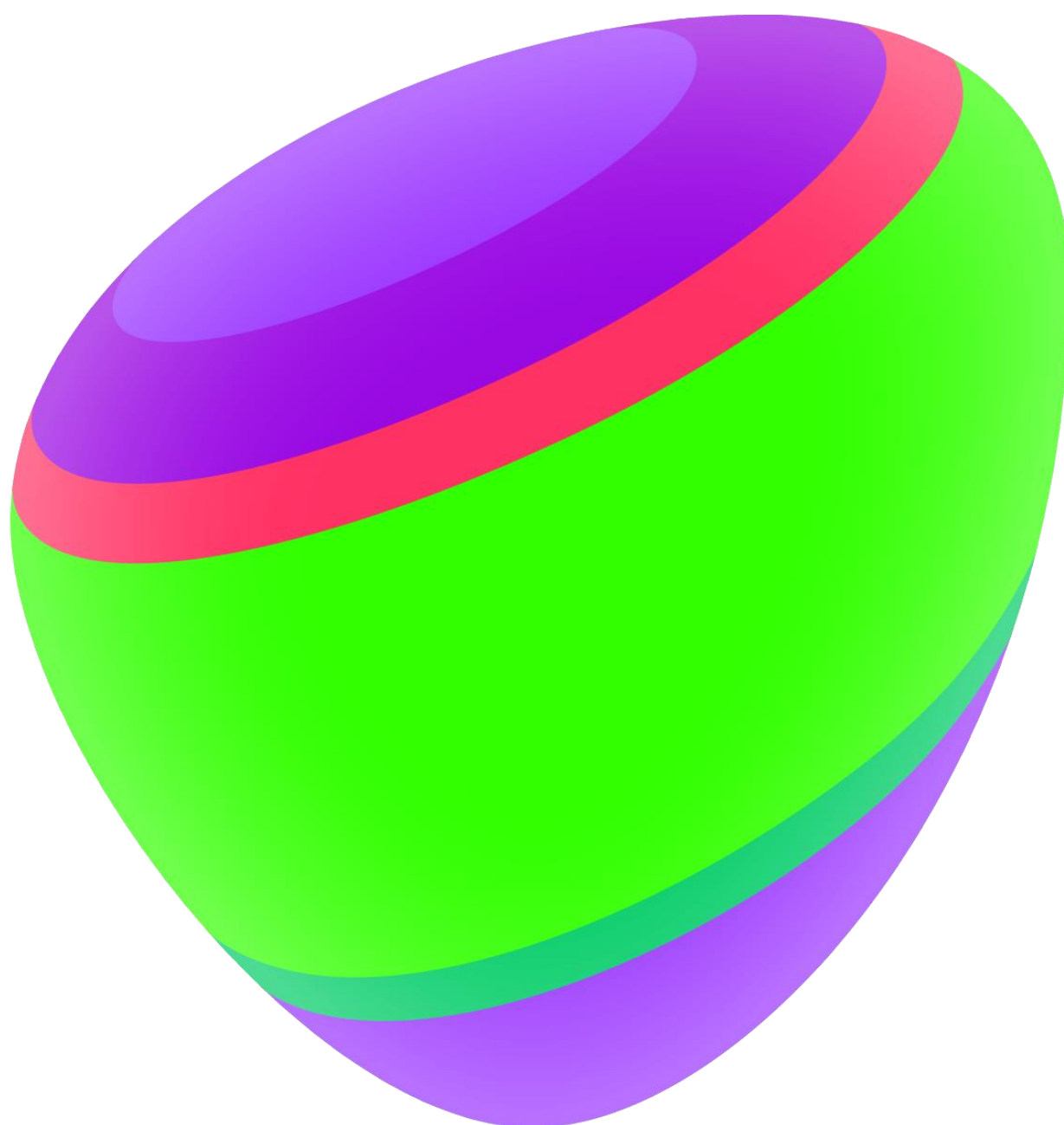


# TELIA FÖRSÄKRING AB

LATVIAN BRANCH

## 2020 ANNUAL REPORT



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# ADMINISTRATION REPORT

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The Branch manager of Telia Försäkring AB – Latvian Branch hereby present the Annual Report for the period 01/07/2019 - 31/12/2020, the Branch's first year in business.

