer of assets.

Other revenue is recognised at the fair value of the payments received or to be received. Revenue from the sales of goods is recognised when all essential risks and benefits relating to the right of ownership have been transferred to the buyer and the amount of revenue can be established in a reliable manner. Revenue from the sales of services is recorded on the accrual basis upon provision of the services. Interest income is recorded on the accrual basis, considering the effective interest rate of the asset.

1.5 Recognition of Expenses

Reinsurance premium means premium paid or payable according to the reinsurance conditions concluded by the insurer as the reinsurer.

Claims incurred means amounts of indemnities paid out in the financial year (claims paid) and changes in the provisions of claims.

Claims handling expenses mean direct expenses relating to specific losses and indirect administrative expenses relating to claims handling and insurer's relevant expenses, including employees' salaries, social tax expenses, etc.

Acquisition costs mean direct and indirect costs arising from entry into insurance contracts. Direct acquisition costs are agency fees and mediator's fee. Indirect acquisition costs are for instance advertising costs, salaries of employees relating to the conclusion of policies, transport, telephone, etc., costs.

Administrative expenses mean costs relating to the collection of insurance premiums, portfolio management, general management, accounting and IT. The expenses include those relating to insurance activities not recorded under acquisition costs or claims adjustment expenses.

Other expenses mean expenses incurred in the interests of the Company as a whole, but not in connection with everyday insurance or investment activities. The expenses include for example fees to auditors, supervision fee to the Financial Supervision Authority, legal, notarial, etc., services.

1.6 Cash and Cash Equivalents

Cash and cash equivalents are balances of current and overnight deposits as of the balance sheet date. The Company does not settle transactions in cash. The Cash Flow Statement has been prepared using the direct method.

Cash invested in and received from term deposits has been recorded in the Cash Flow Statement according to the content of the transactions as cash flow from investing activities.

1.7 Recognition of Foreign Currency Transactions

The functional currency of the Company is euro. All other currencies are considered foreign currencies.

Foreign currency transactions are recognised on the basis of the official closing exchange rates of the European Central Bank as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been restated in euro using the exchange rates quoted by the European Central Bank as of the balance sheet date. Gains and losses on conversion of foreign currency have been indicated in the Statement of Comprehensive Income of the accounting period.

1.8 Financial Assets

Depending on the purpose of acquisition of financial assets and the plans of the management related thereto the financial assets are classified into the following categories according to IAS 39:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

The Company does not have any financial assets to be classified as held-to-maturity investments or available-for-sale financial assets. The quantitative distribution of financial assets has been set out in clause 4 of Note 2.

Financial assets are recorded on the Balance Sheet on the trading date when a contract for the acquisition of asset is concluded.

Financial assets are registered in accounting at their acquisition cost, i.e. the fair value paid for the assets. The initial acquisition cost includes all the transaction costs directly attributable to acquisition of the financial assets, except the costs related to acquisition of the financial assets at fair value through profit or loss.

Financial assets are derecognised when the Company loses the right to the cash flow generated by the financial assets or assigns the cash flow generated by the financial assets and most of the risks and benefits related to the financial assets to a third party.

1.8.1 Financial assets at fair value through profit or loss

This group includes the following: financial assets held with the trading objective, i.e. the assets that have been acquired or arisen mainly for the resale or repurchase objective in the near future, or are derivative instruments other than hedge instruments.

According to the IFRS 13 fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If an asset or a liability measured at fair value has a bid price and ask price, the price within the bid-ask spread is used to measure fair value.

The financial assets at fair value through profit or loss are recognised initially at acquisition cost, i.e. the fair value paid for the financial assets (transaction costs are not included). After initial recognition such financial assets are restated on the balance sheet date to the fair value (IAS 39). Gains and losses from change in the fair value are recognised in the Statement of Comprehensive Income.

1.8.2 Loans and receivables

Receivables are debts of policyholders, reinsurers, intermediaries and others at the end of the financial year. Receivables are recorded on the Balance Sheet at amortised cost, calculated using the effective interest rate method. On the balance sheet date the probability of accrual of receivables is assessed using the method of individual assessment of receivables. The recovery and write-off of receivables under insurance contracts that's payment term has expired takes place according to the rules for debt proceedings. In the case of cancelled receivables relevant revenue entries are reduced.

Term deposits are classified according to IAS 39 under receivables and are recognised at amortised cost.

1.9 Reinsurance Assets

Reinsurance assets comprise the share of reinsurance in the provision for unearned premiums and outstanding claims and receivables from reinsurers. Receivables from reinsurers arise from reinsurance commissions and the share of reinsurers in claims.

1.10 Tangible Fixed Assets

Tangible fixed assets are assets with a useful life exceeding one year and value of 1,000 euros or more, in the case of computing equipment with a value of more than 2,000 euros, and in the case of computing equipment of workplaces with value of more than 250 euros. Other equipment is written off upon acquisition.

Tangible fixed assets are initially recognised at their acquisition cost, which comprises the purchase price and expenses directly attributable to the acquisition. Thereafter the tangible fixed assets are recorded on the Balance Sheet at the acquisition cost thereof less accumulated depreciation and any possible write-downs arising from impairment.

The difference between cost of an asset and its terminal value is expensed during the useful lifetime of that asset. Depreciation period is 2-4 years, depending on the nature of the asset. Depreciation is calculated according to the straight-line method.

As of each balance sheet date the evaluation of occurrence of factors referring to any possible impairment of fixed assets is carried out. The recoverable amount of the assets is assessed if such circumstances appear and it is compared to the book value of relevant assets. If the recoverable amount of tangible fixed assets (the higher of the two: fair value less costs to sell or value in use) is permanently lower than the book value, the assets are indicated in the presumably recoverable amount.

1.11 Financial Liabilities

Financial liabilities are contractual obligations to give the other party money or other financial assets, a contractual obligation to exchange with the other party financial instruments under potentially unfavourable conditions.

Financial liabilities are initially recognised at their fair value, less transaction costs, and thereafter at adjusted acquisition cost using the effective interest rate method. The adjusted acquisition cost of short-term financial liabilities is generally equal to their nominal value and therefore short-term financial liabilities are recognised on the Balance Sheet in the amounts subject to payment. Financial liabilities are derecognised when they are satisfied, i.e. the liability set out in a contract has been discharged, cancelled or expired. The quantitative distribution of liabilities has been set out in clauses 4 and 5 of Note 2.

1.12 Technical Provisions

Provision for unearned premiums is formed from the sum of provisions for unearned premiums of individual contracts. The provision is the amount of the premium or instalments of premium of contract in force that corresponds to the outstanding risks as of the balance sheet date.

Provision for outstanding claims is the amount that reflects the final estimated expenditure, including all claims handling expenses, of all insurance claims incurred but not yet settled as of the balance sheet date, irrespective of whether these claims have been reported. As an input for measuring the liabilities arising from unsettled claims, the Company uses the estimation about the volume of individual claims reported to the Company and statistical analysis of claims incurred but not yet reported. The Company does not discount the liabilities arising from unsettled claims except for liabilities arising from motor third party liability annuity claims.

