

P&C Insurance

If P&C is the leading property and casualty insurance company in the Nordic region, with insurance operations that also encompass the Baltic countries. The P&C insurance group's parent company, If P&C Insurance Holding Ltd, is located in Sweden, and the If subsidiaries and branches provide insurance solutions and services in Finland, Sweden, Norway, Denmark and the Baltic countries. If's operations are divided into four business areas: Private, Commercial, Industrial and Baltic. The share of profit of Danish insurance company Topdanmark, an associated company of Sampo plc, is reported in the segment P&C insurance.

Results*

P&C Insurance, 2016

EURm	2016	2015	Change, %
Premiums, net	4,292	4,378	-2
Net income from investments	173	304	-43
Other operating income	26	28	-5
Claims incurred	-2,670	-2,894	-8
Change in insurance liabilities	-6	-34	-81
Staff costs	-512	-371	38
Other operating expenses	-472	-477	-1
Finance costs	-13	-16	-20
Share of associates' profit/loss	65	42	54
Profit before taxes	883	960	-8

Key figures	2016	2015	Change
Combined ratio, %	84.4	85.4	-1.0
Risk ratio, %	62.3	66.6	-4.3
Cost ratio, %	22.1	18.8**	3.3
Expense ratio, %	16.6	13.0**	3.6
Return on equity, %	25.3	21.5	3.8
Average number of staff (FTE)	6,180	6,176	4

* Excluding the non-recurring items combined ratio for 2016 would have been 86.1 per cent and 86.5 per cent for 2015.

** Adjusted for non-recurring items the comparison figures for cost and expense ratio would have been 22.3 per cent and 16.6 per cent, respectively.

Profit before taxes for the year 2016 for the P&C insurance segment was EUR 883 million (960). Combined ratio improved to 84.4 per cent (85.4) and risk ratio to 62.3 per cent (66.6). In the first quarter of 2016 EUR 72 million was released from the Swedish MTPL reserves, following a review of mortality tables by the Swedish insurance federation. This improved the combined ratio for the full-year 2016 by 1.7 percentage points. The comparison figure contains two non-recurring items - the reform of the pension system in If Norway and the lowering of the interest rate used in discounting annuities in Finland from 2.0 per cent to 1.5 per cent. Their combined effect on 2015 combined ratio was 1.1 percentage points positive.

EUR 141 million, including the Swedish MTPL release, was released from technical reserves relating to prior year claims in January-December 2016. In the previous year the reserves were strengthened by EUR 61 million mainly explained by the lowering of the interest rate used in discounting annuities in Finland. Return on equity increased to 25.3 per cent (21.5) and the fair value reserve on 31 December 2016 increased to EUR 484 million (391).

Technical result increased to EUR 658 million (657). Insurance margin (technical result in relation to net premiums earned) improved to 15.5 per cent (15.1).

	Combined ratio, %			Risk ratio, %		
	2016	2015	Change	2016	2015	Change
Private	83.2	88.1	-4.9	61.1	65.6	-4.5
Commercial	86.3	89.2	-2.9	63.9	66.3	-2.4
Industrial	88.6	99.4	-10.8	66.3	77.4	-11.1
Baltic	89.8	85.7	4.1	60.4	55.5	4.9
Sweden	83.1	86.8	-3.7	62.5	65.6	-3.1
Norway	84.8	88.0	-3.2	62.0	65.1	-3.1
Finland	82.4	94.9	-12.5	60.6	72.8	-12.2
Denmark	95.4	90.8	4.6	68.0	64.0	4.0

The release from the Swedish MTPL reserves in the first quarter of 2016 affected the full-year 2016 result positively while the comparison figures for the Finnish business are burdened by the change in the Finnish discount rate in the second quarter of 2015. Large claims in BA Industrial were EUR 11 million better than expected in 2016 and the total large claims for If P&C ended up EUR 17 million better than expected for the full-year.

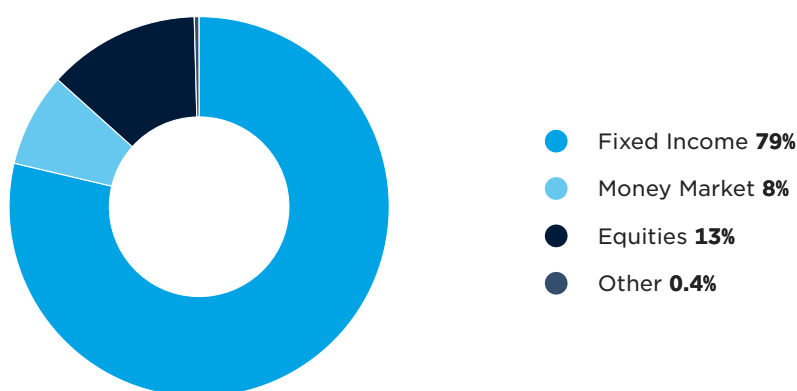
Swedish discount rate used to discount the annuity reserves decreased to -0.03 per cent by the end of December 2016 and had a negative effect of EUR 29 million in the full-year results. The discount rate was 0.41 per cent at the end of 2015. In the fourth quarter of 2016 the effect was EUR 19 million positive. In Finland the discount rate for annuities remained unchanged at 1.5 per cent.

Gross written premiums decreased to EUR 4,458 million (4,559) in 2016. Adjusted for currency, premium growth was flat. Growth was positive in business area Private and negative in business areas Commercial, Industrial and Baltic. Geographically, gross written premiums grew by 4 per cent in Sweden and Denmark, while the growth was negative in Norway and Finland.

Cost ratio was 22.1 per cent (18.8) and expense ratio 16.6 per cent (13.0). The comparison year was impacted by the positive effect of the non-recurring reform of the pension system in If Norway booked in the second quarter of the year. Excluding the non-recurring item the comparison ratios were 22.3 per cent and 16.6 per cent, respectively.

Investment Allocation

If P&C, 31 December 2016, Total EUR 12.2 billion



On 31 December 2016, the total investment assets of If P&C amounted to EUR 12.2 billion (11.4), of which fixed income investments constituted 79 per cent (74), money market 8 per cent (12) and equity 13 per cent (13). Net income from investments amounted to EUR 173 million (304). Investment return marked-to-market

for the full-year 2016 increased to 2.9 per cent (1.5). Duration for interest bearing assets was 1.4 years (1.2) and average maturity 2.8 years (2.6). Fixed income running yield as at 31 December 2016 was 1.7 per cent (1.8).

If P&C paid a dividend of SEK 5.8 billion (EUR 586 million) to Sampo plc in December 2016. In addition, If P&C paid an extra SEK 2.8 billion (EUR 293 million) dividend to Sampo plc in September 2016. If P&C's solvency position is described in the section [Solvency](#).

If P&C Insurance Holding AB (publ) sold all of its shares in the Danish insurance company Topdanmark A/S to Sampo plc on 7 September 2016 in conjunction with the mandatory public offer Sampo plc was obliged to make to the other shareholders of Topdanmark after its ownership in the company exceeded one third of all the shares. In Sampo Group's

segment reporting Topdanmark holding, 45.7 per cent of all votes in the company, is, however, still included in the P&C insurance segment. In Sampo Group's 2016 accounts the contribution of Topdanmark's net profit amounted to EUR 65 million (43). The sales gain If P&C made by selling Topdanmark shares to Sampo plc is eliminated in the Group accounts.

The mandatory offer made to the shareholders of Topdanmark by Sampo plc commencing on 27 September 2016 and expiring on 25 October 2016 is explained in more detail in the section [Mandatory Offer on Topdanmark Shares](#).