## Organisation

The Branch is wholly owned by Telia Försäkring AB (corporate registration number 516401-8490, registered office: Stockholm) which is wholly owned by Telia Company AB (corporate registration number 556103-4249, registered office: Stockholm) and has its registered office in Stockholm. The Branch's postal address is Stjärntorget 1, SE-169 94 Solna, Sweden.

The Branch provides insurance coverage for fire and other damage to property. This takes place via direct insurance. The Branch's Affinity clients is subscribed solely to a client base which belongs to Telia Company AB's consolidated subsidiaries.

## Developments during 2020

The Branch's business operations have increased in line with business plan during the year.

The Branch is an unmanned branch office in Latvia.

The overall claims result is EUR -1 386 480. The reserve for reported outstanding claims is EUR 78 181

Claims data is available in order to be able to determine IBNR. This has been calculated to amount to EUR 9 456.

## Events after the close of the reporting period

No material events after closing of reporting period.

## Performance

Written premiums amounted to EUR 2 846 340. The written premium is in line with business plan.

Operating expenses in 2020 amounted to EUR 1 503 766 whereof EUR 1 494 426 was paid out in the form of commissions to Telia Latvia.

Earnings before appropriations and taxes amounted to EUR -43 906.

# INCOME STATEMENT

	Note	2019-07-01—2020-12-31
<b>Technical result of non-life insurance operations</b>		
<b>Premiums earned (after ceded reinsurance)</b>		
Premium income	2	2 846 340
<b>Premiums earned (after ceded reinsurance)</b>		<b>2 846 340</b>
<b>Investment income transferred from financial operations</b>		<b>-</b>
<b>Claims cost (after ceded reinsurance)</b>		
<i>Claims paid</i>		-1 298 843
<i>Change in provisions for claims outstanding</i>		-87 637
<b>Total cost of claims (after ceded reinsurance)</b>		<b>-1 386 480</b>
Operating expenses	3	-1 503 766
<b>Technical result, non-life insurance operations</b>		<b>-43 906</b>
<b>Profit before appropriations and tax</b>		<b>-43 906</b>
Corporate tax		-
<b>Net profit for the year</b>		<b>-43 906</b>

# BALANCE SHEET

Assets	Note	2020-12-31
<b>Receivables</b>		
Receivables direct insurance		
<b>Total receivables</b>		
<b>Other Assets</b>		
Other assets		43 731
<b>Total other assets</b>		43 731
<b>Total Assets</b>		<b>43 731</b>
<b>Equity, provisions and liabilities</b>		
<b>Equity</b>		
Profit/loss for the period		-43 906
Retained earnings		-
<b>Net profit for the year</b>		<b>-43 906</b>
<b>Technical reserves (before ceded reinsurance)</b>		
Unearned premiums and unexpected risks		-
Claims outstanding	4	87 637
<b>Total technical reserves (before ceded reinsurance)</b>		<b>87 637</b>
<b>Liabilities</b>		
Liabilities direct insurance		-
<b>Total liabilities</b>		-
<b>Total Equity, provisions and liabilities</b>		<b>43 731</b>

# ACCOUNTING POLICIES AND RISKS

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## Note 1. Accounting policies

### **Fundamental accounting policies**

The Annual Report has been prepared in accordance with the Swedish Annual Accounts for Insurance Companies Act and the Swedish Financial Supervisory Authority's regulations and general guidelines FFFS 2019:23 and RFR 2 Accounting for Legal Entities.

### **Compliance with standards and regulations**

The insurance Branch applies what is referred to as statutory IFRS, meaning International Accounting Standards which have been adopted for application with the restrictions arising from RFR 2 and FFFS 2019:23. This means that all EU-approved IFRSs are applied, to the extent feasible, within the framework of Swedish law and with regard to the relationship between recognition and taxation.

#### *(a) New and amended standards applied by the Branch*

The company applies to FFFS 2019:23 for the first time, however, this has had no effects on how transactions and balance posts are accounted for or valued.

#### *(b) New Standards, revisions and interpretations of existing standards that have not yet entered into force and have not been applied early by the Branch.*

News or changes with future application are not planned to be applied in advance.

As of 1 January 2018, IFRS 9 Financial Instruments replaces the previous Standard, IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a new model for the classification and measurement including impairment of financial instruments, a forward-looking "expected loss" impairment model and a simplified approach to hedge accounting. Telia Försäkring AB Estonian branch will wait to implement IFRS 9 until IFRS 17 is in place.