1.13 Liabilities from Reinsurance

Reinsurance liabilities from proportional reinsurance arise at the same time and proportionally to the accrual of receivables (incl. the initial commission) and payables of the Company in respect of policyholders.

Non-proportional reinsurance premium rate, minimum and deposit payment and procedure for payment thereof for an insured year is determined in a reinsurance contract. The amount of an insurance premium is based on the volume of premium actually earned during the underwriting year and the initial premium is adjusted at the end of the underwriting year.

1.14 Liability Adequacy Test

At each balance sheet date liability adequacy tests are performed to ensure the adequacy of liabilities arising from insurance contracts, considering the current judgements of the present value of contractual cash flow, and also loss adjustment and administrative expenses. All deficits are recorded in the Statement of Comprehensive Income and a provision based on the liability adequacy test is created on the Balance sheet (unexpired risk reserve).

1.15 Lease Accounting

Lease transactions where all significant risks and benefits relating to the ownership of the property transfer to the lessee are recorded as finance lease. Other lease transactions are treated as operating leases. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income over the lease term on a straight-line basis.

Finance lease is reported by the Company as the lessee on the Balance Sheet as the assets and liabilities in the amount of the fair value thereof or in the present value of the minimum lease payments, if that is lower. Lease payments are divided between financial expenses (interest expenses) and reduction of the residual value of the liability. Financial expenses are allocated to each lease period so as to produce a constant periodic rate of interest on the residual value of the liability during the lease period. Financial expenses are recognised on accrual basis in the Statement of Comprehensive Income.

1.16 Share-based payment

Since the Group (refers to Swedbank AB (publ) and its subsidiaries) receives services from its employees and assumes an obligation to settle the transactions with equity instruments, this is recognised as share based payment. This means that the fair value of the services that entitle the employees to an allotment of equity instruments is expensed at the time the services are rendered. At the same time a corresponding increase in liabilities is recognised. For share-based payment to employees settled with equity instruments, the services rendered are valued with reference to the fair value of the allotted equity instruments. The fair value of the equity instruments is calculated as per the allotment date for accounting purposes, i.e., the valuation date. The valuation date refers to the date when a contract was entered into and the parties agreed on the terms of the share-based payment. On the allotment date, the employees are allotted rights to share-based payment. Since the allotted equity instruments are not vested until the employees have fulfilled a period of service, it is assumed that the services are rendered during the vesting period. This means that the cost and corresponding increase in liabilities are recognised over the entire vesting period. Non market based vesting terms, such as a requirement that a person remain employed, are taken into account in the assumption of how many equity instruments are expected to be vested. At the end of each report period the Group reassesses its judgments of how many shares it expects to be vested based on the non-market based vesting terms. Any deviation from the original judgment is recognised through profit or loss and a corresponding adjustment is recognised in liabilities. Related social insurance charges are recognised as cash-settled share-based payment, i.e., as a cost during the corresponding period, but based on the fair value that at any given time serves as the basis for a payment of social insurance charges. Subsidiary shall record the transactions with its employees as cash-settled. The liability will be applied irrespective of how the subsidiary obtains the equity instruments to execute the obligations to its employees.

1.17 Reserves

Pursuant to the requirements of the Commercial Code, the legal reserve that is formed of transfers made from net profit has been indicated. The amount of the annual transfer must be at least 1/20 of the approved net profit for the financial year until the legal reserve accounts for at least 1/10 of the share capital.

1.18 New and Amended International Financial Reporting Standards (IFRS)

The International Accounting Standard Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued the following standards, amendments to standards and interpretations that apply in or after 2016. The IASB permits earlier application. For the Company to apply them also requires that they be approved by the EU if the amendments are not consistent with previous IFRS rules.

1.18.1 Initial application of new amendments to the existing Standards and Interpretation effective for current financial period

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016). Amendments did not have impact to Company's financial reports.

Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016). Amendments did not have impact to Company's financial reports.

Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016). Amendments did not have impact to Company's financial reports.

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016). Amendments did not have impact to Company's financial reports.

Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).

Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016).

Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015).

Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

1.18.2 Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

IFRS 9 "Financial Instruments" - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018). IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The classification and measurement requirements for financial assets reduce the number of valuation categories and place dependence on entity's business model for managing financial assets as well as whether the contractual cash flows represent solely payments of principal and interest. IFRS 9 will affect Company's financial reporting. The impacts on financial reports are still being assessed.

IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018). IFRS 15 will not substantially impact Company´s financial reports because it does not apply to insurance contracts.

1.18.3 New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU

IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019). The impacts on financial reports are still being assessed.

Amendments to IFRS 2 "Share-based Payment" - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018).

Amendments to IFRS 4 "Insurance Contracts" - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time). The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard that the Board is developing for IFRS 4.

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded). Amendments will not have impact to Company's financial reports.

Amendments to IFRS 15 "Revenue from Contracts with Customers" - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018). IFRS 15 will not substantially impact Company´s financial reports because it does not apply to insurance contracts.

Amendments to IAS 7 "Statement of Cash Flows" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017).

Amendments to IAS 12 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

Amendments to IAS 40 "Investment Property" - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018).

Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).

NOTE 2. RISK MANAGEMENT

The Company considers risk management as an integral part of a sound management, governance and decision making process. Risk management is embedded into daily business activities, forming a part of the Company's culture. The main aim of the risk management is to secure, that the company is capable to fulfil the insured persons' and shareholders' interests by keeping all risks within the Company's risk appetite and holding sufficient capital to be solvent at any time.

The Company's risk management system consists of processes, methodologies, tools and organizational structures, with the purpose to manage risks that are inherent or related to the company's business in order to support effective achievement of business goals. A well-developed risk management process is in place (Figure 1). This enables understanding, analysing and quick mitigation of unfavourable risks. The company's risk management is based on the risk management framework and on the risk strategy and risk appetite statement.

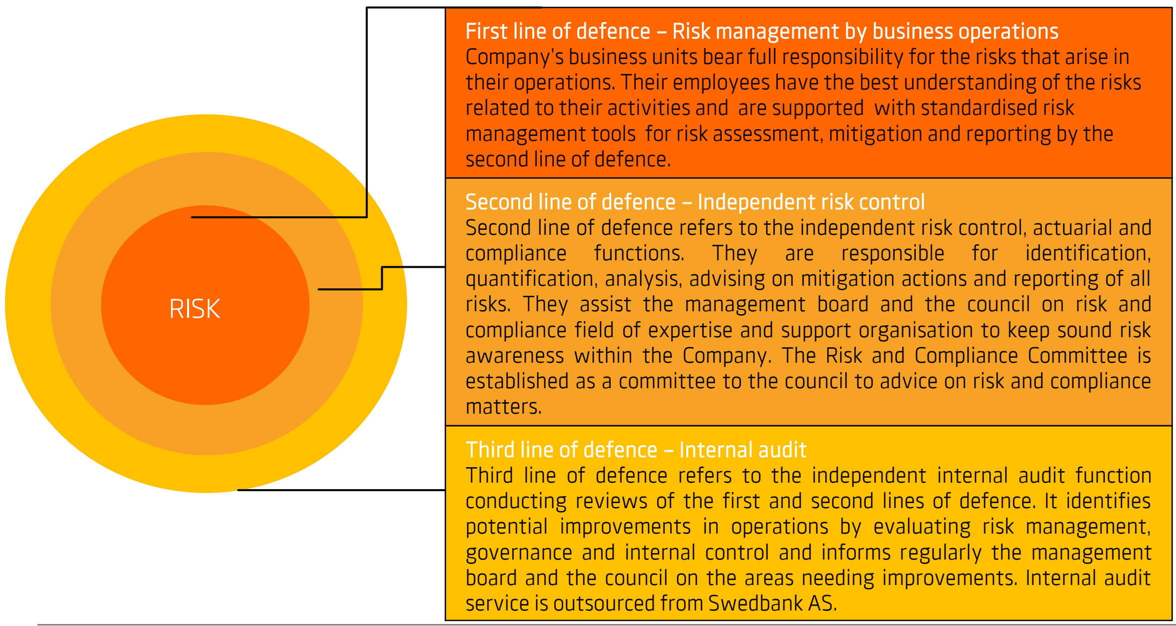
Figure 1. Risk Management Process.

In line with the Solvency II regulation, the Own Risk and Solvency Assessment (ORSA) process has been implemented in the company. ORSA is a management tool for the company's council and management board in order to understand the risks and related capital implications, and to contribute to risk-informed decision-making. The ORSA process follows the annual planning cycle and is interdependent with other key processes within the Company.

2.1 Organizational Set-up of Risk Management in the Company

The organizational set-up of risk management is based on the concept of the three lines of defence, with clear goals, responsibilities and a simple reporting structure in accordance with the internationally recognised best practices (Figure 2).

Figure 2. Risk Management Organisation.



2.2 Risk Profile of the Company

The company is exposed mainly to underwriting, market, credit and operational risks, as well as to strategic and business risks. The company's main business focus is on providing simple and wide insurance cover, mainly for private customers, while keeping the portfolio well diversified. The company holds sufficient capital to cover its obligations. Therefore, the overall level of the company's risk profile can be regarded as low. The underwriting principles and investment strategy have not changed much during the last year; therefore also the risk profile of the company has remained stable.

2.3 Management of Underwriting Risk

Underwriting risk is one of the most important risks for the company reflecting the core business of insurance, which is taking and managing insurance risk. It´s proper management and control determines largely the company's overall results. Underwriting risk involves risks related with proper pricing, reserving and appropriate reinsurance cover. The business model of the company is based on offering simple products for mass market, where the effect of individual risks is not very high. Therefore, the main focus is on the portfolio management.

The main framework for managing underwriting risk is stated in the underwriting risk management policy and additional underwriting guidelines.

The main components of portfolio risk management are:

- Choice and volume of products
- Setting target loss ratios
- Price establishment
- Selection of individual insured risks
- Assessment of sufficiency of insurance premiums
- Appropriate reserves and underlying assumptions
- Reinsurance

2.3.1. Choice and volume of products

The choice of products is determined by the business model of the company, which is to offer simple insurance contracts which can be concluded easily along with other products in Swedbank Group. The principle for choosing products is to maximise the potential customer base and the amount of contracts in order to ensure well diversified portfolio.

Products are standardized and suitable for most of the potential policyholders without applying any unnecessary special conditions and expert knowledge for concluding a contract.

Before launching any new services or significant changes to existing services, relevant risks are analysed and assessed for capital requirements. During 2016 no remarkable changes were made to the existing services. Therefore, the company´s underwriting risk has not changed substantially. In general, underwriting risk impact as such is increasing along the overall portfolio increase. This is natural due to the business growth.

2.3.2. Setting a targeted loss ratio

The management board assesses the results of product portfolio and market situation and defines the target loss ratio for the financial year in respect of each product. The maximum acceptable loss ratio is decided as well. If the product's loss ratio exceeds the maximum acceptable loss ratio or will likely exceed it in the future, the preparation of an action plan to keep the loss ratio below the maximum acceptable level is required.

2.3.3. Price establishment

The company establishes prices of insurance products according to its previous claims experience taking into account the historical loss ratios of the respective insurance product in the country of operation.

The company analyses the difference in sales price and technical price for every insurance product. This gives the opportunity to discover the risks arising during pricing and when needed to implement quickly mitigation actions in order to decrease the risks related to pricing.

The current loss ratio level provides a basis for considering the premium rates used in 2016 as adequate in order to ensure that the company's liabilities will be met on the account of the collected insurance premiums.

The establishment of adequate price is also directly related to using adequate insured sums in insurance contracts. The company observes construction and service prices and adjusts, where necessary, the insured sums used by default and permitted as a minimum. In order to state the proper sum insured of the insured vehicles, the actual market price is controlled. During each policy renewal the sum insured is adjusted based on the actual market price. This should ensure the use of actual market price in insurance contracts.

2.3.4. Choice of risks insured

In consideration of the small size of the Estonian, Latvian and Lithuanian insurance markets as well as the company's goals for its market share, the company does not concentrate on limited client segments. The selection of risks in portfolio management consists rather of the identification of loss-generating segments and reduction of their share in the portfolio. To refrain from risks of low quality disturbing the portfolio balance, principles of taking insurance risks have been established and restrictions and approval requirements have been set for insurance agents. Furthermore, individual risks of low quality are eliminated from the portfolio during the contract prolongation process.

2.3.5. Appropriate reserves and underlying assumptions

The company enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. These reserves are measured individually for each file by the claims departments. Additional reserves for incurred but not reported (IBNR) claims are also booked. Reserves are based on applicable accounting and actuarial standards as well as internal and industry best practice.

The principal assumption underlying the liability estimates is that the company's future claims development will follow a similar pattern to past claims development experience. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future.

For long-tail claims such as motor third party liability annuities that take many years to settle, there is also a risk in inflation, interest rates that are used for discounting, as well as longevity risk. The sensitivity analysis of these assumptions is presented in the table below:

Sensitivity	Effect on net liabilities / profit before tax, EUR	
	2016	2015
Inflation increase by 1% pp	316 066	317 449
Decrease in discount rate by 1% pp	326 712	328 133
Decrease in mortality by 20%	31 924	31 935

The development of claims: 2006- 2016

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. Recourses, salvage and claims handling costs are excluded from the triangles. The amounts showed below are gross of reinsurance. The surplus (deficiency) of the initial reserve at the end of accident year with respect to the re-estimated (gross) final cost for each year represents the difference between the amount shown in the first line and the amount shown in the final diagonal under "current estimate of cumulative claims".