IFRS 9, Financial instruments: Classification and Measurement have a relationship with the choice of application of the principles for recognition in the forthcoming accounting standards for insurance contracts, IFRS 17. The relationship affects the choice of presentation of interest rate effects in the Income Statement or in Other comprehensive income with the valuation of commitments related to insurance contracts. The relationship between the accounting standards has resulted in the IASB publishing a modification in the current standard for reporting insurance contracts, IFRS 4.

The change results in that insurance companies have two alternative options. One option ("deferral approach") is that companies engaged in insurance can, if certain criteria are fulfilled, postpone the application of IFRS 9. The second option ("overlay approach") is that companies engaged in insurance which in accord with IFRS 9 classify financial instruments at fair value via their Income Statement, which under IAS 39 were not classified at fair value via their Income Statement, are permitted an alternative application of IFRS 9. In short, this means that they can choose to present the difference between the amount that would have been recognised in the Income Statement under IFRS 9 and the amount that would have been recognised in the Income Statement under IAS 39 in Other comprehensive income.

The adoption and transition to IFRS 9 is not expected to lead to any reclassifications between fair value and accrued acquisition value, and therefore will not have any impact on the financial statements.

IFRS 17, Insurance Contracts. New Standard for the accounting for insurance contracts was approved by the EU in 2017, with an effective date of 1 January 2023. The Standard represents a uniform international reporting Standard for the reporting of insurance contracts. The Swedish FSA has decided that it will not be allowed to use IFRS 17 in the annual financial statement for insurance companies.

The introduction of this Standard is expected to have a major impact on the financial statements for most insurance companies both in terms of valuation and presentation, not only in the Balance Sheet and Income

Statement, but also regarding internal monitoring of the business operations. The disclosure requirement is also extensive. The Branch has not yet evaluated the effects but follows developments in the matter.

### **Bases of valuation applied in preparing the financial statements**

All amounts are rounded to the nearest EUR, unless stated otherwise. Assets and liabilities have been recognised at cost, with the exception of certain financial assets and liabilities that are measured at fair value.

### **Currency**

The Branch's functional currency is Euro.

### **Insurance contracts**

The insurance contracts have been analysed in order to classify them in accordance with IFRS 4 Insurance Contracts. An insurance contract is a contract under which the Branch accepts significant insurance risk by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. A financial contract is a contract that does not transfer any significant insurance risk. All contracts in the Branch are classified as insurance contracts.

### **Related party transactions**

The Branch classifies related parties as follows:

- \* Group companies
- \* Key persons in senior positions
- \* Other related parties

Group companies comprise the parent company Telia Company AB and all subsidiaries of Telia Company AB. Key persons in senior positions comprise the President & CEO. No other related parties have been identified.

### **Policies applied to items on the Balance Sheet**

#### Cash and cash equivalents

Cash and cash equivalents consist of the Branch's bank balances on accounts that form part of Telia Company AB's cash pool structure, as well as cash at bank and in hand. Bank accounts are listed on the Balance Sheet under cash and other bank balances.

#### Technical provisions

Technical provisions consist of Provisions for outstanding claims

Provisions for outstanding claims are made according to the policyholder's requirements, less deductible. Provisions for outstanding claims must cover the anticipated future payments to be made for all claims incurred. Provisions for outstanding claims also include those claims that have incurred but are not yet reported (IBNR). The IBNR provision is generally calculated using statistical methods.

### **Policies applied to items in the Income Statement**

#### Written premiums

A premium means the remuneration that an insurance Branch receives from the policyholder in order to accept the transfer of insurance risk. Written premiums are recognised in the Income Statement when the premium falls due.

#### Premiums earned

The portion of written premiums that is attributable to the reporting period is recognised as premiums earned. The portion of written premiums that relates to periods after the close of the reporting period is allocated to a premium reserve on the Balance Sheet.

#### Claims incurred for insurance coverage

Claims incurred comprise claims paid and changes in the balance of Technical provisions. Payments made to policyholders during the financial year on the basis of insurance contracts or claims incurred, irrespective of when the claim was incurred, are recognised as claims paid. Changes in the balance of *Technical provisions* are recognised exclusive of exchange rate fluctuations, which are recognised as investment return.

#### Operating expenses

The operating expenses for the period are recognised in the technical result in the Income Statement. Expenses for claims handling form part of the administrative expenses of insurance operations but are recognised under claims incurred in the Income Statement. Any acquisition costs and accrual of these are also included in the operating expenses. The operating costs of asset management are recognised in the non-technical result. Operating expenses are recognised as they are incurred, with the exception of acquisition costs, which are recognised as an asset and accrued over the life of the insurance contract.