Estimate of ultimate claims costs, gross

In thousands of euros

Accident year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
at the end of accident year	763	13 882	21 937	22 837	20 993	19 646	21 714	25 419	28 521	35 720	47 266	
1 year later	836	13 777	22 065	22 957	20 642	19 161	21 016	24 556	28 519	34 206		
2 years later	831	13 799	21 374	22 440	20 281	18 802	20 903	24 639	27 724			
3 years later	829	13 727	21 174	22 299	20 966	18 997	20 858	24 413				
4 years later	829	13 643	21 265	22 600	21 021	18 940	20 761					
5 years later	828	13 688	21 266	22 728	20 919	18 755						
6 years later	828	13 501	21 417	22 729	20 921							
7 years later	828	13 423	21 405	22 718								
8 years later	828	13 420	21 392									
9 years later	828	13 420										
10 years later	828											
Current estimate of cumulative claims	828	13 420	21 392	22 718	20 921	18 755	20 761	24 413	27 724	34 206	47 266	252 404
Current estimate of surplus/(deficiency)	-65	462	545	119	72	891	953	1 006	797	1 514		
% Surplus/(deficiency) of initial gross reserve	-9%	3%	2%	1%	0%	5%	4%	4%	3%	4%		

Claims paid, gross

In thousands of euros

Accident year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
at the end of accident year	374	10 476	17 305	17 828	16 450	15 198	16 015	19 003	21 122	26 365	35 186	
1 year later	827	13 299	20 948	21 547	19 949	18 496	19 686	23 408	26 576	32 685		
2 years later	827	13 335	21 073	21 733	20 132	18 673	20 514	23 843	27 020			
3 years later	827	13 346	21 135	21 793	20 206	18 715	20 577	24 057				
4 years later	828	13 379	21 178	21 824	20 266	18 731	20 612					
5 years later	828	13 384	21 193	21 851	20 287	18 732						
6 years later	828	13 392	21 202	21 870	20 307							
7 years later	828	13 395	21 206	21 886								
8 years later	828	13 398	21 207									
9 years later	828	13 400										
10 years later	828											
Cumulative payments to date	828	13 400	21 207	21 886	20 307	18 732	20 612	24 057	27 020	32 685	35 186	235 920
Liability recognised in the balance sheet, gross	0	20	185	832	614	23	149	356	704	1 521	12 080	16 484

2.3.6. Reinsurance and concentration of risks

To manage underwriting risk and protect the equity of the company, reinsurance is used. In 2016, all the motor own damage, property, motor third party liability and travel insurance contracts of the company were covered by non-proportional reinsurance programs. Additionally, motor third party liability insurance was covered by proportional reinsurance. According to the business model of the company, there is no need for facultative reinsurance.

To minimize the reinsurance counterparty default risks particularly the reinsurer's insolvency and dependency on one reinsurer, the company defines the minimum permitted credit rating and the maximum permitted share per reinsurer in a reinsurance contract. Reinsurer's share in motor own damage and property insurance as well as motor third party liability insurance is limited to 30% in 2016.

Due to the small volume of the travel insurance portfolio, in the context of global reinsurance market, one reinsurer has been selected as a partner in travel insurance.

The credit ratings set for reinsurers have been specified in chapter 2.6. Credit risk.

2.4 Market Risk

Market risk is the risk that the value of an investment portfolio will decrease due to the changes in the market risk factors. The Company has kept a very conservative investment strategy and due to that, the main market risk factor influencing the portfolio is unfavorable changes in interest rates.

2.4.1. Currency risk

Currency risk arises in the circumstances where the value of a financial instrument may float due to changes in foreign exchange rates. As of 31.12.2016 all assets and liabilities are in EUR, incl. the investments in the investment portfolio. According to the investment strategy other currencies than Euro are not allowed. Therefore, there is also no direct currency risk for the company.

2.4.2. Interest rate risk

Interest rate risk means uncertainty concerning future interest rates. Financial effect on the assets of the company's investment portfolio which may occur due to unfavourable changes in interest rates is quantified based on sensitivity testing. Sensitivity testing takes into account the negative change of interest rates by 100 basis points. However, it does not take into account the probability of the change.

Change in interest rate	Effect of the change on the Company's net assets, in thousands of euros
- 100 bps	-577

Distribution of interest-bearing assets and liabilities by interest-fixing terms

In thousands of euros	Up to 3 months	3...12 months	1...2 years	Over 2 years	Total
			31.12.2016		
Assets					
Demand deposits	13 622	0	0	0	**13 622**
Financial investments at fair value through profit or loss	1 248	6 905	7 218	9 783	**25 154**
Financial investments at amortised cost	8 503	4 998	0	0	**13 501**
Exposure to interest rate risk	**23 373**	**11 903**	**7 218**	**9 783**	**52 277**
			31.12.2015		
Assets					
Demand deposits	7 185	0	0	0	**7 185**
Financial investments at fair value through profit or loss	76	861	9 514	13 993	**24 444**
Financial investments at amortised cost	11 620	4 999	0	0	**16 619**
Exposure to interest rate risk	**18 881**	**5 860**	**9 514**	**13 993**	**48 248**

2.5 Liquidity risk

Liquidity risk is the risk that the company is unable to realize investments and other assets to settle its financial obligations when they fall due without a significant increase in the cost of obtaining means of payment.

The company may theoretically incur liquidity problems particularly if claims concentrate on one short period of time mainly due to natural or man-made catastrophic events. To manage the liquidity risk, the cash-flow and liabilities of the company as well as the duration thereof are analysed. The provision for claims incurred but not settled is constantly compared with the balance of bank accounts.

The liquidity risk of the company is very low. Cash-flows from insurance activities have been constantly positive and should remain positive also in the future. Liabilities of the company from insurance activities are mainly short-term, with duration of up to one year except relatively small amount of annuity claims from motor third liability insurance. Due to the uncertainty of financial markets, the company avoids taking long-term positions in compilation of an investment portfolio, which reduces the possibility of earning on the account of taking interest or credit risk. Exception is the annuities arising from the motor third party liabilities; there the long-term positions are in accordance with the duration of the liabilities. Majority of assets in an investment portfolio may be realised, if necessary, within one week at the market price. Claims are paid out within 2-3 days from making a pay-out decision.

Distribution of assets and liabilities by remaining maturities

In thousands of euros	Up to 3 months	3...12 months	1...2 years	Over 2 years	Without maturity	Total
			31.12.2016			
Assets						
Demand deposits	13 622	0	0	0	0	**13 622**
Financial investments at fair value through profit or loss	1 248	6 905	7 218	9 783	0	**25 154**
Financial investments at amortised cost	8 503	4 998	0	0	0	**13 501**
Tangible assets	0	0	0	0	6	**6**
Other assets	8 499	543	11	0	0	**9 053**
Total assets	**31 872**	**12 446**	**7 229**	**9 783**	**6**	**61 336**
Liabilities and equity						
Liabilities related to insurance activities	20 499	3 479	122	1 782	0	**25 882**
Other liabilities	596	466	198	97	0	**1 357**
Equity	0	0	0	0	34 097	**34 097**
Total liabilities and equity	**21 095**	**3 945**	**320**	**1 879**	**34 097**	**61 336**
Exposure by maturities	**10 777**	**8 501**	**6 909**	**7 904**	**-34 091**	**0**

In thousands of euros	Up to 3 months	3...12 months	1...2 years	Over 2 years	Without maturity	Total
			31.12.2015			
Assets						
Demand deposits	7 185	0	0	0	0	7 185
Financial investments at fair value through profit or loss	76	861	9 514	13 993	0	24 444
Financial investments at amortised cost	11 620	4 999	0	0	0	16 619
Tangible assets	0	0	0	0	11	11
Other assets	7 147	353	39	0	0	7 539
Total assets	26 028	6 213	9 553	13 993	11	55 798
Liabilities and equity						
Liabilities related to insurance activities	17 600	2 903	108	1 785	0	22 396
Other liabilities	598	343	149	166	0	1 256
Equity	0	0	0	0	32 146	32 146
Total liabilities and equity	18 198	3 246	257	1 951	32 146	55 798
Exposure by maturities	7 830	2 967	9 296	12 042	-32 135	0

2.6. Credit Risk

Credit risk refers to the risk that the counterparty of a financial transaction due to its insolvency does not meet its contractual obligations towards the entity.

The credit risk of the company is mainly associated with the reinsurance and the investment management. Realisation of the risk within the next 12 months is considered low by the company. The reason being that high credit rating requirements have been set for both reinsurers as well as investment portfolio counterparties.

Credit risk is minimized with the minimum credit ratings established on the credit institution of security issuance and on reinsurance partners and monitoring the maximum share of counterparties in the investment portfolio and reinsurance programs.

Distribution of the investment portfolio in terms of credit ratings:

31.12.2016									
In percentage	Aaa	Aa1	Aa2	Aa3	A3	Baa1	Baa2	Baa3	TOTAL
Bonds			11,8	17,0	6,3	2,5	6,8	3,7	48,1
Term deposit				25,8					25,8
Cash in investment portfolio				26,1					26,1
TOTAL			**11,8**	**68,9**	**6,3**	**2,5**	**6,8**	**3,7**	**100,0**
31.12.2015									
Bonds	3,6	2,7	11,7	21,9	4,6	6,3	8,7		59,5
Term deposit				40,4					40,4
Cash in investment portfolio				0,1					0,1
TOTAL	**3,6**	**2,7**	**11,7**	**62,4**	**4,6**	**6,3**	**8,7**	**0**	**100,0**

In the above table local branches and subsidiaries of European banks (e.g. Baltic banks of Swedbank group), which are not separately rated by agencies, are classified according to their parent's rating.

Debt securities by issuer type

In euros	31.12.2016	31.12.2015
Government bonds of European countries	4 353 784	5 055 995
Bonds of banks	13 908 508	13 114 692
Other corporate bonds	6 891 633	6 273 199
TOTAL	**25 153 925**	**24 443 886**

The credit ratings of the reinsurers participating in the motor own damage, motor third party liability and property reinsurance programmes remain between Aa3-A3 according to Moody's. Compared to 2015, no significant changes have occurred in the credit ratings of reinsurance programmes. Additionally, credit ratings of the reinsurers are assessed by the Swedbank Group own credit risk methodology to minimize the impact from the external credit ratings systematic potential failures. Also the financial performance and claims payment habit of the reinsures' that participate in the company's reinsurance treaties, is monitored.

2.7 Operational Risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. The definition of operational risk includes legal risk and information risk.

The company has implemented the following main methods and tools in order to systematically identify, analyse, monitor and mitigate the operational risks:

- Risk and Control Self-Assessment is carried out at least annually by the business and mitigation actions are monitored regularly.
- Risk analysis of new products and services.
- Business continuity management through up-to-date business continuity plans and regular business continuity testing.
- Reporting and analysing incidents.

Additionally, Risk Management Maturity Assessment method is used for assessing the overall level of risk management and risk awareness in the company. The company follows standardised Swedbank Group methodology.

Operational risk management has three main goals:

- Prevention

  Once a year risks related to business activities of all departments are mapped and their probability and financial impact, impact on the functioning of business processes and reputation is assessed. In the case of significant risks, clear responsibilities and deadlines for implementing mitigation actions are in place. Monitoring of the implementation of the mitigation actions should reduce the risk to the acceptable level.

  All new products and processes as well as significant changes made to the existing ones are subject to risk assessment. The purpose of the process is to ensure that the company is not entering into activities that contain unintended forms of risk or risks that are not immediately managed and controlled by part of the process.

- Ensuring preparedness for fast and efficient solution of potential crisis situation

  The company has drawn up a business continuity plan that contains the code of practice and predefined actions for restoring quickly the situation as before any potential crisis situation. The business continuity plan is updated on a constant basis and the functioning thereof is tested during business continuity tests.

- Development and implementation of improvement activities

  To develop improvement activities and quantify the impact of operational incidents and losses, information is collected regularly about failures and incidents from daily activities. Mitigation actions are developed based on the size and frequency of the incidents.

2.8. Capital Management

2.8.1. Capital content and management

The target of capital management is to ensure the sustainability and stability of the company protecting therewith the interests of policyholders and shareholders. Capital management is based on the management of the assets and liabilities of the company and risks related thereto and consists in regular assessment of the compliance with the capital requirements established in the Insurance Activities Act.

The term 'capital' refers to equity capital, which consists of paid-up share capital, share premium, legal reserve and retained earnings. The company does not use any external funding.

2.8.2. Capital requirements established by law

The Insurance Activities Act defines three capital requirements for the Company:

- the share capital shall be three million euros in minimum;
- the sum of eligible basic own funds shall not be smaller than the floor of the minimum capital requirement, which is 3.7 million euros;
- the sum of eligible own funds shall not be smaller than the solvency capital requirement.

NOTE 3. CASH AND CASH EQUIVALENTS

In euros	31.12.2016	31.12.2015
Demand deposits	13 621 772	7 184 894
TOTAL	13 621 772	7 184 894

NOTE 4. FINANCIAL INVESTMENTS

Investment activities of insurance undertakings are regulated by the Investment Activities Act. Upon investment of an insurance undertaking's assets the nature of commitments arising from insurance activities and insurance contracts shall be taken into account, including the currency in which the commitments are assumed. Upon investment of an insurance undertaking's assets, optimum safety and proceeds shall be secured and, at the same time, the constant liquidity of the insurance undertaking and the diversification and adequate spread of the investments of the insurance undertaking shall be maintained.

Following is a description of the methods used to determine fair values, divided into three levels based on the degree of observability in the valuation. Level 1 contains financial instruments whose fair value is determined based on quoted market prices on an active market. This category primarily includes stocks, bonds, treasury bills, commercial paper and standardised derivatives, where the quoted price is used in the valuation. Level 2 contains financial instruments whose fair value is determined using valuation models based on observable market inputs, which are the prices of financial instruments that are as similar as possible and for which transactions have been executed. Level 3 contains financial instruments whose fair value is determined using valuation models based primarily on observable market inputs, also utilising own assumptions.

All assets of the Company that are recognised at fair value are grouped according to fair value hierarchy level 1. The measurements of fair value of assets of investment portfolio are provided by portfolio manager based on market information.