#### Technical provisions

Technical provisions are calculated using methods that involve making various assumptions. There is particular uncertainty with regard to the actual outcome for the portion of provisions that relates to claims incurred but not reported.



# NOTES TO THE BRANCH'S FINANCIAL STATEMENTS

## Note 2. Written premiums

Premiums written per geographical area	2019-07-01—2020-12-31
Direct insurance, Latvia	2 846 340
<b>Total Premiums written</b>	<b>2 846 340</b>

## Note 3. Operating expenses

	2019-07-01—2020-12-31
Acquisition costs	1 494 426
Local taxes	6 786
Administration expenses	2 554
<b>Total operating expenses</b>	<b>1 503 766</b>

## Note 4. Provisions for outstanding claims

	2020-12-31
<i>Incurred and reported claims</i>	-
Opening balance	-
Change in outstanding loss reserve	78 181
Closing balance	<b>78 181</b>

Incurred but not reported claims (IBNR)	
Opening balance	-
Change in IBNR	9 456
Closing balance	<b>9 456</b>

Total losses incurred incl. IBNR	
Opening balance	-
Change in outstanding loss reserve incl. IBNR	87 637
<b>Closing balance</b>	<b>87 637</b>

# SIGNATURES

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Stockholm, 30 June 2021

Telia Försäkring AB

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Ann-Katrin Begler  
Branch manager

## AUDITOR'S REPORT

To the Annual General Meeting of Telia Försäkring AB corporate identity number 516401-8490

### Report on the annual accounts

#### *Opinions*

We have audited the annual accounts of Telia Försäkring AB (publ) for the financial year 01/01/2020 - 31/12/2020.

In our opinion, the annual accounts have been prepared in accordance with the Act regarding annual accounts of insurance companies and in all material respects give a true and fair view of the company's financial position as at 31 December 2020 and of its financial performance for the year in accordance with the Act regarding annual accounts of insurance companies. The administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual general meeting adopts the income statement and balance sheet for the company.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the supplementary report submitted to the Board of Directors of the parent company in accordance with the Auditors' Regulation (537/2014) article 11.

#### *Basis for opinions*

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in more detail in the section *Auditor's responsibility*. We are independent in relation to the company in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our professional ethical responsibility according to these requirements. This includes that, to the best of our knowledge and conviction, no prohibited services as referred to in article 5.1 of the Auditors' Regulation (537/2014) have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### *Key Audit Matters*

Key Audit Matters are those areas which, in our professional judgement, were of most significance in the audit of the annual accounts for the current period. These areas were addressed within the context of the audit of the annual accounts as a whole, and in forming the auditor's opinion thereon, but we do not provide a separate opinion about these matters.

#### *Valuation of Claims outstanding*

Claims outstanding amount to SEK 57,668 thousand as of 31 December 2020. The provision for Claims outstanding constitutes a material balance sheet item that is based on complex actuarial calculations and assumptions regarding the future development of a number of financial and non-financial parameters.

The most critical assumptions with the highest uncertainty and the greatest impact on the valuation of balance sheet items are assumptions about the frequency and severity of expected claims payments for both claims reported but not settled (RBNS) and claims incurred but not reported (IBNR).

Note 1 to the Annual Accounts gives a description of the accounting principles applied for the valuation of the company's claims outstanding. Note 1 shows significant estimates and judgements for the calculation of claims outstanding.

An incorrect assessment of assumptions regarding the above parameters or incorrect use of the actuarial models underlying the calculation of the claims outstanding may have a material impact on the valuation and therefore this is considered to be an area of particular significance in our audit.

Our audit included the following audit measures but was not limited to:

- evaluation of the design and implementation of the controls that we have determined most relevant, such as insurance systems data quality controls, controls of the application of assumptions and controls of the evaluation and analysis of the reasonability of outcomes,
- evaluation of management's choice of actuarial models and assumptions with regard to expected future payments for claims reported but not settled and claims incurred but not reported and analysis of claims development so as to assess the reasonability of the company's historical provisions for outstanding claims,
- use of our internal actuarial specialists to challenge the appropriateness of the methods and assumptions used in the assessment of the estimated provisions and
- examination of whether the disclosures relating to the claims outstanding are accurate and complete.