In thousands of euros	Up to 3 months	3...12 months	1...2 years	Over 2 years	Total
31.12.2016					
Bonds	1 248	6 905	7 218	9 783	25 154
Term deposits	8 503	4 998	0	0	13 501
TOTAL	9 751	11 903	7 218	9 783	38 655
31.12.2015					
Bonds	76	861	9 514	13 993	24 444
Term deposits	11 620	4 999	0	0	16 619
TOTAL	11 696	5 860	9 514	13 993	41 063

The Company outsources the investment management services from Swedbank Investeerimisfondid AS. Investment strategy of the company has been very conservative and is stated in the Investment Policy. Investment declaration sets detailed limits on the investments (most important are indicated in the table below). Compliance of the investments to the stated limits is monitored monthly in order to manage market risks, including interest rate risk and credit risk. Investments are allowed only in euro nominated investments, and this requirement is adhered to.

Restriction	2016		2015	
Distribution of assets	Lower limit	Upper limit	Lower limit	Upper limit
Instruments of fixed interest rate	0%	70%	10%	70%
Term deposits	0%	80%	0%	80%
Cash	10%	-	0%	20%

As of the balance sheet date the investment portfolio of the Company consists of debt instruments, deposits and cash at bank.

Distribution of the investment portfolio

In thousands of euros	31.12.2016		31.12.2015	
Instruments of fixed interest rate	25 154	48,1%	24 444	59.5%
Term deposits	13 501	25,8%	16 619	40.4%
Cash in investment portfolio	13 622	26,1%	42	0.1%
TOTAL	52 277	100%	41 105	100%

As of the end of the 2016, 48.1% (in 2015: 59.5%) of the portfolio has been invested in bonds. Current level remained within the range established by the investment declaration. During the year weight of bonds decreased due to absence of suitable investment possibilities. Weight of deposits also declined as local commercial banks are not motivated to pay positive rates. In the beginning of 2016, duration of the portfolio under Swedbank Investeerimisfondid AS management was 2.2 years (2015: 0.94) and this declined to 1.7 years during the year. Average duration of the investment portfolio was in line with limits throughout the year.

In 2016 unexpected events realized. Citizens of UK voted for leaving European Union and Donald Trump became the new president of the United States. This all increased uncertainty. As end of year 3 month euribor rates declined by 19 bps to -32 bps and yields for up to 2 year bonds remained on downtrend. Yields for 10 year maturities faced more volatility but ended the year at lower levels compared to the previous year. In January ECB hinted that they are going to cut deposit rates and increase asset buying program. At March meeting ECB cut deposit rate by 10 bps to -0.4%, refinancing rate to zero and asset buying program was increased to 80 bio euros. The most significant fall in bond prices took place in October and November. In the beginning of December ECB announced prolonging of asset buying program until end of 2017. This was longer than expected. At the same time beginning from April amounts would decrease by 20 billion euros to 60 billion euros.

In 2017 short term interest rates should remain relatively stable, some pick up in rates may happen in the 2nd half of the year. We believe that short end of the euro curve will remain supported by ECB asset buying program. Long term rates may fluctuate more due to increasing expectations on inflation. As end of 2017 yield curve could be steeper and long term rates at higher levels compared to year before.

NOTE 5. PREPAID EXPENSES

In euros	31.12.2016	31.12.2015
Prepaid taxes	321	31 557
Other prepaid expenses	122 159	105 032
TOTAL	**122 480**	**136 589**

All prepayments are short term, i.e. are realizable within the next 12 months.

NOTE 6. REINSURANCE ASSETS

In euros	31.12.2016	31.12.2015
Technical provisions	**3 418 885**	**2 574 762**
Reinsurer's share in provision for unearned premiums	778 422	687 141
Reinsurer's share in provision for outstanding claims	2 640 463	1 887 621
Receivables	**1 711 359**	**1 397 887**
Reinsurance commissions	461 813	397 029
Share of reinsurance in claims	1 141 722	922 323
Refundable reinsurance premium	107 824	78 535
TOTAL	**5 130 244**	**3 972 649**

10,810 euros of the technical provisions will be realised during a period longer than 12 months. All other provisions and receivables are realizable within the next 12 months and therefore they can be considered to be short-term.

NOTE 7. LIABILITIES RELATED TO INSURANCE ACTIVITIES

In euros	31.12.2016	31.12.2015
Technical provisions	**23 511 766**	**20 354 424**
Provision for unearned premiums	6 339 972	5 430 158
Provision for outstanding claims (see Note 11)	17 075 465	14 826 986
Unexpired risk reserve	96 329	97 280
Liabilities related to reinsurance	**1 879 971**	**1 605 585**
Reinsurance premium	1 755 409	1 502 783
Reinsurance share in recoveries	95 994	81 994
Refundable commissions	28 568	20 808
Other liabilities	**490 087**	**436 473**
Policyholders	101 727	58 599
Other	388 359	377 874
TOTAL	**25 881 824**	**22 396 482**

1,904,911 euros of the technical provisions is a non-current liability because it will be realised during a period longer than 12 months. All other liabilities from insurance activity are short-term.

7.1 Liability adequacy test

As of the balance sheet date liability adequacy test has been carried out. The test indicated a deficiency in the amount of 96,329 euros (2015: 97,280) that was recognised in income statement and in insurance technical liabilities.

NOTE 8. OTHER LIABILITIES

In euros	31.12.2016	31.12.2015
Accounts payable	56 340	61 036
Accrued expenses	1 272 605	1 150 789
Other liabilities	28 413	44 506
TOTAL	**1 357 358**	**1 256 331**

Accrued expenses

In euros	31.12.2016	31.12.2015
Liabilities from share-based bonus program	552 485	617 130
Deferred reinsurance commission	206 282	182 093
Liability for unused vacation	143 180	110 050
Taxes payable	370 658	238 834
Other	0	2 682
TOTAL	**1 272 605**	**1 150 789**

Deferred reinsurance commissions arise from proportional reinsurance program. This amount reflects unearned part of reinsurance commissions related with the policies in force at the balance sheet date.

Liabilities from share-based bonus program in the amount of 294,507 euros are long-term as they become collectible in a period longer than 12 months. All other liabilities in the current note are short-term.

NOTE 9. SHARE CAPITAL

According to the Insurance Activities Act, the minimum share capital of an insurance undertaking engaged in certain insurance classes, incl. Motor third party liability insurance, is three million euros.

With the decision of the Shareholder, Swedbank AS, on 09.02.2016 the share capital of the Company was increased by 14 million euros in monetary contribution, 1,400,000 new shares were issued. The reason of the increase of the share capital was to cover next three years capital need with share capital, which allowed paying out dividends from retained earnings of 2015 as well as previous periods.

As of 31.12.2016 the share capital of the Company consists of 2,121,000 shares with a nominal value of 10 euros per share. The share capital of the Company is 21,210,000 euros. The 100% holder of the shares is Swedbank AS.

NOTE 10. PREMIUMS EARNED NET OF REINSURANCE

In euros	2016	2015
Gross premium (see Note 12)	71 118 023	59 861 764
Change in provisions for unearned premiums	-909 814	-611 141
Premiums earned	**70 208 209**	**59 250 623**
Reinsurance premium	-4 099 294	-3 664 117
Reinsurers' share in change of unearned premiums provision	91 281	24 836
Reinsurance premium	**-4 008 013**	**-3 639 281**
TOTAL	66 200 196	55 611 342

NOTE 11. CLAIMS INCURRED NET OF REINSURANCE

In euros	2016	2015
Claims incurred, gross amount	**40 890 915**	**32 715 452**
Claims paid (see Note 12)	42 240 180	32 380 429
Change in the claims provision	2 248 479	3 205 375
Amounts recovered from salvage and recourses	-3 596 793	-2 905 808
Change in Unexpired risk reserve	-951	35 456
Claims handling expenses	**2 675 022**	**2 114 512**
Direct claims handling expenses	1 317 595	1 020 296
Indirect claims handling expenses	1 357 427	1 094 216
Staff costs	1 013 461	827 371
Depreciation of fixed assets	3 559	4 151
Other	340 407	262 694
Reinsurers` share of claims incurred	**-2 851 287**	**-2 151 843**
Reinsurers` share in claims paid	-2 098 445	-1 584 737
Reinsurers` share in change of claims provisions	-752 842	-567 106
TOTAL	40 714 650	32 678 121

In euros	2016	2015
Outstanding claims provision at the beginning of year	**14 826 986**	**11 621 611**
Claims paid amount from the reported claims provision related with previous years claims	-5 793 768	- 4 422 003
Change in the reported claims provision, related with current year claims	9 986 422	7 875 950
Change in the reported claims provision related with previous years claims	-2 634 587	-723 398
Change in the incurred but not reported claims provision	626 025	472 425
Change in the provision for claims handling costs	64 387	2 401
Outstanding claims provision at the end of year (see Note 7)	**17 075 465**	**14 826 986**

NOTE 12. GROSS PREMIUMS AND CLAIMS PAID BY PRODUCTS

In euros	2016	2015
Gross premium		
Motor own damage insurance	24 209 422	22 698 291
Home insurance	29 723 769	23 548 835
Motor third party liability insurance	6 373 955	5 634 580
Travel insurance	4 749 129	3 746 536
Payment protection insurance	5 441 707	3 685 388
Apartment building insurance	338 445	300 395
Other	281 596	247 739
TOTAL	71 118 023	59 861 764
Claims paid		
Motor own damage insurance	18 977 926	16 758 691
Home insurance	14 180 785	8 838 870
Motor third party liability insurance	4 227 483	3 492 772
Travel insurance	3 674 802	2 575 322
Payment protection insurance	1 069 428	653 923
Apartment building insurance	64 880	28 852
Other	44 876	31 999
TOTAL	42 240 180	32 380 429

NOTE 13. ACQUISITION COSTS AND REINSURANCE COMMISSIONS

In euros	2016	2015
Staff costs	6 398	55 268
Other operating expenses	1 516 597	744 788
Outsourced services	3 378 658	2 842 059
Depreciation and impairment of fixed assets	0	84
Reinsurance commissions	-902 674	-773 369
Change of accrued reinsurance commissions	-24 189	6 582
TOTAL	3 974 790	2 875 412

NOTE 14. ADMINISTRATIVE EXPENSES

In euros	2016	2015
Staff costs	1 537 889	1 504 877
Other operating expenses	2 616 677	2 406 980
Outsourced services	557 032	493 625
Depreciation and impairment on fixed assets	5 294	7 325
TOTAL	4 716 892	4 412 807

NOTE 15. COMPENSATION

The remuneration of Swedbank P&C Insurance AS Members of Management Board and employees is based on the Swedbank Group remuneration policy. The aim is to encourage employees to live up to their individual goals and at the same time attract employees with the competence that the Group needs, within established cost limits, so that it has a positive impact on Group activity. Swedbank Group has established remuneration policy in a way that would be consistent with and promoting sound and effective risk management not encouraging excessive risk-taking.

The majority of employees have fixed and variable compensation components, which, together with other benefits, represent their total compensation. The goal is to achieve a sound balance between variable and fixed components. Total compensation should be competitive and responsive to market conditions, while also reflecting Swedbank Group principle values – open, simple and caring. Also support business strategy, goals, long-term value and vision. Fixed remuneration constitutes the primary component of remuneration. Managers' manager approves the decision about the remuneration and assesses also the achievement of the goals and their consistency with the Group values.

Bonuses are paid regarding to Swedbank Group principles of ethics and conflict avoidance and other internal rules. The bonuses are paid in multiple years delay, that it would be able to take into consideration Swedbank Group long term and sustainability oriented growth strategy, the cyclical nature of the economy and the risks to be taken. Furthermore, the bonus payment considers the establishment by the employee with internal and external rules. In 2016, based on bonus program of Swedbank Group, 17,445 shares of Swedbank AB were transferred to the Company´s employees and the Board Members for the performance in year 2012.

Staff costs are recognised in accordance with the nature of work in indirect claims handling expenses, acquisition costs or administrative expenses (see Notes 11, 13, 14).

NOTE 16. INVESTMENT INCOME AND EXPENSES

In euros	2016	2015
Interest income	609 600	371 822
Change in value of financial assets at fair value with changes through statement of profit and loss	-352 759	-168 233
Net losses from financial investments	64 116	-10 825
Realised gains/losses from changes in currency rates	-7 510	-4 563
Other investment management expenses	-111 847	-66 200
TOTAL	**201 600**	**122 001**

NOTE 17. INCOME TAX

Dividends payable in Estonia are subject to income tax which is recognised as expense at the moment of declaration thereof and is recorded as "Income tax" in the Statement of Comprehensive Income. In March 2016, the Sole Shareholder approved the decision to pay out dividends in the amount of 22.8 million euros from the retained earnings as of 31.12.2015. Dividends were partly paid out from the profits of Latvian and Lithuanian branches. Income tax calculated on the dividend distribution was 4.8 million euros.

In euros	Estonia	Latvia	Tax rate	Lithuania	Tax rate	Total
Profit before tax	10 884 016	2 324 551		3 248 834		16 457 401
Income tax on dividends	4 821 709					4 821 709
Effect of tax rates in foreign jurisdictions		348 683	15%	487 325	15%	836 008
Income tax on non-deductible expenses		2 038		5 755		7 793
Deferred income tax on non-deductible expenses		-8 741		1 947		-6 794
Other		-359		0		-359
Income tax expense in Income Statement	**4 821 709**	**341 621**		**495 027**		**5 658 357**

Income earned in the Latvian branch is subject to income tax at the rate of 15%. Considering non-deductible expenses, the effective tax rate was as well 15%. Income earned in the Lithuanian branch is subject to income tax at the rate of 15% which also approximates the effective tax rate.