#### *The responsibilities of the Board of Directors and Managing Director*

It is the Board of Directors and the Managing Director who are responsible for the preparation of the annual

accounts and for ensuring that they provide a true and fair view according to the Act regarding annual accounts of insurance companies. The Board of Directors and the Managing Director are also responsible for the internal control that they determine is necessary to enable the preparation of annual accounts that do not contain any material misstatements, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern assumption is not, however, applied if the Board of Directors and the Managing Director intend to liquidate the company, cease operations or have no realistic alternative but to do so.

#### *Auditor's responsibilities*

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole contain any material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the financial decisions of users taken on the basis of these annual accounts.

As a part of an audit according to ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatements of the annual accounts, whether due to fraud or error, design and perform auditing procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and when preparing the annual accounts, also conclude on, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts regarding the material uncertainty or, if such disclosures are inadequate, to modify the opinion regarding the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease as a going concern.

- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of the planned scope and timing of the audit. We must also inform about significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We must also provide the Board of Directors with a statement that we have complied with relevant professional ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts, including the most important risks of material misstatements, and which therefore constitute the key audit matters in the audit. We describe these matters in the auditor's report unless laws or other regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that the matters should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on other requirements in accordance with laws and other regulations**

#### *Opinions*

In addition to our audit of the annual accounts, we have also performed an audit of the Board of Directors' and the Managing Director's administration of Telia Försäkring AB (publ) for the financial year 01/01/2020 to 31/12/2020, as well as the proposed appropriation of the company's profit or loss.

We recommend to the annual general meeting that that profit be appropriated in accordance with the proposal in the administration report and that the the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

#### *Basis for opinions*

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in this regard is described in more detail in the section *Auditor's responsibility*. We are independent in relation to the company in accordance

with generally accepted auditing standards in Sweden and have otherwise fulfilled our professional ethical responsibility according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### *The responsibilities of the Board of Directors and Managing Director*

The Board of Directors is responsible for the proposed appropriation of the company's profit or loss. In the event of a proposed dividend, this includes an assessment of whether the dividend is justifiable considering the requirements that the company's nature of operations, scope and risks define for the size of the company's equity, consolidation requirements, liquidity and position otherwise.

The Board of Directors is responsible for the company's organisation and the management of its affairs. This includes continuously assessing the company's financial situation, and ensuring that the company's organisation is structured so that accounting, asset management and the company's financial affairs otherwise are controlled in a satisfactory manner. The Managing Director shall take care of the ongoing administration according to the Board of Directors' guidelines and instructions and take the actions necessary for the company's bookkeeping to be performed in accordance with law and for asset management to be managed in a satisfactory manner.

#### *Auditor's responsibilities*

Our objective regarding the audit of the administration, and thereby our opinion regarding discharge from liability, is to obtain audit evidence to be able to assess with reasonable assurance if any member of the Board of Directors or the Managing Director in any material respect:

- took any action or committed any negligence that may result in them becoming liable against the company, or
- otherwise acted in violation of the Companies Act, the Insurance Business Act, the Act regarding annual accounts of insurance companies or the Articles of Association.

Our objective regarding the audit of the proposed appropriation of the company's profit or loss, and thereby our opinion on this matter, is to assess with reasonable assurance, whether the proposal is consistent with the Companies Act.

Reasonable assurance is a high level of assurance, but no guarantee that an audit performed in accordance with generally accepted auditing standards in Sweden will always detect actions or negligence that can result in liability against the company, or that a proposed appropriation of the company's profit or loss is not consistent with the Companies Act.

As part of an audit according to generally accepted auditing standards in Sweden, we use professional judgement and have maintained professional scepticism throughout the audit. The audit of the administration and the proposed appropriation of the company's profit or loss is primarily based on the audit of the accounts. What additional audit procedures are performed is based on our professional judgement on the basis of risk and materiality. This means that we focus the audit on such measures, matters and conditions that are significant to the business and where deviations or violations would be of particular significance to the company's situation. We review and evaluate decisions made, supporting documentation, actions taken and other conditions that are relevant to our opinion regarding discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriation of the company's profit or loss, we have examined whether the proposal is consistent with the Companies Act.

Deloitte AB was appointed as Telia Försäkring AB's auditor by the Annual General Meeting of 22/06/2020 and has been the company's auditor since 15/05/2014.

Stockholm, 12 May 2021

Deloitte AB

Henrik Persson  
Authorised Public Accountant