Latvian branch

In euros	2016	Tax rate	2015	Tax rate
Profit before tax	2 324 551		2 031 635	
Effect of Latvian statutory tax rate	348 683	15%	304 745	15%
Income tax on non-deductible expenses	2 038	0%	703	0%
Deferred income tax on non-deductible expenses	-8 741	0%	-7 449	0%
Other	-359	0%	-2037	0%
Income tax expense	341 621	15%	295 962	15%
Deferred income tax	-20 336		0	
Deferred tax assets	20 336		0	

Lithuanian branch

In euros	2016	Tax rate	2015	Tax rate
Profit before tax	3 248 834		2 100 705	
Effect of Lithuanian statutory tax rate	487 325	15%	315 106	15%
Income tax on non-deductible expenses	5 755	0%	7179	0%
Deferred income tax on non-deductible expenses	1 947	0%	1 423	0%
Income tax expense	495 027	15%	323 708	15%
Deferred income tax	-524		-494	
Deferred tax assets	1 947		1 423	

NOTE 18. CONTINGENT INCOME TAX

According to the Estonian Income Tax Act the accrued profit of a resident legal entity is not subject to corporate income tax, instead the tax is due on the distribution of dividends or distribution of profit in any other forms. Income tax should be calculated also on payments made from equity that exceed the monetary and non-monetary contributions made to the equity. According to the aforementioned Act the dividends and profit distributed in any other forms are subject to income tax with the tax rate 20/80 starting from 2015 on the actual distribution.

The contingent tax liability that may occur if all distributable retained earnings should be distributed or in case the capital is decreased is not reported on the statement of financial positions. The income tax due on dividend distribution or any other distribution of equity is expensed in the income statement when respective disbursements are declared.

Retained earnings of the Company as of 31 December 2016 amounted to 12.2 million euros. Taking into account that of distributable profit 4.7 million euros has already been taxed in other countries, the maximum contingent income tax liability, which would become payable if retained earnings were fully distributed, would be 4.2 million euros.

NOTE 19. RELATED PARTIES

Transactions with related parties are transactions with the parent company and other Group companies, Members of the Supervisory Board and Management Board, persons related to them and companies in which they have a considerable holding, and key personnel of the parent. The parent company of the Company is Swedbank AS, which holds 100% of the voting rights. The parent company of Swedbank AS is Swedbank AB (publ), Sweden.

The Company purchases a significant amount of services from Swedbank Group companies. Transactions and balances with related parties have been reported as follows:

In euros	Swedbank AS	Other Group companies	TOTAL
Receivables and liabilities as of 31.12.2016			
Cash and deposits	5 729 854	12 891 918	18 621 772
Receivables from insurance activities	212 557	170 740	383 297
Accrued interest	0	-1 632	-1 632
TOTAL	**5 942 411**	**13 061 026**	**19 003 437**
Other liabilities	0	8 855	8 855
TOTAL	**0**	**13 069 881**	**19 012 292**
Receivables and liabilities as of 31.12.2015			
Cash and deposits	13 116 758	6 768 136	19 884 894
Receivables from insurance activities	107 366	134 972	242 338
Accrued interest	19 641	-1 011	18 630
TOTAL	**13 243 765**	**6 902 097**	**20 145 862**
Other liabilities	0	16 734	16 734
TOTAL	**0**	**16 734**	**16 734**

In euros	2016	2015
Intermediary fee		
Swedbank AS	-1 647 484	-1 464 490
Other Group companies	-1 701 171	-1 346 075
TOTAL	**-3 348 655**	**-2 810 565**
Revenue from insurance premium		
Swedbank AS	1 738 352	1 409 539
Other Group companies	2 086 908	1 909 728
TOTAL	**3 825 260**	**3 319 267**
Interests		
Swedbank AS	1 362	62 444
Other Group companies	2 487	738
TOTAL	**3 849**	**63 182**
Other purchases		
Swedbank AS	-1 620 975	-1 312 142
Other Group companies	-1 468 589	-1 028 089
TOTAL	**-3 089 564**	**-2 340 231**
Other sales		
Other Group companies	0	1 961
TOTAL	**0**	**1 961**

Swedbank Group banks are settlement and depositary banks of the Company in Estonia, Latvia and Lithuania. Settlement, deposit and securities transactions with Swedbank Group banks take place under market conditions.

The Company has entered into agency contracts for selling insurance products with Swedbank AS and Swedbank Liising AS in Estonia, with AS Swedbank in Latvia and with Swedbank AB and Swedbank Lizingas UAB in Lithuania. In 2016, the Company paid intermediary's fee in Estonia in an amount of 1,860 thousand euros (2015: 1,660), in Latvia 1,008 thousand euros (2015: 747) and in Lithuania 481 thousand euros (2015: 404).

In addition, Swedbank AS provides services to the Company in respect of several functions, like personnel records, salaries accounting and legal consultation. At the Group level IT development and management activities and internal audit has centralized.

The Company does not provide services to other related parties, except the conclusion of insurance contracts. Insurance contracts with members of the Supervisory and Management Board are entered into on a general basis.

Key management personnel within the definition of IAS 24 are members of the Management Board and Supervisory Council. The remuneration paid to members of the Management Board in 2016 amounted to 141.3 thousand euros (2015: 164.6 thousand euros) and under employment contracts 35.2 thousand euros (2015: 30.0 thousand euros). In 2016, based on bonus program of Swedbank Group, 2,520 shares of Swedbank AB were transferred to Board Members for the performance in year 2012. According to the Board Member contract, Members of the Management Board have the right, upon termination of a contract, to receive remuneration of a member of the management board for three to six months. The Company did not calculate or pay any remuneration to members of the Supervisory Board.

NOTE 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

	31.12.2016			31.12.2015		
In thousands of euros	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
ASSETS						
Cash and cash equivalents	13 622	13 622	0	7 185	7 185	0
Debt securities at fair value through profit or loss	25 154	25 154	0	24 444	24 444	0
Term deposits	13 501	13 501	0	16 619	16 619	0
Receivables and prepaid expenses	8 908	8 908	0	7 401	7 401	0
Non-financial assets	151	151	0	149	149	0
Total assets	**61 336**	**61 336**	**0**	**55 798**	**55 798**	**0**
LIABILITIES						
Liabilities related to insurance activities	25 882	25 882	0	22 396	22 396	0
Other liabilities	1 357	1 357	0	1 256	1 256	0
Total liabilities	**27 239**	**27 239**	**0**	**23 652**	**23 652**	**0**

NOTE 21. EVENTS AFTER BALANCE SHEET DATE

The Council members Jonas Jonsson, Kristina Mikenberg and Johanna Okasmaa Nilsson will continue on their positions until 07.02.2021. The Council member Aet Altroff will continue on her position until 13.08.2020.

***

PROFIT DISTRIBUTION PROPOSAL

The Board confirmed the 10,819,903 euros net profit of Swedbank P&C Insurance AS. In accordance with the audited financial results, the Board recommends the annual shareholders´ meeting that the Swedbank P&C Insurance AS 2016 net profit of 10,819,903 euros and retained earnings from previous financial periods of 1,345,855 euros, all totalling to 12,165,758 euros, to be distributed as shown below:

- To be paid as dividends	8,700,000 euros
- To the legal reserve	1,400,000 euros
- To remain undistributed	2,065,758 euros

Name	Position	Signature / Date
Margus Liigand	Chairman of the Management Board	/digital signature/
Peeter Kabbun	Member of the Management Board	/digital signature/
Vaida Janušytė	Member of the Management Board	/digital signature/
Mihkel Mandre	Member of the Management Board	/digital signature/